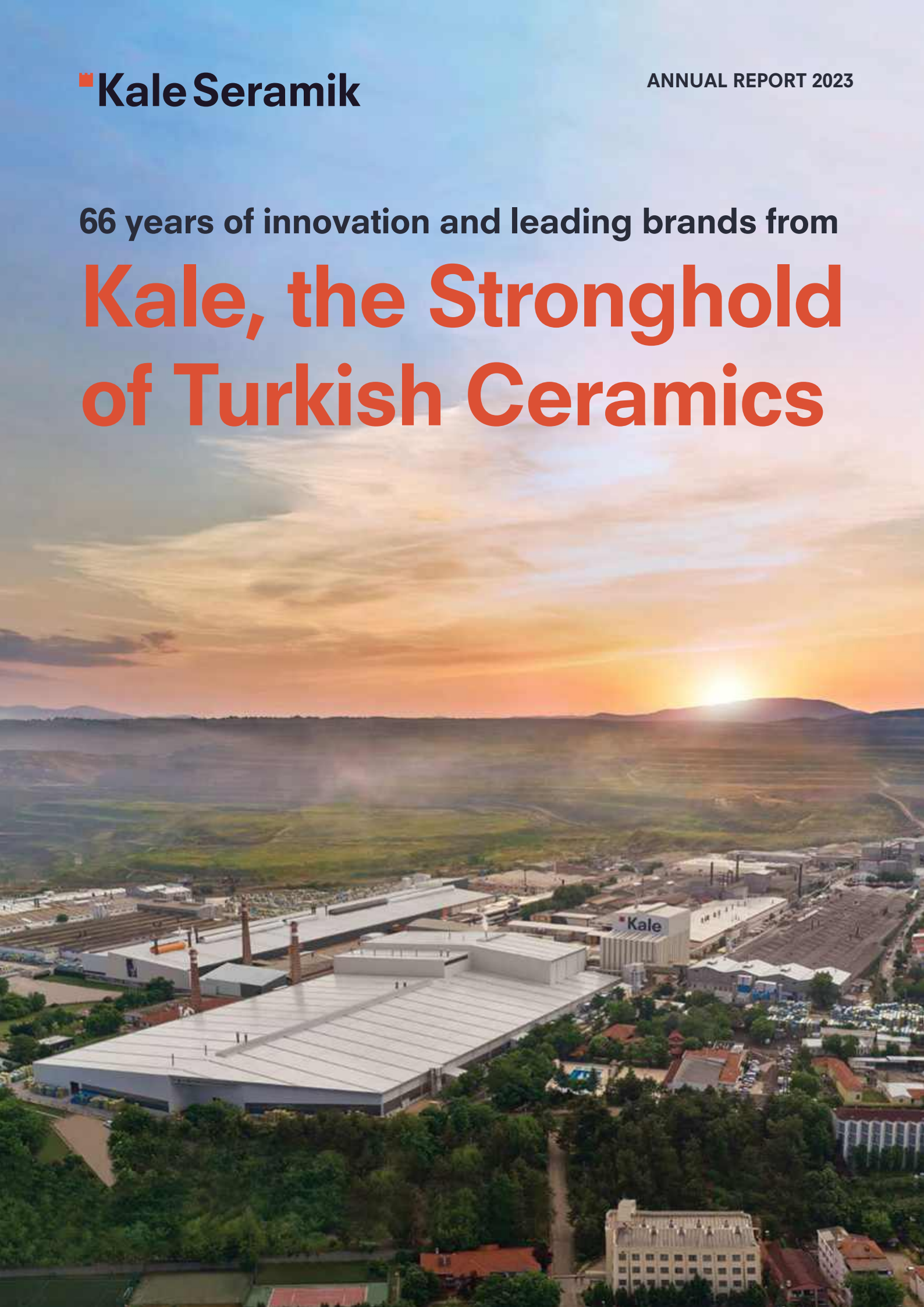


66 years of innovation and leading brands from
**Kale, the Stronghold
of Turkish Ceramics**



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If your spirits lift when you enter your home...
And if you see more than just four walls...
If you can choose the colors and décor of your heart...
If you can welcome your dreams – as well as your friends – to your table...
If you can make a flower, a child – or perhaps a hope – bloom in the peace of your home...
Then your home is your world,
And the world is your home!
And we,
With our durable products that focus on design, with our inspiring yet sustainable and economical solutions, and with a beautiful balance of functionality and aesthetics, we are ready to reflect your dreams and style in every corner of your home – to take good care of your home, your world, and you.

**Dating to 1956, we
represent one of the
most pivotal industrial
milestones in the
history of the Republic
and stand as the first
ceramic manufacturer**

We recognize our responsibilities.

For 66 years, we have worked ceaselessly for our country and our people, aligned with the words of the Great Leader Atatürk, the founder of our Republic, who said, "The one who loves his homeland the most is the one who does his duty the best."

Driven by the power of our nation, our people and our values, we are now among the most important producers in our sector, not only in Türkiye but worldwide.

We realized our public offering and we intend to move even further in the ceramics sector during this new century of our Republic, empowered with our solid structure, the experience of our specialized staff, and an unbeatable blend of technology and accumulated knowledge.



We bear the responsibility for adding value to life with discoveries

We identified the three core values sustaining our North Star vision as “People-Design-Innovation.” Thriving on these core values, we transform innovative ideas into reality in accordance with the changing world and evolving needs.

Through our R&D investments, we carry our competitive power beyond the ordinary.

We are the first company in the world to invest in Kalesinterflex (porcelain slab) technology and to start production with this technology.

TL **181**
million*
TOTAL R&D
EXPENDITURES
IN 2023

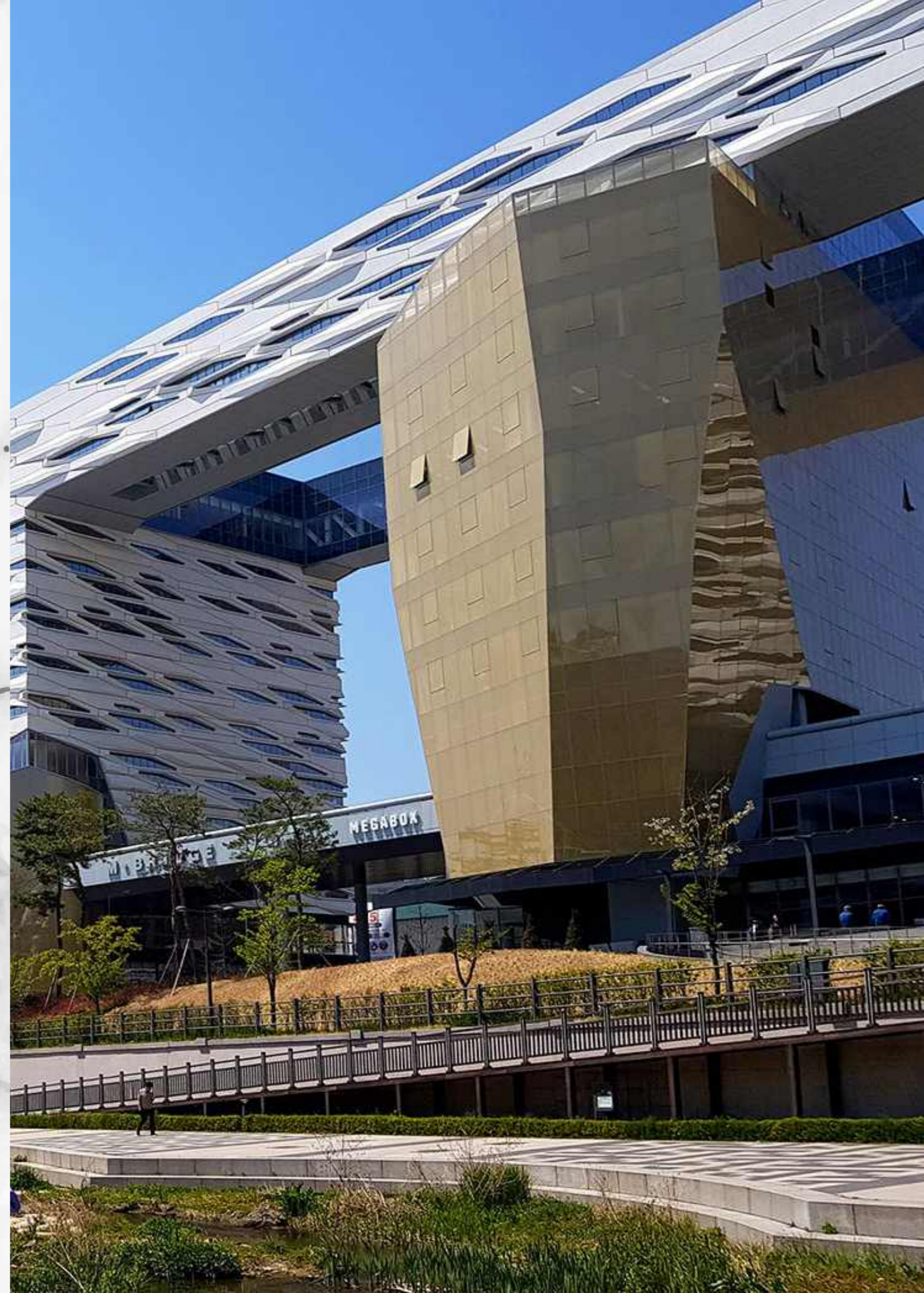
* Including capitalization.



We bear the responsibility for adding value to our economy with exports

We play a major and pioneering role in making Türkiye one of the most important actors in the global ceramics industry. We are the country's leading and most powerful brand in this field, exporting around the world, and aiming for expanded global growth. **In 2023, despite challenges during the year, we exported to 86 countries.**

USD **76**
million
EXPORT REVENUE



We bear the responsibility of ensuring value for our investors with **a healthy, flexible and agile structure**

To reinforce our strong position in the global market and further improve our performance, we went public on the Borsa Istanbul. This was a significant step towards our global goals and, through the IPO, we collected more than TL 9.0 billion in demand from over two million investors. **Along with our new shareholders, we stride forward to even greater goals and success.**

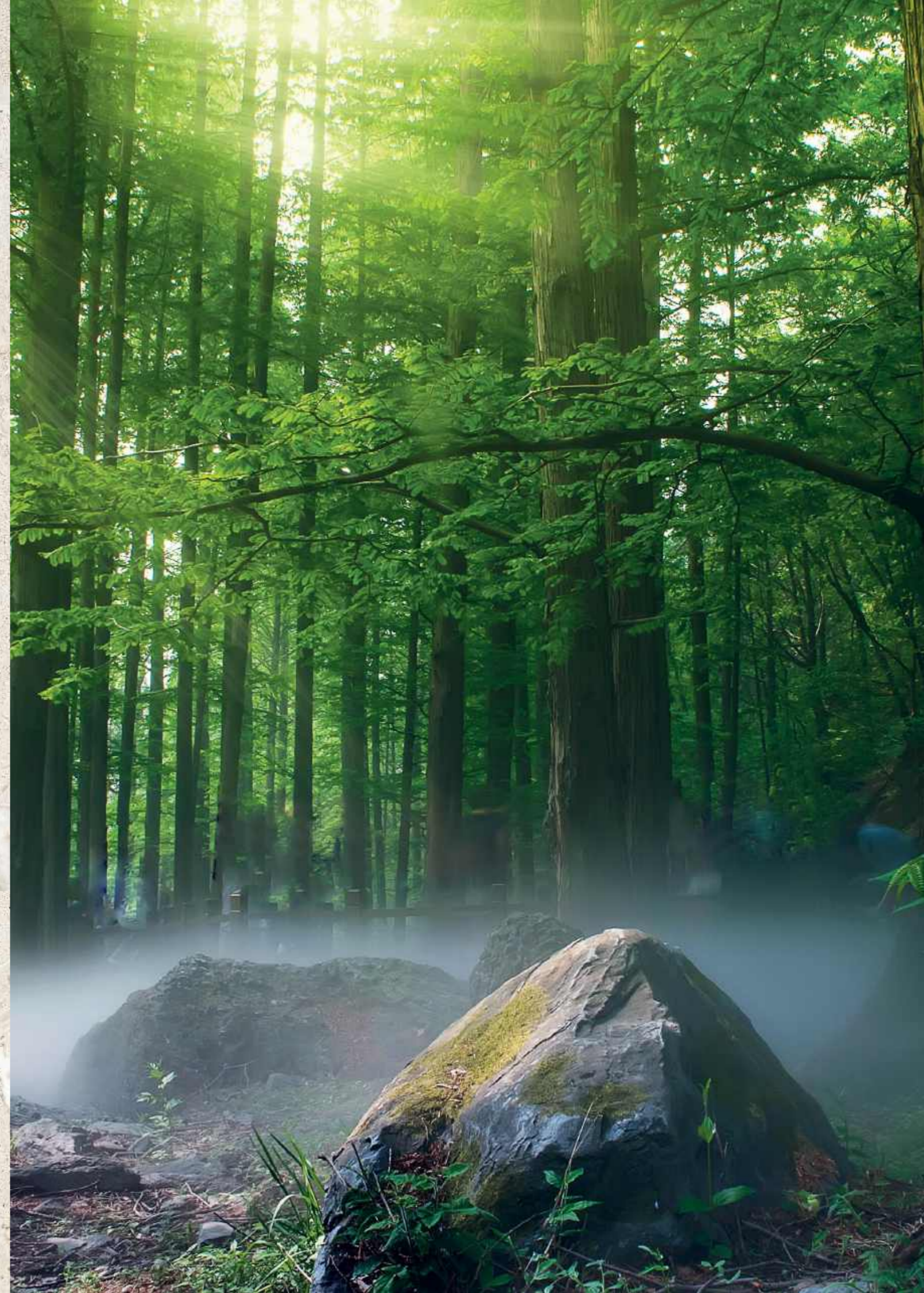
TL **2.7**
billion
IPO SIZE



We take good care of the world and bear responsibility for the future

We are responsible for the future of our planet and all living beings. The climate crisis is one of the most important challenges as of today, as Kaleseramik, we focus on sustainability across all our production processes, starting from the design, to build a sustainable future. Supporting our sustainable production technology with clean energy, we uphold our journey to a better world and **expand our Care for Your World (İyi Bak Dünyana) movement.**

15%
SHARE OF
SUSTAINABILITY
INVESTMENTS
IN TOTAL
INVESTMENTS



DEVELOPMENTS IN 2023

Kaleseramik went public

The Kaleseramik IPO was marked with a gong ceremony at Borsa Istanbul on July 27, 2023. The date was particularly meaningful as it coincided with the Ceramic Festival and the commissioning of the third production line for Kalesinterflex, the revolutionary product of the ceramic industry.

TL **2.7**
billion
IPO SIZE

Kaleseramik started trading on the BIST Star Market under the ticker symbol **#KLSE**.

The new slab-sinterflex production line investment was commissioned on July 27, 2023.



Kaleseramik goes public

Kaleseramik went public with its innovative and world-famous products, longstanding corporate culture, strong financial structure and transparent financial approach.

As part of the Kaleseramik IPO, investors demonstrated great interest in the demand collection process led by Ak Yatırım and Yapı Kredi Yatırım. More than two million applications were received from institutional and individual investors.

Of the shares offered for public offering, shares with a nominal value of TL 1,093,905 corresponding to 1% were allocated to Kale Group employees; shares with a nominal value of TL 86,418,467 corresponding to 79% were allocated to domestic individual investors; and shares with a nominal value of TL 21,878,093 corresponding to 20% were allocated to domestic institutional investors.

For the IPO, demand was 2.6 times higher than the shares allocated to domestic individual investors; 1.7 times higher than the shares allocated to Kale Group employees; and 6.3 times higher than the shares allocated to domestic institutional investors. Demand was 3.3 times the total size of the IPO.

The entire IPO was realized through a capital increase. Shares with a total nominal value of TL 109,390,465 were offered for sale at a public offering price of TL 25. The size of the Company's IPO amounted to TL 2.7 billion.

Kaleseramik started trading on the BIST Stars with the ticker symbol #KLSE after the gong ceremony held on Thursday, July 27, 2023 at Borsa Istanbul. Kaleseramik's free float rate was 21.25%.

Moved up 12 ranks in the ISO 500

As the leader of the Turkish ceramics industry, Kaleseramik continued to rise among the "Best" in Turkish industry this year with its successes. In 2022, Kaleseramik ranked 180th in the ISO Türkiye's Top 500 Industrial Enterprises. In the 2023 evaluation, the Company moved up 12 ranks to 168th place.

Growth in the Iraqi market

In line with its overseas investment efforts, Kaleseramik partnered with an Iraq-based company. To contribute to the growth within the ceramic coating materials sector in the Iraqi market, the Company's Board of Directors acquired 49% of the shares representing the capital of Al-Sadaf Porcelain and Ceramic Scratch Production Limited Company (Al-Sadaf), headquartered

in Baghdad, Iraq, with a capital of 1.0 billion Iraqi dinars (IQD) and for a price of IQD 280,00 (USD 588,000).

Kalesinterflex's third production line commissioned

Maintaining its growth with new investments, Kaleseramik's new slab-sinterflex production line investment, established in the Slab-Sinterflex 2 Factory on the Çanakkale Çan campus, was commissioned on July 27, 2023. The investment of around EUR 34.2 million was funded by internal resources and a loan.

With an annual production capacity of 1.5 million m², 70% of the 160x320 cm x (6-10-20 mm) and products with smaller dimensions produced in the new line are intended for export markets. This investment aims to reduce carbon emissions by 42% per unit product compared to standard production via zero waste, low energy use and full digitalization.

First sustainability report

With its vision of a sustainable future, Kaleseramik disclosed its first sustainability report to the public. This report provides a detailed overview of the key steps and goals of the Company's sustainability journey. Initiated by Kaleseramik, the "Care for Your World" movement is supported by sustainability-oriented products and forms an environmentally sensitive production and business model.



ABOUT KALE GROUP

Group of Companies adding value to society

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

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

Kale Group, which is the 1st largest manufacturer in Türkiye, 5th largest in Europe, and 17th largest in the world with Kaleseramik in the construction products group, is the market leader in Türkiye with Kalekim in construction chemicals.

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

Kale Group continues its economic and social activities with its primacy of being a reputable group of companies that is a leader in its field, respecting people and the environment and adding sustainable value to society with its industrialist heritage and entrepreneurship.

Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health and Social Aid Foundation, which was established in 1991 to make Kale Group's contributions to society permanent, continues its activities in the field of education and employment.

In addition, Kale Group's mission is to support many pioneering programs to contribute to the design, art, local development, and social entrepreneurship ecosystems. In this context, Kale Group supports enthusiastic individuals and communities by taking part in creative and inspiring projects that create original works.

5 Thousand+
EMPLOYEES

Kale Group Milestones

- ◆ **1957**
The first ceramic factory in Türkiye
- ◆ **1961**
The first production of electric insulators in Türkiye
- ◆ **1962**
Türkiye's first ceramic export
- ◆ **1972**
The first porcelain floor tile production in Türkiye
- ◆ **1973**
Türkiye's first construction chemicals factory
- ◆ **1975**
The first R&D center in the construction industry
- ◆ **1987**
The first aviation project in Türkiye with 100% domestic capital
- ◆ **1991**
Kaleseramik Education, Health and Social Aid Foundation (KSV)
- ◆ **2004**
Production of parts for the F-35 project
- ◆ **2005**
Production of Kalesinterflex, the finest ceramic in the world
- ◆ **2010**
Joint investment with Pratt & Whitney for the production of aircraft engine parts
- ◆ **2019**
Design of Türkiye's first Turbo Jet Engine

Kale Design and Art Center (KTSM)
- ◆ **2020**
The first company in Türkiye to receive the Health Product Declaration (HPD)

The start of the Care for Your World movement
- ◆ **2021**
Initial public offering of Kalekim

KTJ-3200 Turbo Jet Engine goes into mass production
- ◆ **2022**
Kalekim & Lyksor partnership
- ◆ **2023**
Initial public offering of Kaleseramik

Kaleseramik new production line (1.5 million m²)



ABOUT KALE GROUP

We are growing with the synergy of our group companies

Group Companies

Building Materials

Kale Seramik

- The 5th largest ceramic manufacturer in Europe and the 17th in the world
- Meeting consumers in 86 countries
- A wide range of products including floor tiles, wall tiles, slabs and porcelain countertops, ceramic coating materials, bathroom furniture, ceramic sanitary ware, accessories, and fixtures

Kale Mining

- 52 license areas
- Operating in 713 km² license area
- 22 active quarries in 7 different cities
- 200 thousand tons grinding and 2.5 million tons crushing capacity
- Annual sales of 1 million tons
- Production in 10 different mineral groups (Kaolin, Halloysite, Feldspar, Clay, Quartz, Silex, Dolomite, Magnesite, Granite and Calcite)

Kale Frit

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

Meeting
consumers in
86 countries

Europe's 5th
largest ceramic
manufacturer

1
million tons
KALEMADEN
SALES

47
thousand tons
KALE FRIT PRODUCTION
CAPACITY

Construction Chemicals

Kalekim

- Türkiye's first construction chemicals company
- With more than 200 types of products and an annual production capacity of more than 1 million tons, ceramic adhesives, joint fillers, water, and thermal insulation materials, sealants, foams, ceramic cleaning and maintenance materials, industrial floors, surface preparation materials
- Interior and exterior wall paints and decorative exterior wall plaster with a paint and plaster capacity of 50 thousand tons under the Bi'Boya brand
- Exports to 80 countries
- Visuelle, the new brand of decorative coating with its special textures and unique designs

Kalekim Lyksor

- More than 25 years of experience in construction chemicals and concrete technologies

Over 1
million tons
KALEKİM PRODUCTION
CAPACITY

80
NUMBER OF COUNTRIES
KALEKİM EXPORTS TO



Aerospace

Kale Aero

- The first aerospace industry company established with 100% Turkish capital
- Supplier of structural parts and sub-assemblies to Boeing, Spirit, Honeywell, Heroux Devtek, Hutchinson-PFW, KAI, and CTRM, the largest aviation companies in the world
- Leading supplier to the F-35 program in the past
- One of the critical supply chain stakeholders for all Boeing commercial aircraft such as B737, B747, B767, B777, B787, and all Airbus airplanes, including A320 and A220 aircraft families
- Manufacturer of mechanical assembly parts, such as Boeing Krueger Flap and Uplock mechanisms
- Boeing Performance Excellence Award for the years 2012, 2015, and 2016
- 2015 Northrop Grumman Platinum Supplier Award
- The main subcontractor of the Boeing Premier Bidder category level since 2021

100%
FIRST
TURKISH-OWNED
AEROSPACE
COMPANY

Structural
parts and
sub-assembly
supplier



ABOUT KALE GROUP

Breaking new ground in our fields of activity

Group Companies

Aerospace

Kale Pratt & Whitney

- 51% Kale, 49% Pratt & Whitney partnership
- Production of parts for Pratt & Whitney's GTF model, a new-generation commercial aircraft engine
- Having known production technologies in Türkiye and Europe
- One of the 5 companies identified by Pratt & Whitney as a digital factory
- Winner of the RTX Platinum Supplier Award
- Winner of the Great Place to Work award

Kale R&D

- Mass production of Türkiye's first qualified turbojet engine, KTJ-3200, which was developed uniquely
- Flight and development tests for the new engines KTJ-1750 and KTJ-3700, developed based on the experience gained from KTJ-3200
- Center of Excellence for Gas Turbine Systems
- Türkiye's first and only Altitude Test System for gas turbine engines and other special engine testing infrastructures
- Nearly 250 employees supported by an extensive consultancy network



**First qualified
turbojet engine
in Türkiye**

**First and
only Altitude
Test System in
Türkiye**



**Flight and
development
tests**



Service

Kalenakliyat

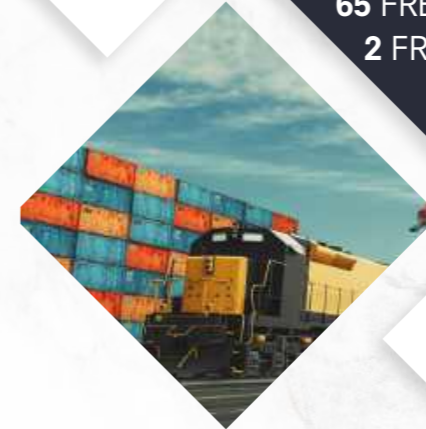
- A 500-car contracted road fleet and a fleet of 65 self-owned freight cars and two self-owned dry cargo ships
- Two million tons of annual transportation performance using road, rail, and sea, as well as integrated transport modes
- Storage service for various product groups in outdoor and indoor areas of 200,000 square meters
- A complete, partial, and micro-distribution service with a wide distribution network using all modes of transportation throughout Türkiye
- Quality Management System Certificate since 2009
- Environmental Management System and Occupational Health and Safety Management System Certificates since 2017

Bodur Real Estate Development

- Effective management of the real estate portfolio of Kale Group companies
- Support to Group companies in terms of management, consultancy, control, and project development
- The first residential project carried out in Kartal, Istanbul; Daire Kartal

**WAREHOUSE
SERVICE on
200,000 M²
AREA**

**Huge Fleet
500 VEHICLES,
65 FREIGHT CARS
2 FREIGHTERS**



**Broad
distribution
network**

ABOUT KALESERAMİK

Pioneer of the Turkish ceramics industry

DATE OF
ESTABLISHMENT

1956

PRODUCTION
CAPACITY

56
million²

**Around 200
new products
each year**



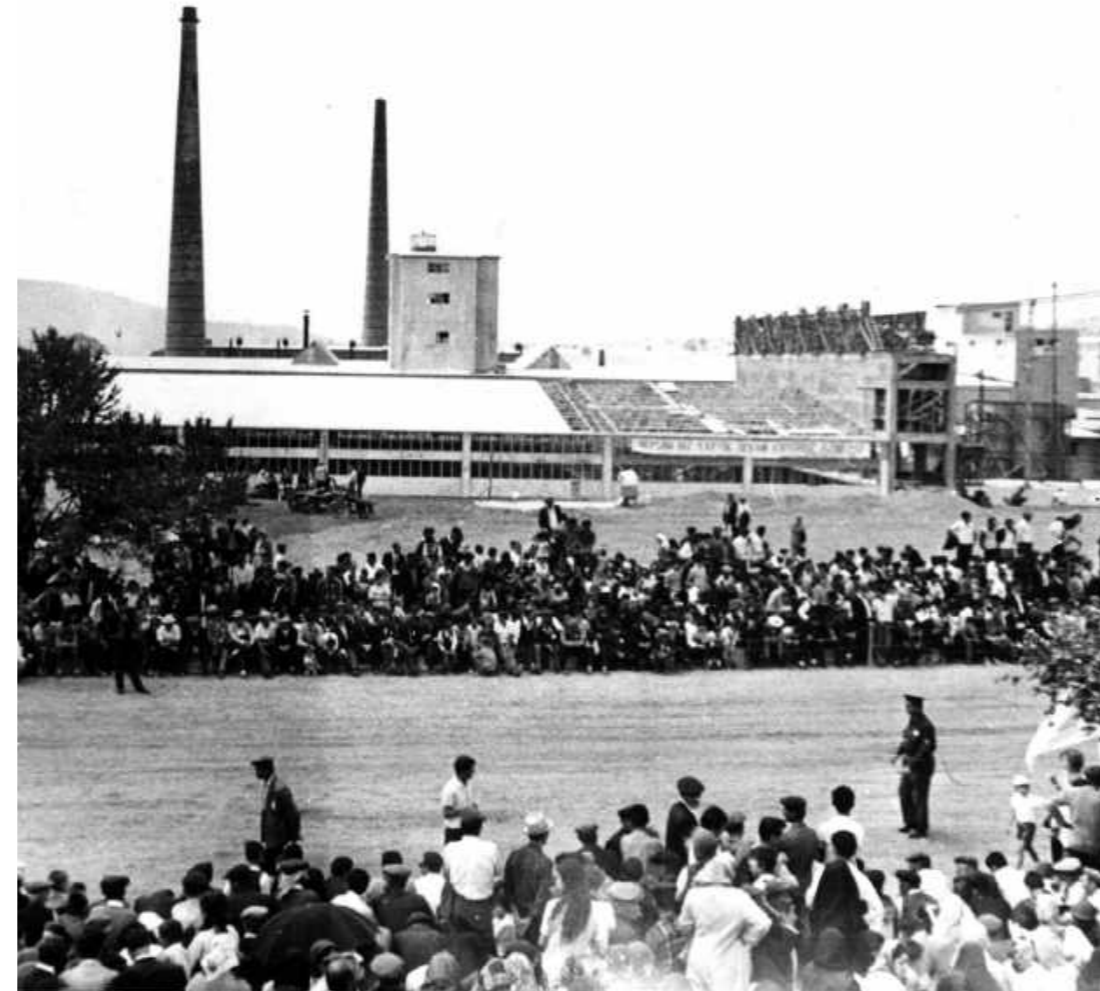
Kaleseramik, which pioneered the establishment and development of the Turkish ceramics industry, was founded in 1956 by the late İbrahim Bodur, Founder and Honorary Chairman of Kale Group. In 1957, the foundations of Çanakkale Ceramic Factories were laid as the first ceramic tile manufacturer in Türkiye.

In 2000, Çanakkale Seramik Fabrikaları A.Ş. and Kalebodur Seramik Sanayi A.Ş. merged under one roof and became known as "Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş."

Since its establishment, Kaleseramik has been introducing innovations to the industry with its sustainable production technology and innovative approach. Today, it houses strong brands such as Çanakkale Seramik, which creates stylish spaces for those seeking original designs with high-quality products; Kalebodur, which reflects

its extensive brand experience in its product range and leads both the sector and architectural culture with its innovative products; Kalesinterflex, which takes ceramic coating products beyond conventional usage areas with large sizes and unique design possibilities; Kale Banyo, which introduces a modern perspective to bathroom design with environmentally and human-friendly products; and T-One, the innovative face of living spaces, transforming kitchen enjoyment into a unique experience.

Continuing its production at four different locations in Çanakkale Çan and Semedeli, Yozgat Yerköy, and Balıkesir Bandırma, Kaleseramik is the largest ceramic coating material producer in Türkiye, 5th largest in Europe and 17th largest in the world with an annual production capacity of 56 million m² as per the 2022 Ceramic World Review (CWR) report.



Kaleseramik leads the sector with a product range of over 4500 products in ceramic coating materials, ceramic sanitary ware, armatures, and bathroom furniture product groups, and introduces approximately 200 new products to the market each year. In addition to Türkiye, the Company supplies customers with a wide range of products in 86 countries.

Continuing its investments within the scope of the global brand journey, Kaleseramik has further strengthened its global position in the production of large-sized porcelain slabs, the future of ceramics, with the third Kalesinterflex Porcelain Slab line, which was commissioned in 2023 with an annual production capacity of 1.5 million m².

Kaleseramik, which ranked 168th in the list of Türkiye's Top 500 Industrial Enterprises released by the Istanbul Chamber of Industry (ISO) in 2023, started to be traded on Borsa Istanbul on July 27, 2023, by offering 21.25% of the Company's shares to the public in line with its domestic and international growth targets.

As a global value in Türkiye's ceramics industry, Kaleseramik has been continuing production for a better world since its establishment. In the second century of the Republic, the Company aims to continue being the driving force of the sector in our country.

The Company continues its Digital Transformation journey, which began in 2019, with the goals of creating value for the organization and all stakeholders through innovative solutions for well-defined needs based on accurate and detailed analyses. This journey aims to increase competitiveness, deliver value-added services, make the organization more agile, enhance data mastery and utilization to boost agility and competitiveness and ensure faster and more efficient business management. In 2023, the Digital Transformation journey progressed with 13 projects and will continue with 13 more projects in 2024.

The innovation strategy of the Company is based on its core value offerings and strategic goals within the scope of its core business area. On this basis, focus areas and innovative solution routes that can generate the highest benefit for internal and external stakeholders are designed, considering the Company's competencies and market position.

The innovation strategy, approached under two clusters, development, and transformation, encompasses the dissemination of a creative thinking culture within the organization, stakeholder engagement, and open innovation activities. It also includes the enhancement of existing products, processes, and services, as well as the creation of new products, services, and business models. At the same time, the Company aims to lead transformative innovation across environmental, social, and governance dimensions, from production processes to final products, and from service structures to business models.

The Company's efforts under the sustainability pillar, one of the foundations of its strategy, are also continuing to increase. In this context, comprehensive efforts were carried out in 2023 to prepare for the publication of the Company's first sustainability report. Similarly, efforts were made company-wide to create a decarbonization roadmap and to set environmental, social, and governance targets.



OUR VISION AND VALUES

OUR VISION

We carry out our activities in the light of our North Star vision of “Adding new meanings to living areas” and our cause of “Inspiring and encouraging to create living areas that bring happiness.”

OUR VALUES

We Create Trust
We Act Decisively and Determined
We Take Responsibility
We Cooperate
We Lead the Way
We Pave the Way for Entrepreneurship

OUR STRATEGY

Türkiye’s preferred brand

With its 66 years of experience, Kaleseramik, the flagship of the Kale Group, is working towards being the preferred, trusted, and recommended first brand by consumers. It aims to increase its share in global markets and continues to grow by creating new business areas.

The key strategic priorities formulated by Kaleseramik in its strategic business plan, taking into account the needs and expectations of all internal and external stakeholders, consist of the following fundamental principles:

- Being the first brand that customers prefer, trust, and recommend
- Increasing profitability through excellence
- Delivering value to employees and talent management
- Increased market share in global markets
- To develop new business areas and grow

To implement its core strategies, Kaleseramik creates and implements projects specific to each of its priorities. The Company supports these main strategic priorities with its Digital Transformation, Innovation, and Sustainability activities and benefits from these impacts at every stage.

Kaleseramik’s competitive advantages

Customer-oriented strategic planning guides the Company’s future plans

Like other companies within the Kale Group, Kaleseramik develops its strategic planning and budget process using the W

method developed by The Boston Consulting Group (BCG). Through this planning methodology and long years of experience, organizational coordination is ensured effectively to achieve targets, and successful and sustainable results are attained.

Kaleseramik conducts its strategic planning activities in collaboration with Kale Holding Corporate Strategy and Business Development Vice Presidency.

Thanks to the expansion of goals from the strategic vision to individual targets, the Company monitors its activities and takes actions to improve performance. The Company also places great importance on the development of its employees.

By conducting appropriate analyses and assessments in line with the Company’s portfolio role within the Group, Kaleseramik formulates its three-year strategy and action plans. Expansion of Goals is practiced as defined in the Strategic Planning and Corporate Performance Management Procedure, Process Management Procedure, and Individual Performance Management System Procedure.

Annual targets extending from the strategic vision to individual goals are monitored on a monthly, quarterly, and semi-annual basis, and accordingly, action plans are developed to further improve performance. Thus, employee development is ensured in an integrated manner in line with the Company’s development goals.

Kaleseramik places great importance on the development of its employees

Development plans cover the next three years and they are reviewed and revised during Performance Management Systems periods.

Backup plans are being made in light of details such as training, competencies, foreign language proficiency, and the necessity of rotation, taking into account the requirements of the position. As part of development needs, both corporate and individual development plans are being prepared for employees, and training is provided to meet the needs arising from these plans.

OUR STRATEGY

Project-based specialized studies

Kaleseramik R&D Center conducts project-based specialized studies. The collection of project ideas, preliminary evaluation, and selection and prioritization of projects are systematically carried out.



Kaleseramik guides the development of new products and services through the Design Committee (TASKOM)

The management of the product portfolio, one of the Company's most important strategic strengths, is ensured through the efforts of the Design Committee (TASKOM). All products offered to domestic and international markets or commercialized go through the approval process of this committee, and decisions can be tracked through TASKOM meeting minutes and product design files. With a standardized product lifecycle management system, the implementation of new products, the removal of products from the portfolio, and change management are ensured with the participation of all relevant stakeholders. In 2022, Kaleseramik aimed to manage this process more effectively and efficiently, preserve its strategic strength in this area, and ensure knowledge management by acquiring Product Lifecycle Management (PLM) application as part of its digital transformation, thereby enhancing its processes.

Kaleseramik enhances its R&D activities through the Research and Development Steering Committee

Kaleseramik R&D Center conducts project-based specialized studies. The collection of project ideas, preliminary evaluation, and prioritization of project selection are systematically carried out. The suggestions gathered in the project idea pool are shared with the Steering Committee.

Each member of the Steering Committee contributes new ideas or suggestions related to their respective field for the project idea pool. These ideas and recommendations emphasize areas for improvement in the innovation, environment, and sustainability fields, covering strategic, sectoral developments and market expectations.

The Company is further strengthening its position with its Applied Research Group and Laboratory (UAG - UAL) and its advanced R&D center.

Kaleseramik R&D Center has carried its research and development activities to the next level with the laboratories that have been certified with the "TS EN ISO 17025

Laboratory Competence" certificate since 2019. With its testing services in ceramic products, industrial raw materials, and wastewater analysis, the Center is the first and only center in its sector and the third in Türkiye. It operates as a pioneering research and development center that distinguishes itself through the methods it uses, its laboratories, participation in congresses and symposiums, and scientific studies.

Commitment to digital transformation improves the Company

Kale Core, offering the opportunity to experience products live with AR (Augmented Reality) technology in the sector, provides the opportunity to design the bathroom in a personalized way on the screen. It stands out as a mobile and web application that offers the user the opportunity to create the design of their dreams. With this application, designs or preferences of users can be uploaded to the system and shared with architects, and free consultation can also be received from the same architect. Currently, customers are being directed to Kale stores for shopping. With the implementation of the e-commerce project, the goal is to ensure that the shopping experience is integrated

into a holistic process on the same platform. With Kale Core, for the first time in the industry, an end-to-end digital experience and service delivery are provided to users through a single platform.

The Company's development is driven by a sustainability approach in economic, social, and environmental dimensions, as well as a vision for sustainable development goals

Kaleseramik considers the economic, social, and environmental impacts of its short-, medium-, and long-term strategic goals. It clusters these strategy dimensions under relevant ESG (environmental-social-corporate governance) criteria and monitors them within the framework of sustainability.

The Company evaluates

- its operations with economic impact under the strategy dimensions of innovation, digital transformation, and sustainability in the supply chain,
- its operations with social impact under the strategy dimensions of occupational health and safety, providing value to employees and talent management, community relations and community impact,
- and its operations with environmental impact under the strategy dimensions of raw material use, energy and carbon emission management, waste management, and water management, and develops its plans through the ESG mechanism.

Sustainable Development Goals (SDGs) are a universal call to action that aims to end poverty, protect the planet, and ensure that all people live in peace and prosperity. Kaleseramik commits to provide benefits on the axis of the following United Nations Sustainable Development Goals and to develop processes, products, and services in line with these goals:

- Decent Work and Economic Growth
- Reduced Inequalities
- Climate Action
- Responsible Consumption and Production
- Industry, Innovation and Infrastructure
- Sustainable Cities and Communities
- Quality Education
- Partnerships for the Goals

Testing services for the analysis of ceramic products, industrial raw materials

An opportunity to experience the products live with AR (Augmented Reality) technology at Kale Core

Laboratories certified with "TS EN ISO 17025 Laboratory Competence" certificate

OUR STRATEGY

Kaleseramik focuses on developing new business areas, and in this regard, launched sales of countertops using slab-sinterflex products.



Kaleseramik continues its sustainability efforts non-stop and has published its first sustainability report in accordance with GRI standards in 2023. This report provides a detailed overview of the key steps and goals of the Company’s sustainability journey.

Kaleseramik also focuses on the construction of a Solar Power Plant, which is a sustainable and renewable energy source, among its future plans.

Parallel to its vision of working in different sectors and areas of use, the Company also attaches great importance to development activities
Kaleseramik focuses on developing new business areas and continues to provide benefits to its customers through the ‘Integrated Product Range’ and ‘Differentiating through

Service’ approach by launching countertop sales using slab-sinterflex products.

The Company offers a wide range of sub-product groups (ceramic coating materials, sanitary ware, faucets, bathroom complements, etc.) in its portfolio. Furthermore, the Company offers integrated solutions to the diverse needs of the customers thanks to its widespread dealer and service network as well as advanced digital assets.

Kaleseramik successfully continues its operations with its strengths
The flagship of Kale Group, Kaleseramik has an extensive distribution network in Türkiye with 123 main dealers, 349 secondary dealers, and 6 Kaleseramik stores.

- Kaleseramik’s strengths**
- Prevalence: Channel strength
 - Well-established Company & Prestigious Brands
 - Brand recognition worldwide: 54% Kale branded exports
 - Becoming a manufacturer: Productivity & know-how & service companies
 - Service network
 - Store structure
 - Kale Core, the industry’s first digital experience platform
 - Becoming one of the two brands offering a holistic bathroom portfolio
 - Slab production
 - Having the vision to work in different sectors and areas of use, operating in lines of business such as kitchen countertops, etc.
 - R&D and other project studies aimed to reduce energy consumption in the process
 - Prioritizing sustainability in Kale’s business approach

SHAREHOLDING STRUCTURE



The shareholding structure of Kaleseramik, which has a capital of TL 514,778,660.51*, is as follows:

Full Name/Trade Name of Shareholder	Share in Capital (TL)	Share in Capital (%)	Voting Right Ratio (%)
H. İbrahim Bodur Holding A.Ş.	315,205,880.62	61.23	61.23
Victory International AG	74,000,000.00	14.38	14.38
Other	125,572,779.89	24.39	24.39
Total	514,778,660.51	100.00	100.00

* Within the framework of the Prospectus approved by the Capital Markets Board’s decision dated 13.07.2023 and numbered 38/789, the Company’s issued capital of TL 405,388,195.51 within the registered capital ceiling of TL 1,000,000,000 has been increased to TL 514,778,660.51 by fully restricting the pre-emptive rights of existing shareholders. Consequently, the shares representing the increased nominal capital of TL 109,390,465.00 were sold on the Borsa Istanbul Primary Market on July 20-21, and the Company’s issued capital has been raised to TL 514,778,660.51.

OPERATION MAP

An extensive service network, the worldwide presence of quality

KALESERAMİK IN TÜRKİYE

Regional Directorates, Dealers, Secondary Dealers, Kale Stores, DIY Stores

Factories

Çan

- Floor Tile Factory - 1
- Floor Tile Factory - 2
- Floor Tile Factory - 3
- Floor Tile Factory - 4
- Wall Tile Factory - 1
- Wall Tile Factory - 2
- Slab-Sinterflex Factory - 1
- Slab-Sinterflex Factory - 2
- Trim Factory
- Decor Factory
- Humidity Controlled Tile Factory
- Art Ceramics Factory
- Frit Factory
- Sodium Silicate Factory
- Floor Tile Body Preparation Factory
- Wall Tile Body Preparation Factory
- Granite Body Preparation Factory
- Floor Tile Glaze Factory
- Wall Tile Glaze Factory
- Cutting Factory
- Ceramic Coating Material Mold Factory
- Digital Paint Production Factory

Semedeli

- Sanitary Ware Factory
- Acrylic Factory
- Toilet Seat Cover and Sanitary Ware Mold Factory

Bandırma

- Furniture Factory

Yozgat

- Yerköy Floor/Wall Tile Factory



KALESERAMİK IN THE WORLD



MILESTONES

Consistent growth journey

- ◆ **1956**
 - Çanakkale Seramik Fabrikaları Ltd. Şti. was established.
- ◆ **1957**
 - The foundations of the factory that will manufacture ceramic tiles were laid.
- ◆ **1958**
 - Established in 1956 as a limited liability company, the Company was transformed into a joint stock company and renamed Çanakkale Seramik Fabrikaları A.Ş.
- ◆ **1962**
 - The Company realized its first ceramic tile export.
- ◆ **1972**
 - A floor tile manufacturer, Kalebodur Seramik Sanayi A.Ş., was established.
- ◆ **1981**
 - The Company was covered by the Capital Markets Law as a 'publicly traded company' in terms of the number of shareholders.
- ◆ **1984**
 - "Registered Capital System" was adopted with the permission of the Capital Markets Board dated 14.03.1984 and numbered 352/630. Upon the approval of the Ministry, the amendment of the Articles of Association regarding the transition to the registered capital system was resolved at the General Assembly dated 06.04.1984, registered on 22.05.1984 and announced in the Turkish Trade Registry Gazette dated 28.05.1984 and numbered 1019.
- ◆ **1987**
 - Kalefrit Silikat Mamülleri Sır ve Boya Sanayi Ticaret A.Ş. was established.
- ◆ **1993**
 - Semedeli sanitary ware factory started production.
- ◆ **1994**
 - ISO 9001 Quality Management System Certificate was obtained.
- ◆ **1999**
 - A partnership between ceramic sanitary ware manufacturer Kalevit Saniter Seramik Sanayi A.Ş. (Kale) and Campania Roca Radiadores SA (Roca) was initiated under the trade name of Kalevit Roca Saniter Seramik Sanayi A.Ş.
- ◆ **2000**
 - Çanakkale Seramik Fabrikaları A.Ş., a wall tile company, and Kalebodur Seramik Sanayi A.Ş., a floor tile company, were merged under a single entity, Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş., in 2000.
- ◆ **2002**
 - To provide the desired depth of rock structure to the pressed tiles, we have started to use Twinpress technology, which is the technology of applying a second press to the pressed tiles.
- ◆ **2004**
 - ISO 14001 Environmental Management System Certificate was obtained.
- ◆ **2005**
 - The Company invested in Kalesinterflex technology, which enables the production of large-sized porcelain ceramic slabs and started slab-sinterflex production.
- ◆ **2007**
 - Yerköy factory was established and started production.
 - Bandırma furniture factory started production.
 - OHSAS 18001 Occupational Health and Safety Management System Certificate was obtained.
- ◆ **2009**
 - RocaKale partnership has ended.
- ◆ **2011**
 - ISO 50001 Energy Management System Certificate was obtained.
- ◆ **2012**
 - Partial demerger of Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş. (with the approval of the Capital Markets Board dated 29.08.2012 and numbered 30/974) was realized and Bodur Proje Gayrimenkul İnşaat Sanayi ve Ticaret A.Ş. and Bodur Menkul İş Geliştirme Sanayi ve Ticaret A.Ş. were established.
 - All ceramic products in Türkiye have been certified with the EPD Certificate, an indicator of sustainability, development, and consumer behavior, to mitigate global climate change and reduce the environmental impacts of businesses.
- ◆ **2013**
 - Kalevit Saniter Seramik Sanayi A.Ş. merged with Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş. through acquisition. The merger resulted in the addition of the production of sanitary ware, acrylic bathtubs, shower trays, shower systems, built-in reservoirs, and bathroom, and kitchen furniture to the Company's field of activity. It still continues production in these fields.
 - In 2013, the Kaleseramik facility was named "Türkiye's Most Efficient Industrial Facility" by the Ministry of Energy and Natural Resources following the improvements made in production facilities.
- ◆ **2014**
 - ISO 10002 Customer Satisfaction Management System Certificate was obtained.
 - Golden Plumb Building Product Award was received with the Smart Washing Toilet and Wall-Hung Toilet Integrated Mounting Set.
 - Three awards were received at the Istanbul Chamber of Industry Environment and Energy Awards: First place in the Energy Efficiency Application category, second place in the Environmentally Friendly Application category, and second place in the Innovative Environmentally Friendly Product category.
- ◆ **2015**
 - The foundations of the Slab-Sinterflex 2 factory were laid.
 - Golden Plumb Building Product Award was received for Smart Edge sinks.
 - The Third Place Award was received at the Ministry of Industry and Technology Productivity Awards.
- ◆ **2016**
 - Greenguard Gold Certification was obtained for all ceramic coating materials.
 - Within the Slab-Sinterflex 1 factory, a second slab-sinterflex production line and the new wall tile mass preparation facilities were opened. With these factories, the capability and capacity to produce thin tiles were increased, and the product variety in large-sized tiles was enhanced.
- ◆ **2017**
 - Kale Building Foam was awarded the First Place in the Golden Plumb Idea Award.
 - A Third Place Award was received in the Environmental Category at the Türkiye IMSAD Investment into Future Awards.
 - A Second Place Award was received at the Türkiye IMSAD Investment into Future Awards.
 - ISO 27001 Information Security Management System Certificate was obtained.
- ◆ **2018**
 - The incentive award was received at the ÇEVKO Green Dot Industry Awards.
- ◆ **2020**
 - Due to more than 95% of the Company's capital being owned by a maximum of 50 shareholders, the Company was excluded from the scope of the Capital Markets Law with the CMB's decision dated 20.08.2020.
- ◆ **2021**
 - Upon its exclusion from the scope of the Capital Markets Law, the Company adopted the registered capital system with a registered capital ceiling of TL 497,957,727 and a ceiling period of 2021-2025, in line with the provisions of Article 332 of the TCC and the Communiqué of the Ministry of Trade on the Principles Regarding the Registered Capital System in Non-Public Companies.
 - First Place Award in the R&D Category of the Republic of Türkiye Ministry of Industry and Technology Productivity Project Award was received.
 - The migration certificate to ISO 45001 Occupational Health and Safety Management System was obtained.
 - Kaleseramik became the winner of the Waste Management Category at the Sustainable Business Awards organized by the Sustainability Academy.
- ◆ **2022**
 - A new production line investment was initiated in Slab-Sinterflex 2 Factory.
- ◆ **2023**
 - Kaleseramik began to be traded on the BIST Stars Market as an IPO.
 - The investment in the new slab-sinterflex production line, established within the Slab-Sinterflex 2 Factory was commissioned.
 - Kaleseramik climbed 12 ranks to the 168th place in the ISO Türkiye's Top 500 Industrial Enterprises list.
 - Kaleseramik became a partner of Iraq-based company Al-Sadaf.
 - With its vision of a "sustainable future," Kaleseramik also disclosed its first sustainability report to the public.

KEY FINANCIAL AND OPERATIONAL INDICATORS

Kaleseramik recorded TL 9.7 billion in sales in 2023

2023
Total Assets
(TL million)
12,500.6

2023
Total Shareholders'
Equity (TL million)
7,771.9

2023
Sales
(TL million)
9,713.7

2023
Gross Profit
(TL million)
1,527.6

2023
Net Profit
(TL million)
295.3

2023
Investments
(TL million)
1,185.6

2023
R&D Expenditures
(TL million)
180.7*

* Including capitalization.



Kaleseramik's
sanitary ware
production amounted
to 772,500 in 2023.

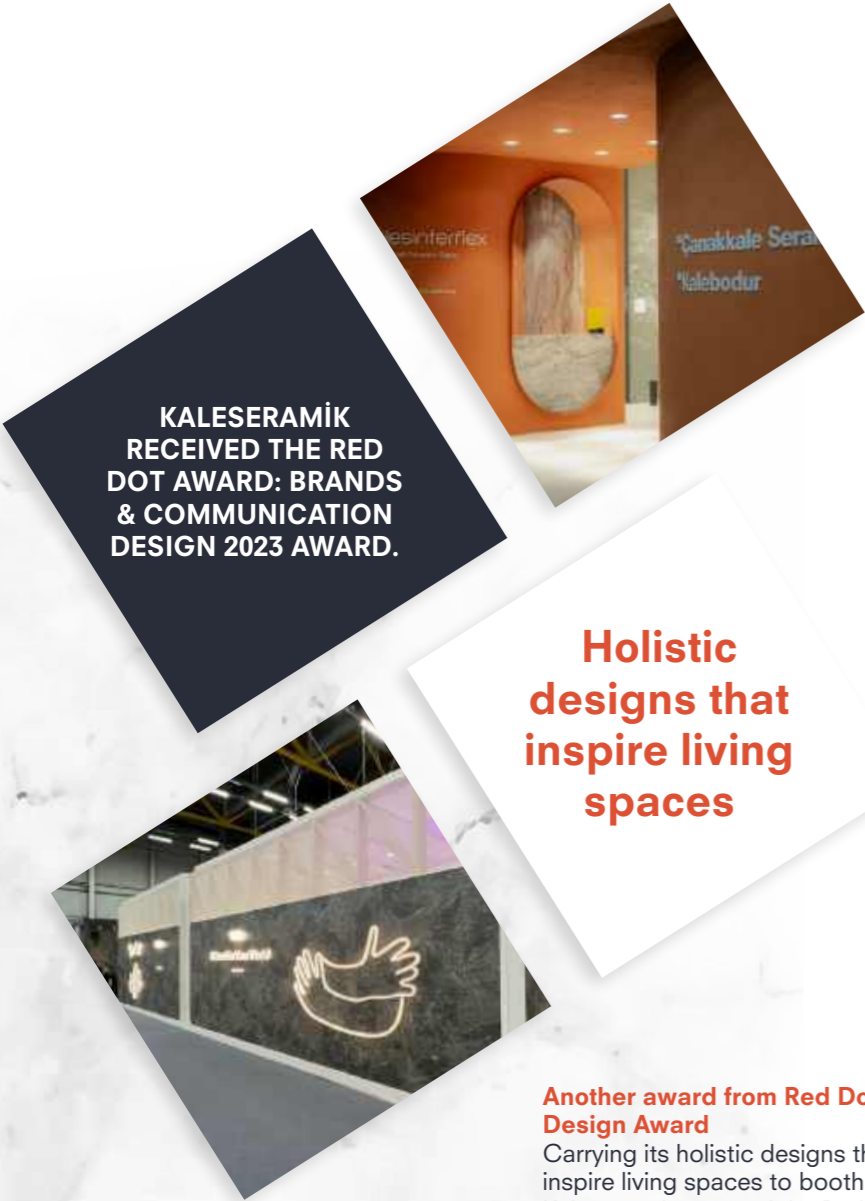
2023
Ceramic Production
(million m²)
34.6

2023
Furniture Production
(thousand units)
56.0

2023
Sanitary Ware Production
(thousand units)
772.5

AWARDS AND ACHIEVEMENTS

Quality recognized with awards



Another award from Red Dot Design Award
Carrying its holistic designs that inspire living spaces to booth design, Kaleseramik received the Red Dot Award: Brands & Communication Design 2023 award for its booth design by Paola Cesaretti at the Cersaie Fair, considered the most important meeting point of the industry in the world.

Kaleseramik won the same award in 2020 for its Cersaie booth design, which called for perfection and durability in an infinity spiral in 2019.

The Red Dot Award, which has been organized since 1955, is considered one of the largest design competitions in the world, with approximately 20,000 products competing.

IMSAD 2022 Investment into Future Awards
Kaleseramik has received 2 awards at the 2022 'Investment into Future Awards' of the Association of Construction Material Industrialists - Türkiye İMSAD. Within the scope of Kaleseramik's social benefit projects, Atölye Kale, which was implemented to support women's labor and increase the number of pioneering women entrepreneurs in the economy, was awarded the first prize in the 'Social Area' category of the 'Investment into Future Awards'. Kaleseramik's innovative product Cura Tile, which provides a breath of fresh air to living spaces with its unique and sustainable production vision, won the third prize in the 'Economy Area'.

Brandverse Awards 2023
For the sixth time, Kaleseramik ranked first at the Brandverse Awards 2023, in which the best of social media are recognized, with its strong brands in the building materials sector, Kale Banyo and Çanakkale Seramik. Kale Banyo won the 'Gold' award and Çanakkale Seramik won the 'Silver' award in the Ceramic category of the SocialBrands Data Analytics Awards, where the most successful brands and projects in digital are awarded.

CERTIFICATES AND DOCUMENTS

Product Certificates

Product	Standard No
Ceramic Coating Materials	TSE Double Star Certification Criteria-UB-YLD-YMS-BK-006 CSTB 377 8-France Product Conformity Standard ISO 13006 / EN 14411 Ceramic tiles-Definitions, classification, characteristics, assessment and verification of performance continuity and marking Israel Standard No. 314 GB 6566 (Chinese Standard)
Sinterflex	TS EN 14411 Ceramic tiles-Descriptions, classification, characteristics, assessment and verification of performance continuity and marking
Furniture	TS EN 14749 Furniture-Household and kitchen cabinets and countertops-Safety requirements and test methods
Sanitary Ware	TS EN 14055 + A1 WC and urinal reservoirs TS EN 997 Toilet bowls in one piece and set - with Flush TS EN 14688 Sanitary ware-Sinks - Functional requirements and test methods TS EN 13407 Wall-hung urinals - Functional requirements and test methods TS EN 14528 +A1 Bidets - Functional requirements and test methods TS 13420 Windows - Behavior between different climates - Test method TS 799 Squatting wc-bowls TS EN 249 Plumbing - Shower trays made of cross-linked cast acrylic plates - Features and test methods TS EN 198 Plumbing - Bathtubs made of cast acrylic sheets with interconnection - Features and test methods Closet-Sink-Shower Tray (NF 017)
Armature	TS EN 817 Sanitary tapware - Faucets with mechanical mixer (PN 10) - general technical specifications Waterlabel certificate

System Certificates

Certificate Name	Standard No
Quality Management System	ISO 9001
Environmental Management System	ISO 14001
Occupational Health and Safety	ISO 45001
Energy Management System	ISO 50001
Customer Satisfaction Management System	ISO 10002
Information Security Management System	ISO 27001
Covid-19 Safe Production Certificate	
Authorized Economic Operator Certification	

INVESTOR RELATIONS AND STOCK PERFORMANCE

Investor Relations Department

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

- Properly, securely, and timely keeping records of correspondence between the investors and our Company as well as other information and documents,
- Responding to the written information requests of the shareholders concerning our Company,

- Preparing documents that are needed to be presented to the shareholders' information and reviewing regarding the General Assembly Meeting and taking the measures required to ensure that the General Assembly Meeting is held in accordance with the relevant legislation, the articles of association, and other in-house regulations,
- Overseeing and monitoring the fulfillment of the obligations arising from the Capital Market legislation including corporate governance and public disclosure of all relevant issues,

- Preparing and submitting a report to the Board of Directors at least once a year.

The Investor Relations Department was established under the Company's Financial Affairs Department to ensure communication between the Company and investors by performing the above-mentioned duties, and Corporate Finance Director Veli Ömercik was appointed as the Investor Relations Department Manager and a member of the Corporate Governance Committee in accordance with the Board of Directors' resolution dated January 25, 2024.

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

Name Surname	Position	License Certificate Type	License Certificate No
Veli Ömercik	Corporate Finance Director	Capital Market Activities Level 3 License / Corporate Governance Rating-License	207678/927354
Orkun İnanbil	Investor Relations Manager	-	-

Investor Relations Unit Contact Information:

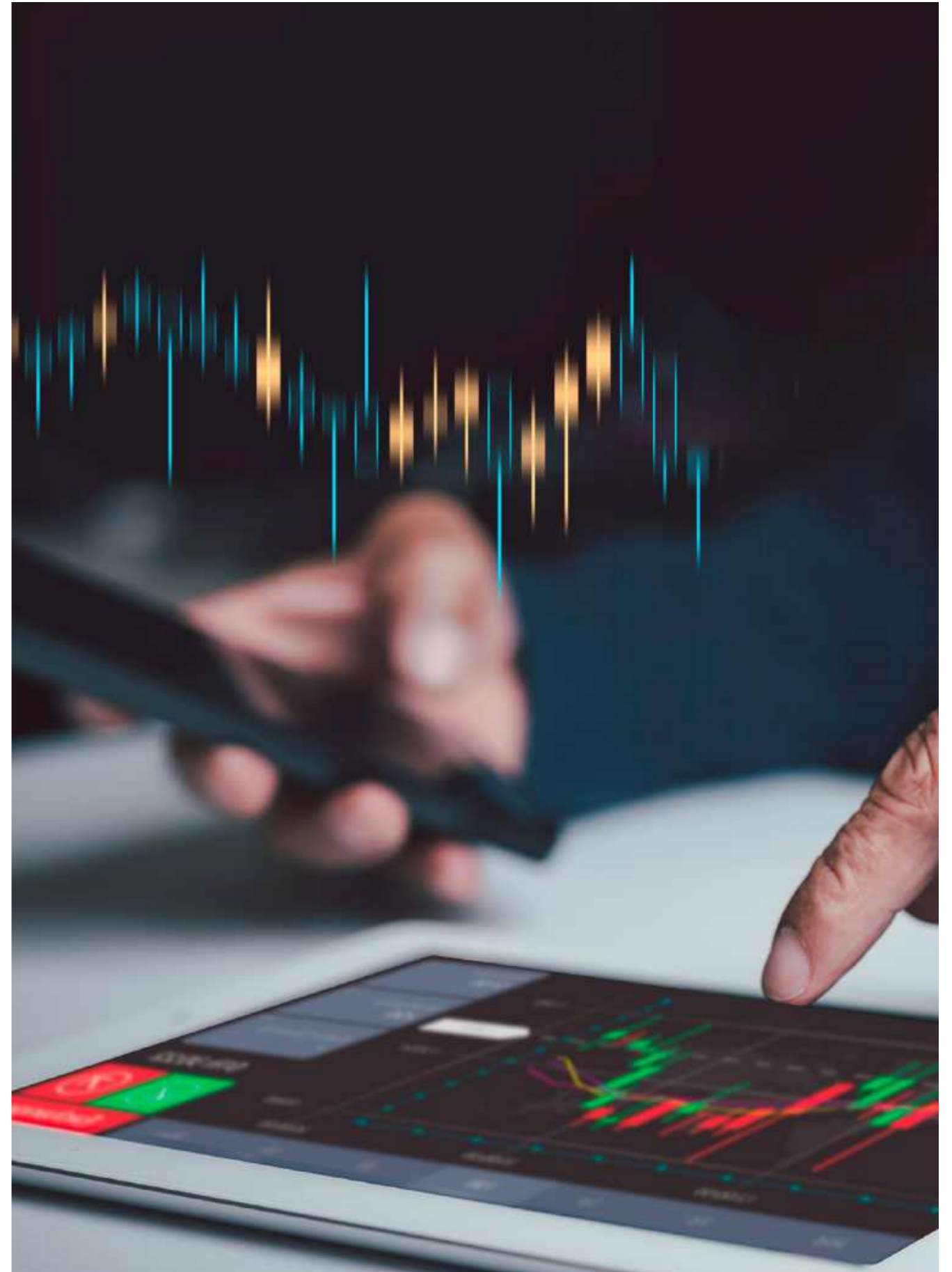
Address : Levent Mahallesi Prof. Ahmet Kemal Aru Sokak No: 4 İç Kapı No: 1 Beşiktaş/Istanbul
 Phone : 0212 3715253
 Fax : 0286 4168833
 E-mail address: : yatirimci@kaleseramik.com.tr

The report prepared on the activities of the Investor Relations Department carried out in 2023 was submitted to the Board of Directors with the approval of the Corporate Governance Committee on 30.01.2024.

Kaleseramik Stock Performance*

	2023
Lowest price (TL)	27.50
Highest price (TL)	127.40
Year-end price (TL)	64.35
Issued Capital (TL Thousand)	514,778,660.51
Market Value (TL Thousand) - Year-end	33,126,007.00
Market Value (USD Thousand) - Year-end	1,126,838.00

* Based on end-of-day closing prices.



MESSAGE FROM THE CHAIRPERSON

We commissioned the third production line of Kalesinterflex



TL **9.7**
billion
NET SALES



Kaleseramik continues to lead green transformation in the industry.



Dr. (h.c.) Hatice Zeynep BODUR OKYAY
Chairperson of the Board of Directors

Esteemed Stakeholders,

Sadness and joy coexisted in our country in 2023. The earthquake, which stunned and saddened our country, also again united us in paying our debt to this land and healing our wounds together. We all shared the pride of celebrating the 100th anniversary of our Republic.

For the past 66 years, we have been guided by the vision of the Great Leader Mustafa Kemal Atatürk. We operate in the awareness that the Republic is the base of our development from industry to technology, education to science, and democracy to human rights. As the 100-Year-Fortress of the Republic, we look forward to the future with greater hope, thanks to the strength we derive from this deep-rooted heritage.

The global economy is undergoing a difficult period

In 2023, the global economy encountered a challenging year. Concerns regarding geopolitical risks intensified during the Russia-Ukraine war, while interest rate hikes by the world's leading central banks had a negative impact on the markets, as did rising energy costs, and the uneasiness caused by the specter of inflation and recession, particularly in Europe. The second critical topic this year was sustainability and decarbonization. With energy at the forefront, the need for trillions of dollars in investment is a challenge for both governments and companies. However, these steps are critical for the future of our planet.

The global economic community anticipates that growth trends in the world economy will continue this year. It is expected that the growth of large economies such as China, India and the US will have a positive impact on worldwide growth. In addition, the increasing use of new technology is also projected to have a positive impact on growth in the digital economy.

The Turkish economy enjoyed an upbeat start to 2023, thanks to the optimistic outlook in the markets and positive indicators in macroeconomic data. However, the February 6 earthquake shifted all predictions and trajectories. As the impact of the earthquake led to a deterioration in macroeconomic data, uncertainties stemming from the election period also weakened recovery in the domestic market.

Despite these factors, our economy continued to grow in 2023. Yet, inflation and the decline of purchasing power remain a major problem. It is anticipated that the measures taken in the economy will bring a decline in inflation in the second half of the year. We expect that, with this projected decline in inflation, the market will become more predictable, thus driving an increase in investments. As one of our country's well-established industrial groups, we again emphasize that industry is of key importance for our national economy. Only if our industry grows can Türkiye grow and develop steadily. Accordingly, we believe that industry must be robustly supported.

High demand for the Kaleseramik IPO

With this understanding, as the leader of the Turkish ceramics industry in 2023, Kaleseramik made significant investments and fruitful strategic moves. We successfully completed the IPO process, to which we attach great importance. We received more than two million in demand during the IPO process, far exceeding our projections. We attribute this high interest from investors to Kaleseramik's long-established history, along with the Company's scale, and financial and production strength.

As an influential force in the global ceramic industry, we also launched an important investment during the year, commissioning the third production line of Kalesinterflex, the first and only large-sized porcelain slab produced in Türkiye. We are proud to introduce this investment to Türkiye, which subsequently reinforces our position in the world markets.

Firm steps towards a sustainable future

Kaleseramik relentlessly continues its sustainability investments towards a better future. As an output of these efforts, we published our Sustainability Report during the year. As the Kale Group, Kaleseramik has wholeheartedly embraced our call to "Care for Your World" with the goal of a greener and fairer world. As a stakeholder in Türkiye's first Hydrogen Valley Project, Kaleseramik continues to pioneer green transformation in the industry.

We contribute to social development

As a company founded in these lands, we consistently act in accordance with the responsibility of "achieving better for our people." We are inspired by the words of İbrahim Bodur, the founder of our Group: "Protect your core values, which make you who you are, because they will sustain you like the roots of a tree." We attach special importance to socially beneficial activities that contribute to social development. In this area, women's employment is one of our priorities. We established Atölye Kale with this approach, and we are all excited by the project's achievements. The women of Nevruz Village also give us strength in this field through their stellar examples of women's labor.

We are proud to be a company that reaches from Türkiye to the world

Having been in business for 66 years of numerous firsts and innovations, Kaleseramik is proud to be a company that reaches out to homes and hearts, and from Türkiye to the world. Our employees, business partners and stakeholders, whose support we always feel, have certainly played a major role in this success. In this second century of our Republic, we will continue to work together with our strong staff and our entire ecosystem to 'achieve better'.

Best regards,

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

BOARD OF DIRECTORS

Dr. (h.c.) Hatice Zeynep Bodur Okyay **Chairperson of the Board of Directors** **Kale Group President and CEO**

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

From 1992 to 1993, she worked in various roles in production units as a Trainee Manager at the Çanakkale Ceramic Factories in Çan, Çanakkale. In 1995, she was appointed as an Executive Board Member and President of Kale Group's Marketing Companies. Since July 2007, she has been serving as Kale Group's President and CEO.

Zeynep Bodur Okyay actively contributes to many civil society and international organizations by taking part in their management positions. She served as the President of the Assembly of the Istanbul Chamber of Industry for two consecutive terms between 2013 and 2022 and currently serves as the Chairperson of the Board of Directors of the Global Relations Forum Association, the Board Member and the Executive Committee Member of the Foreign Economic Relations Board (DEİK), the Chairperson of the DEİK Türkiye-Morocco Business Council, and the member of the Turkish Industry and Business Association (TÜSIAD), Etki Yap Advisory Board, and Carnegie Europe Advisory Board. Zeynep Bodur Okyay, who has been actively supporting the G20 process since Türkiye's Presidency in 2015, will continue to serve as the Co-Chair of the B20 "Women, Diversity and Inclusion in Business Action Council" during Brasil's Presidency throughout 2024.

In 2006, Zeynep Bodur Okyay was awarded the title "Cavaliere del Lavoro" for her contributions and services to Turkish-Italian relations. In 2014, she was awarded the official order of merit "Ufficiale Ordine al Merito della Repubblica Italiana." In 2010, Okyay received the Franco Nobili Award given within the scope of "Türkiye in Europe" for her contributions to relations between Türkiye and the European Union states. In the same year, Zeynep Bodur Okyay was granted the Outstanding Service Award by the Turkish Grand National Assembly.

Zeynep Bodur Okyay, who also supported the establishment of a Turkish Chair at Harvard University through her efforts at the Harvard Alumni Association, of which she is one of the founders, leads many pioneering programs within Kale Group to contribute to Türkiye's education, design, art, local development, and social entrepreneurship ecosystem as the Chairperson of the Board of Trustees and the Chairperson of the Board of Directors of Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health and Social Aid Foundation.

Zeynep Bodur Okyay speaks fluent Italian and English. She is married to Osman Okyay, Vice Chairperson of the Kale Group, and has one child.



Haluk Alperat **Member of the Board of Directors**

Born in 1965 in Istanbul, Haluk Alperat graduated from Boğaziçi University, Department of Mechanical Engineering in 1988 and completed his MBA at Bilkent University in 1990. Having started his professional career at Interbank, Mr. Alperat worked in Interbank's Capital Markets Department between 1990 and 1993. Between 1993 and 1996, he held several positions in the Corporate Finance Department at Finansbank, lastly as Group Manager. Between 1996 and 1999, he served as Assistant Director in the Corporate Finance Department and International Business Development Department of Global Securities and also served as a Board Member in foreign subsidiaries. Between 2000 and 2002, Mr. Alperat served as Assistant General Manager of Corporate Finance at Raymond James Türkiye.

Between 2003 and 2007, Haluk Alperat was the General Manager and Board Member at Ekspres Yatırım, a subsidiary of Denizbank, and served as the founding CEO since the company was acquired from the SDIF in an inactive state. During his tenure, Denizbank Investment Group (Ekspres Yatırım and Deniz Yatırım) was the leader in Türkiye in terms of trading volume for four consecutive years (2003, 2004, 2005, and 2006). Having taken part in many IPOs and M&A projects in Corporate Finance, Alperat undertook important roles in Denizbank's own IPO as well as various public offerings and Türk Telekom privatization during his tenure at Denizbank. He took part in the sale of Ekspres Yatırım as a subsidiary of Denizbank to Dexia Bank (together with the bank) with a high increase in value.

Haluk Alperat joined Kale Group in 2007 and serves as CFO - Vice President in charge of Finance. Alperat is also a Board Member at Group companies and a Member of the Executive Committee at the Holding.



Cengiz Solakoğlu **Vice Chairperson - Independent Board Member**

Born in 1943 in Erzurum, Cengiz Solakoğlu graduated from the Istanbul Academy of Economic and Commercial Sciences in 1964 and began his professional career as a salesperson at Beko Ticaret in 1967. Due to the age limit of 60, he retired in 2004 from Koç Holding's Durable Consumption Group, where he had worked for 38 years.

Solakoğlu served as a member of the Assembly of the Istanbul Chamber of Commerce for three terms (a total of 20 years) and as a member of the Board for two terms at the Istanbul Chamber of Industry.

As one of the founders of the Education Volunteers Foundation of Türkiye, Cengiz Solakoğlu served as the Chairman of the Board for a total of 10 years at the foundation, where he has served on the Board of Directors continuously since its establishment. Solakoğlu received the Civil Society Leader of the Year award from the Economist Magazine in 2004.

Following his retirement, Cengiz Solakoğlu founded CS Consulting and currently serves as the Chairman of the Board of ŞOK Marketler A.Ş., Bizim Toptan A.Ş., Seç Marketler A.Ş. and Kalekim Lyksor, Vice Chairman of the Board of Kaleseramik and Zulfikarlar Holding and Board Member of Lila Kağıt A.Ş.



Adile Esra Tözge **Member of the Board of Directors**

Born in 1966 in İzmir, Esra Yazıcı Tözge graduated from İzmir American High School for Girls in 1984 and earned her degree in economics in 1988 from the Department of Economics, Faculty of Administrative Sciences, Boğaziçi University, Istanbul in 1988. She completed her internship in the Finance Department of Lyac Power Company in Copenhagen, Denmark in August-December of the same year.

From 1989 to 1997, Tözge held various positions in the Planning and Control, Logistics Control, and Sales departments at Henkel Turyağ İzmir, and finally became Chain Stores Sales Manager. Between 1997 and 2001, she worked as the Marketing Manager at Saint Gobain Weber İzmir. Between 2001 and 2002, Tözge served as a consultant in some projects for Henkel KGaA Düsseldorf and Barem Research International Istanbul.

After joining Kale Group in April 2002, she worked at Kalekim and Kaleterasi companies until 2007 and served as a consultant to Zeynep Bodur Okyay, President of Kale Group between 2007 and 2015. Between 2015 and 2022, Ms. Tözge served as the Vice Chairperson for Corporate Development at Kale Group.



Kadri Tarık Özçelik **Vice Chairperson**

Born in 1962, Tarık Özçelik graduated from the Industrial Engineering Department of Boğaziçi University. Özçelik studied for a graduate degree in the same department and worked as a research associate in the Department of Computer Engineering at Boğaziçi University. After starting to work at the IT Department of Çanakkale Ceramic Factories as a programmer in 1988, Özçelik took a position in the Production Planning Department. Özçelik was the General Manager of Kale Marketing between 1995 and 2001, the President of the Marketing Group until 2004, and the President of the Ceramics Group between 2004 and 2013. Between 2013 and March 1, 2024, Mr. Özçelik served as Vice President of Production Systems and Operational Development.



Yusuf Kinay **Member of the Board of Directors**

Born in 1969 in Istanbul, Yusuf Kinay graduated from Marmara University, Faculty of Economics and Administrative Sciences, Department of Business Administration in 1990.

In 2004, he left Değer-d Yeminli Mali Müşavirlik A.Ş., where he started his career in 1994 as a Trainee Assistant Auditor, with the title of Senior Auditor - Assistant Manager of Independent Audit Department and joined Kale Group. Having served as the Internal Audit Manager at Kaleseramik, Mr. Kinay was appointed as the Secretary General of Kale Group Companies in 2008, and then as the General Manager of Kale Holding A.Ş. and H. İbrahim Bodur Holding A.Ş. Between 2012 and 2018, in addition to his existing duties, he also served as the General Manager of Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health and Social Aid Foundation. Yusuf Kinay, who served as the General Manager of TAEC Uçak Motor Sanayi A.Ş. in 2022-2023 and as the General Manager of Kale Holding and Secretary General of Kale Group since June 2023, holds a Certified Public Accountant license.

BOARD OF DIRECTORS



Osman Okyay

Board Member - Vice Chairman of Kale Group

Born in Istanbul in 1966, Osman Okyay attended primary, secondary, and high school in Izmir and later graduated from Boğaziçi University, Department of Mechanical Engineering. Okyay has a Master's degree in Mechanical Engineering from the University of New Hampshire in the USA. Between 1990 and 1993, he worked at the Istanbul office of Digital Equipment Corporation, first as a Technical Service Engineer and then as a Technical Service Planning Manager.

Okyay joined Kale Group in 1994, and in the same year, he took courses at Koç University's Master of Business Administration Program offered for executives.

Starting to work at Kale Group in 1994 as the Assistant General Manager of Kalekalıp A.Ş., Okyay became the General Manager of Kalekalıp A.Ş. in 1997 and the Head of Kale Group Technical Department in 2000. Osman Okyay is currently serving as Vice Chairman of the Board and Head of the Technical Department at Kale Holding.

Since joining Kale Group, Okyay has worked for the Group to focus on high-tech areas and has directed and managed the Group's investments in areas such as Robotics and Automation, Industrial Energy Equipment, Software and Simulation, High Technology Ceramics, Defense and Aerospace Industry.

Okyay enabled Kale Group to establish partnerships with the world's leading companies such as General Electric, Pratt & Whitney, and Rolls Royce. He also played a role in making the Group a direct sub-producer of leading companies in the Defense and Aviation industry such as Lockheed Martin, Boeing, Airbus, and Northrop Grumman.

Apart from his duties at Kale Group, Okyay is also active in several other organizations and NGOs.

Okyay, who was elected as the President of the Turkish Wing of the Turkish-U.S. Business Council between 2013-2015, established under the leadership of the Ministry of Economy to support the creation of a model partnership between Türkiye and the USA in the economic field, currently holds various positions. These include Chairman of the Türkiye-United Kingdom Business Council of the Foreign Economic Relations Board, Executive Board Member of the Türkiye-U.S. and Türkiye-Canada Business Councils, Chairman of the Board of the Defense and Aerospace Industry Manufacturers Association (SASAD), Board Member of the International Investors Association (YASED), Chairman of the Assembly of the Çanakkale Chamber of Commerce and Industry, Chairman of the Board of the Aerospace Cluster Association, Member of the General Assembly of OYAK, Board Member of the Boğaziçi University Foundation, and Trustee Member of the Fatih Sultan Mehmet University Foundation.



Fahri Okan Böke

Board Member (Independent Member)

Born in Istanbul in 1965, Fahri Okan Böke received his bachelor's and master's degrees in Industrial Engineering from Texas A&M University.

Having started his career in banking at Citibank New York in 1991, Böke worked in almost every department of the Treasury Department at Interbank between 1993 and 1998, as Treasury Manager at Körfezbank between 1998 and 2001, and as Assistant General Manager at TAIB between 2001 and 2004. Between 2004 and 2006, he worked as a partner at OSC Financial Consulting, and between 2006 and 2008, he served as TSKB Treasury Manager.

After being transferred in 2009 to the GFC Securities-ODL Securities partnership as General Manager, Fahri Okan Böke served as a market commentator on BloombergHT TV for four years.

He is currently working at Ceres Financial Consulting (of which he is a founding partner) where he manages assets and provides consultancy services to major international banks.

BOARD COMMITTEES AND ASSESSMENT OF THE BOARD OF DIRECTORS

Structure and Composition of the Board of Directors

Name Surname	Position	Independence Status	Election Date	Term of Office	Duties in the Board of Directors and Committees	Duties Outside the Company
Dr. (h.c.) Hatice Zeynep BODUR OKYAY registered on behalf of H. İbrahim Bodur Holding AŞ	Chairperson of the Board of Directors and Executive Board Member	Not Independent Member	10.03.2023	1 year	Chairperson of the Board of Directors	Membership of the Board of Directors in group and non-group companies
Cengiz SOLAKOĞLU	Vice Chairperson	Independent Board Member	10.03.2023	1 year	Vice Chairperson of the Board, Chairman of the Audit Committee, Chairman of the Early Detection of Risk Committee	Membership of the Board of Directors in group and non-group companies
Kadri Tarık ÖZÇELİK	Vice Chairperson	Not Independent Member	10.03.2023	1 year	Vice Chairperson of the Board of Directors	Membership of the Board of Directors in Group Companies
Member of the Early Detection of Risk Committee	Membership of the Board of Directors in Group Companies	Not Independent Member	10.03.2023	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Haluk ALPERAT	Member of the Board of Directors	Not Independent Member	10.03.2023	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Yusuf KINAY	Member of the Board of Directors	Not Independent Member	10.03.2023	1 year	Member of the Board of Directors	Membership of the Board of Directors in Group Companies
Adile Esra TÖZGE	Member of the Board of Directors	Not Independent Member	10.03.2023	1 year	Member of the Board of Directors Corporate Governance Committee Member	Membership of the Board of Directors in Group Companies
Osman OKYAY	Member of the Board of Directors	Not Independent Member	10.03.2023	1 year	-	Membership of the Board of Directors in Group Companies
Fahri Okan BÖKE	Member of the Board of Directors	Independent Board Member	10.03.2023	1 year	Member of the Board of Directors, Member of the Audit Committee, Chairman of the Corporate Governance Committee	

The duties of the Chairperson of the Board of Directors and the General Manager are performed by separate persons. According to the Articles of Association, the Company's affairs are carried out by a Board of Directors consisting of at least eight (8) and at most nine (9) members who will be elected with the decision of the General Assembly in accordance with the Turkish Commercial Code and Capital Markets Board regulations. At the Extraordinary General Assembly meeting of the Company dated 10.03.2023, an election was held for a total of 8 members, being 2 independent members, to serve for a period of 1 year.

Following the end of the 2023 fiscal period, within the framework of the Capital Markets Board's resolution regarding the groups that companies are included in for 2024, our Company, as part of Group 1, submitted an application to the Capital Markets Board regarding the eligibility of independent Board of Directors candidates with the Board of Directors' decision dated 30.04.2024 and numbered 1947. In the letter dated 13.05.2024 and numbered E-29833736-110.07.07-53845, conveyed by the Capital Markets Board, no negative opinion was expressed regarding Mr. Cengiz SOLAKOĞLU, Mr. Fahri Okan BÖKE, Ms. Arzu ERDEN and Ms. Şerife Ebru Doğruol AYGİL. During the said general assembly, elections will be held for the membership of the board, 4 of which will be independent members.

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

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

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

The Committees are chaired by Independent Members of the Board of Directors. The working principles of the Committees were approved by the resolution of the Board of Directors dated March 15, 2023, and numbered 1804.

Pursuant to Articles 395 and 396 of the Turkish Commercial Code, it has been agreed upon at the Extraordinary General Assembly dated 10.03.2023 that the members of the Board of Directors may perform the works falling under the subject of the Company in person or on behalf of others and may become partners in the companies doing such works.

Operating Principles of the Board of Directors
The Board of Directors convenes when the Company's business requires it. Each Board member is entitled to one vote. In 2023, the Board of Directors held 6 physical meetings and the attendance rate was 100%. Independent members of the board of directors participated in all of the decisions taken, and no different or dissenting opinion was expressed.

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

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

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

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

MESSAGE FROM THE GENERAL MANAGER

We grew stronger with our successful IPO

TL 295
million
NET PROFIT

We deliver our products to customers at 533 sales points.

Altuğ AKBAŞ
Kaleseramik General Manager

Esteemed Stakeholders,

The year 2023 was challenging for our country and the world in many ways. We were all profoundly devastated by the earthquake in Türkiye's southeast at the beginning of the year. We may not be able to prevent an earthquake, but we do know that we can minimize losses through precautions. As the construction sector, we believe in our capacity to achieve this by creating safe living spaces for our people and strengthening our existing building stock.

In 2023, we also celebrated the 100th anniversary of our Republic. On this journey commenced with the words of the Great Leader Mustafa Kemal Atatürk, "Gentlemen, tomorrow we are declaring the Republic," we left behind one century and began a new one. Being the first ceramic manufacturer in the history of the Republic, we have been guided by the Republic since the day we were founded. We will continue to work for our country and our people in the second century of our Republic, fortified with the values of the Republic and Atatürk's vision.

Great interest in Turkish ceramics from every country

The year 2023 was also a year of heightened risks and uncertainties for the global economy. Companies, sectors and even countries were forced to revise future plans due to rising inflation, shrinking economies and growing recession concerns. Meanwhile, following the elections, Türkiye entered a new era with a new economic administration. During this period, rising interest rates, the exchange rate regime, and difficulties in accessing credit led to a contraction in the housing sector. According to the year-end data announced by TurkStat, house sales in Türkiye fell by 17.5% in 2023 compared to the previous year.

Due to the past years' success in exports, the Turkish ceramics sector has enjoyed a more comfortable position compared to other sectors. However, while Turkish exports also dropped by 48% compared to the previous year, if we maintain

our export competitiveness, as a rapidly rising sector in the world, we can expect to enter the top three in the global market within the next decade: Every country in the world is exhibiting great interest in ceramic products produced in Türkiye. Our products are distinguished in the international market with their design, technology, production quality and presentation.

We opened our third store in the Asian market in Bangladesh

As a global player in the ceramics industry, we have a strong domestic and international distribution network. Our products are delivered to customers at 533 sales points, including 123 main dealers, 349 secondary dealers, six Kaleseramik stores and 55 DIY stores. On the international front, we deliver our products to consumers in 86 countries around the world through 98 retailers and 66 distributors. Furthermore, we continue our investments at full speed in order to further strengthen our position as an 'in-demand brand' in international markets. We have recently opened our new 400 m² store in Dhaka, the capital of Bangladesh. This new store, which we opened together with Shanta Holding, is the third pillar after Pakistan and India for raising our effectiveness in the Asian market. This region shows great interest in innovative products and, with Kalesinterflex in particular, we aim to dominate the entire share of the porcelain slab channel.

We accelerated investments after our successful IPO

As Kaleseramik, we concluded 2023 with significant investment efforts. The first step was our IPO process. During the IPO process, we received over two million applications and collected a total demand of more than TL 9.0 billion. Our IPO size was realized as a net TL 2,735 billion. We allocated 80% of the financing we received to our domestic and international investments, and paid off our existing loans with the remaining 20%. In 2023, we invested a total of TL 1.2 billion in domestic investments in areas including capacity increase, modernization, digitalization, energy savings, the

environment and occupational safety. For 2024, our investment targets range from digitalization to sustainability, and from product design and development to clean energy.

We launched our third Kalesinterflex Production Line

In 2023, another important step was the opening of our new large-sized porcelain slab line. On this special day, which coincided with the 66th anniversary of the Kale Group's foundation and July 27th Ceramics Day, we organized a gong ceremony in Borsa Istanbul for the Company's IPO. At the same time, we inaugurated our third Kalesinterflex Production Line, which we put into service with an investment of EUR 34 million. At Kalesinterflex, producing the first and only large porcelain slab produced in Türkiye, we started to produce porcelain slabs in the greatest dimensions of 160x320 cm and at a thickness of 6, 12, and 20 mm in our new line, in addition to our existing production sizes.

Our new line is distinguished in the sector as an investment incorporating almost every new production technology developed to date. The line's production creates 42% fewer carbon emissions per unit product compared to standard production. We export 70% of the production from the new line, which has a production capacity of 1.5 million square meters per year. Currently the highest form of ceramic, Kalesinterflex offers us new opportunities by taking ceramic coating products beyond their usual areas of usage, providing a durable structure despite its larger dimensions. In addition to its size, Kalesinterflex aligns with emerging fashion trends in the ceramic and furniture/decoration fields, thanks to its unique aesthetic design possibilities, and thus adds a significant contribution to our exports.

MESSAGE FROM THE GENERAL MANAGER

We are extremely proud of Atölye Kale and its many achievements to date, which include giving life to the Red Sphere at the heart of Atatürk Cultural Center, one of Türkiye's landmarks.

Following this investment in 2023, we began 2024 with another investment. To meet our targets in the Middle Eastern market, we acquired 49% of the shares of one of Iraq's most prominent companies, Al-Sadaf Porcelain.

T-ONE makes a difference in living spaces with innovative products

In opening the doors to new markets by means of its outstanding features, Kalesinterflex also strengthens the Company's capacity to develop new brands and products. We introduced this product to the sector in 2005 and subsequently developed and introduced numerous other new products to the market. Among these products, our T-ONE brand has garnered tremendous interest from users and professionals since day one. In particular, the T-ONE Porcelain Countertops, with dimensions of 162x323 cm and a thickness of 12 mm, have become the top choice among chefs thanks to the product's large size, wide surface, hygienic features and easy cleaning capability.

We continue to lead the sector with our strong brands Çanakkale Seramik, Kalebodur and Kale Banyo, along with Kalesinterflex and T-ONE, offering a wide array of products ranging from floor tiles to wall tiles, and from sanitary ware to porcelain kitchen countertops.

In 2023, we faced challenging market conditions

Our sales declined by 21% to TL 9.7 billion due to demand conditions in the domestic market and in Europe, our main export market. Our gross profit was TL 1.5 billion and EBITDA was TL 873 million. Our net profit for the period fell to TL 295 million.

Atölye Kale makes us proud with its achievements

In our production journey as the Kale Family, we consistently support projects contributing to social development. In this regard, in recent years, we have implemented important projects related to women's labor with the support of Ms. Zeynep Bodur, President and CEO of the Kale Group. The most valuable project is, without a doubt, our Atölye Kale Platform. Atölye Kale Platform not only supports women's labor but also aims to expand the number of women entrepreneurs who are pioneers in the economy. Atölye Kale has most recently given life to the Red Sphere at the heart of the Atatürk Cultural Center, one of Türkiye's landmarks. Our "Nevruz Village Women" project, exemplifying our values that build bridges from the past to the future, continues to delight us with its successful work.

We are working towards a better world and a sustainable future

While offering meaning to living spaces through our products, as the Kale Family, we pay attention to the pioneering efforts that bring more meaning to the world. Foremost among these is the "Care for Your World" movement initiated by our Group. Through this initiative, we urge both individuals and corporations to protect the world and we strive to raise awareness on this issue. Sustainability is also among our primary focus points. Accordingly, we are committed to the United Nations (UN) Sustainable Development Goals. Along with the new products we develop, we also prioritize sustainable production technologies in our investments.

In line with our goal to further reduce our carbon footprint, we aim to lower direct greenhouse gas emissions by 25% by 2030, to increase the use

of renewable electricity to 100%, and to raise the rate of closed-loop production by 100%. As well, we aim to reduce water use in production by 25% compared to 2021.

We also conduct studies based on resource efficiency across all our operational processes. We achieved an increase of over 70% in our recovery rates through projects we developed in recent years for waste recycling. Moreover, to support our sustainable production technology with clean energy, we continue feasibility studies on investing in an SPP (Solar Power Plant). We also presented a comprehensive account of our sustainability efforts to stakeholders by means of the Kaleseramik Sustainability Report.

We will reduce our carbon emissions by 25% with HYSouthMarmara

In terms of sustainability, another significant development last year was our participation in the first Hydrogen Valley Project of Türkiye, the HYSouthMarmara - Southern Marmara Hydrogen Valley Project. The project is coordinated by the Southern Marmara Development Agency and we, together with 16 leading domestic and international organizations, are stakeholders in this vital project. The project aims to reduce fossil fuel use and increase the utilization of green hydrogen in the industry. Within the scope of this project, our production will deploy a hybrid combustion system mixed with hydrogen and natural gas in the first domestic roller single-channel firing furnaces, that we will manufacture with our own resources. Thanks to this green hydrogen production, planned for four years at our factory in Çanakkale, we will reduce our carbon emissions by 25%.

Meanwhile, we continue to work in the field of digitalization and innovation. Our Digital Transformation Roadmap, ongoing for the last seven years, includes 11 different topics ranging from ERP renewal to Industry 4.0. We continue our journey, gradually and thoroughly implementing these topics.

As Kaleseramik, having successfully completed another year, we aim to accomplish new achievements in the new year together with you, our esteemed investors.

A new era begins at Kaleseramik

Together with my esteemed colleagues at Kaleseramik, we have accomplished successful projects and made the Company a key player in the global ceramics industry. A new era is now beginning at Kaleseramik.

As of March 1, 2024, with my appointment as Vice President of the Kale Group, I have handed over my position as General Manager of Kaleseramik to my esteemed colleague Timur Karaoğlu. Mr. Karaoğlu and I have worked under the same roof for many years and he most recently and very capably served as the General Manager of Kalekim.

I wholeheartedly believe that Timur Karaoğlu, who played a significant role in making Kalekim a leading brand in the Turkish construction chemicals sector, will make equally substantial contributions to Kaleseramik's global brand journey and will carry the flag even further. I wish him the greatest success in his new position.

I would like to once again thank all my colleagues and the stakeholders and investors who have contributed their efforts and energy to Kaleseramik.

Best regards,

Altuğ AKBAŞ
Kaleseramik General Manager

TL **1.5**
billion
GROSS PROFIT

**We lead our sector
with a wide range of
products.**

TL **873**
million
EBITDA

SENIOR MANAGEMENT

Name Surname	Position
Timur Karaoğlu	General Manager
Süleyman Soysal	Assistant General Manager Operations
Cemşit Baylan	Assistant General Manager Financial Affairs
Katarzyna Özgen	Assistant General Manager Marketing
N. Onur Özdemir	Assistant General Manager Domestic Markets Sales

Timur Karaoğlu*
General Manager

Timur Karaoğlu graduated from Yıldız Technical University, Department of Civil Engineering in 1998 and completed his graduate study in Civil Engineering at Istanbul Technical University in 2000. Distinguished by his experience in management, business development, marketing, and sales strategies development and implementation, Timur Karaoğlu started his career as Kalekim Product Manager at Kale Marketing, a Kale Group company, in 2001.

After graduating from the Istanbul Kültür University MBA program in 2007, Timur Karaoğlu worked for 4 years as an Assistant Sales Manager at Kale Marketing Company. He held the Distribution Channel Sales Manager position, which he assumed in February 2008 at Kaleseramik, until 2013. Until 2018, he served as Vice President of Retail Markets and Assistant General Manager of Domestic Sales and Marketing.

After working as the Deputy General Manager of Kalekim Sales and Marketing until February 2018, Timur Karaoğlu worked as the General Manager of Kalekim from October 21, 2019. Timur Karaoğlu assumed the position of Kaleseramik General Manager as of March 2024.

Süleyman Soysal
Assistant General Manager of Operations

Born in 1970, Süleyman Soysal graduated from the Mechanical Engineering Department of the Faculty of Engineering and Architecture at Trakya University in 1993.

In 1994, he started working at Çanakkale Seramik Fabrikaları A.Ş., one of the Kale Group companies. After completing his military service, he continued his career at Kalebodur Seramik A.Ş. in 1996 and joined Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. in 2000. Distinguished by his experience

in Technical, Business Development, Production, and Management, Soysal became Production Manager in 2011, Factories Director in 2013, and Vice President in charge of Operations in 2015. As of 2017, Süleyman Soysal has been serving as Kaleseramik Assistant General Manager in charge of Operations.

Cemşit Baylan
Assistant General Manager of Financial Affairs

Cemşit Baylan completed his bachelor's degree in Economics at Marmara University and his master's degree in Finance at Istanbul University and started his career as an Audit Assistant at KPMG in 1992. In the six years he worked there, he was promoted to the Audit Manager position, and between 1998 and 2003, he worked as the Assistant to the Chairman of the Board at Karamancı Holding. Between 2003 and 2010, Mr. Baylan worked as Finance Director in various companies in the logistics and real estate sectors and joined Kale Family in 2010. After successfully serving as Finance Director at Kalekim, Kale Group's leading company in the construction chemicals sector, for nine years, Cemşit Baylan has been working as Assistant General Manager in charge of Finance at Kaleseramik, another leading company of the Group in the building materials sector, since 2019.

Katarzyna Özgen
Assistant General Manager of Marketing

Katarzyna Özgen, one of the important figures in the marketing world with her long experience in international and Turkish markets, graduated from Middle East Technical University, Department of Economics in 1991.

Katarzyna Özgen started her professional career in 1991 as a Strategic Planning Specialist at Türk Eximbank and Garanti Bank. She worked as Senior Product Manager at Unilever between 1996 and 2003, and as Senior Marketing Director at Tat A.Ş., a subsidiary of Koç Holding,

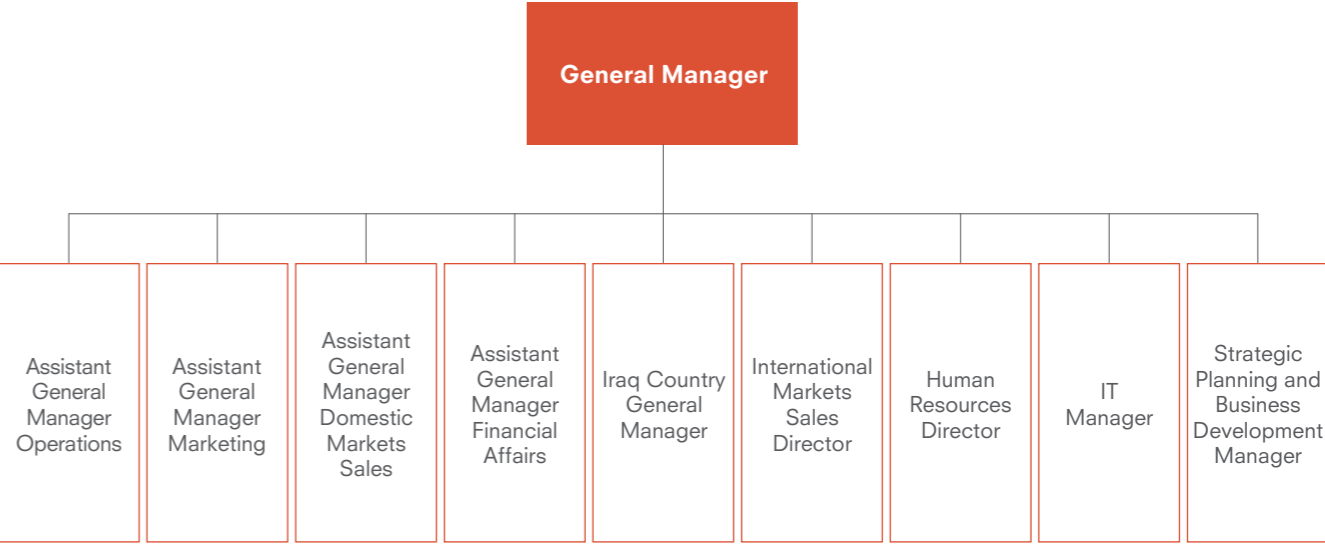
between 2003 and 2008. In 2008, Özgen rejoined Unilever and worked as Brand Building Director (Home Care Category) and Brand Development Director (North Africa, Middle East, Türkiye, Israel) until 2014. Between 2015 and 2016, Katarzyna Özgen served as Vice President of Basic Categories at Sütaş A.Ş., and between 2016 and 2019, she worked as Anadolu Efes Türkiye and then as Global Marketing Director. Between 2019 and 2021, Özgen worked as Assistant General Manager at Koç Holding Tat A.Ş. in Türkiye and international markets in the Marketing, Digital and Commercial areas. As of September 15, 2022, Özgen, who is also a third-term graduate of the Women in the Board of Directors Association, started working as Assistant General Manager in charge of Marketing at Kaleseramik.

N. Onur Özdemir
Assistant General Manager of Domestic Markets Sales

Having received his Bachelor's degree in Electrical Engineering from Yıldız Technical University in 2005, Onur Özdemir completed his Master's degree in Engineering Management at Istanbul Technical University in 2006 and the Integrated Supply Chain Management Master's Program at the University of Michigan in 2017.

With his extensive experience in Management, Supply Chain, Sales Channel Management, and Sales Strategies Development and Implementation, Özdemir began his career at Kaleseramik in 2004 as a Project Sales Specialist. He subsequently held various positions, including Export Logistics Manager from 2008 to 2010, Order Management and Logistics Group Manager from 2010 to 2012, Channel Development and Sales Support Manager from 2012 to 2013, Supply Chain Development Manager from 2013 to 2017, and Digital Transformation Project Management Manager from 2017 to 2019. In December 2019, Onur Özdemir took on the role of Domestic Markets Sales Director and, since the beginning of 2023, has been serving as the Assistant General Manager in charge of Domestic Markets.

ORGANIZATIONAL CHART



* Timur Karaoğlu was appointed as General Manager on March 1, 2024, succeeding Altuğ Akbaş, who was appointed as Kale Group Vice President (Production Systems and Operational Development).

2023 ACTIVITIES

The investment in the new slab-sinterflex production line, established within the Slab-Sinterflex 2 Factory, was commissioned on July 27, 2023.



AN OVERVIEW OF THE INDUSTRY IN 2023

A challenging year for the industry is now behind us

3.5%

GLOBAL GROWTH RATE FOR 2023

4%

TÜRKİYE'S ECONOMIC GROWTH RATE IN 2023

The IMF foresees a 2.7% growth rate in the global economy for the year 2024.

USD 255.8

billion
TÜRKİYE'S EXPORTS IN 2023

The Russia-Ukraine war and conflicts in the Middle East have negatively impacted the global economy. While the war has caused uncertainty in energy prices, economic trends in the supply chain have given way to safer choices. The spread of inflation effects to all countries worldwide has turned high-interest-rate policies into a global strategy, leading to a decrease in growth rates as a result.

According to the International Monetary Fund (IMF) Global Economic Outlook Report, global growth decreased from 3.5% in 2022 to 3.0% in 2023. Growth in developed economies declined from 2.6% in 2022 to 1.5% in 2023, while growth in emerging markets and developing economies declined from 4.1% in 2022 to 4.0% in 2023.

The risk of a slowdown in growth is expected to persist in 2024 as in 2023. The IMF foresees a 2.7% growth rate in the global economy for the year 2024. This figure is 0.9% for developed economies and 3.9% for developing economies.

Türkiye's Economy

While the earthquake disaster on February 6 postponed the expectations of a recovery in macroeconomic data, the uncertainties ahead of the elections were another factor that weakened the recovery efforts of domestic equity markets.

Türkiye ranked second among other countries in the world and first among European countries with an inflation rate of 61%. Even though Türkiye is expected to grow by 4% in 2023, above the world average, GDP appears to have been on an uninterrupted upward trend since the first quarter of 2022.

The low-interest rate policy of recent years has been substituted by a policy of gradually increasing high interest rates as of 2023, but this change has not prevented the rise in the exchange rate. USD closed the year 2023 at TL 29.56.

The industrial production index in Türkiye stands at 0.6, albeit up from the sharp drop in February 2023. When the three sub-sectors are analyzed, it is observed that only the manufacturing industry grew positively.

Türkiye's exports increased by 12.9% to USD 254.2 billion in 2022 compared to 2021, reaching USD 255 billion 809 million in 2023, up by 0.6%. The slowdown in export growth in 2023 is expected to gain momentum in 2024 as global demand strengthens.



AN OVERVIEW OF THE INDUSTRY IN 2023

Turkish Ceramic Industry is one of the most important industries in Türkiye with a transaction volume of approximately USD 2 billion and exports of over USD 1 billion.

**330
thousand**
INDIRECT
EMPLOYMENT

Türkiye is the 3rd
largest ceramic tile
exporter in Europe and
6th largest in
the world

**40
thousand**
DIRECT
EMPLOYMENT

indirect jobs. Today, companies producing ceramic coating materials export their products to 113 countries, while companies producing sanitary ware export their products to 95 countries. The competitiveness of the Turkish ceramic industry in global markets is also increasing thanks to its ever-growing production capacity, modern technology investments, and high-quality advantages.

Ceramic tile stands out as the locomotive product group of the sector. With the investments it has made particularly after 1990, the Turkish ceramic coating materials sector has managed to become a leading player in global ceramic tile production.

As per the Acimac report for 2022, Türkiye is the 3rd largest producer in Europe and the 9th largest producer in the world in the production of ceramic coating materials (CCM) with a production of 385 million m². It is also the 3rd largest ceramic tile exporter in Europe and the 6th largest ceramic tile exporter in the world.

Türkiye is one of the leading healthcare equipment-producing countries in the world... Ceramic sanitary ware (CSW) is an industry branch that provides employment and foreign currency inflow to our country and has an effective and important place in the national economy. Using a large proportion of domestic inputs, the sector is one of the most important sectors contributing to the competitiveness of Türkiye with its high export figures. With a production of approximately 22 million units, Türkiye is the largest producer of ceramic sanitary ware in Europe and the first country in Europe in terms of quantity in ceramic sanitary ware exports with an export volume of 8 million units.

Ceramic Industry

The ceramic industry is one of the leading sectors of our country in terms of the added value it creates. The contribution of the ceramic industry to the Turkish economy is quite significant as one of the sectors that utilizes domestic resources the most in exports and has the least dependence on imported products.

As one of Türkiye's oldest and fastest-growing sectors, the ceramic industry continues to develop its products every year and increases its product range.

Turkish Ceramic Industry is one of the most important industries in Türkiye with a transaction volume of approximately USD 2 billion and exports of over USD 1 billion. The ceramic industry provides 40 thousand direct and 330 thousand



Construction Sector

As per the December 2023 Sector Report of The Association of Turkish Construction Material Producers (Türkiye IMSAD), the economic tightening policies implemented in June were also restrictive for the construction sector. The report indicated that the effects of the tightening in business conditions were evident in the last quarter of the year and the demand for construction works started to weaken due to high financing costs. On the other hand, the lack of workforce in the sector has also become more evident overall. Due to the migration of labor to the earthquake zone, labor shortages occurred in other regions. Lack of materials and equipment reached its lowest level in the last month of the year.

The report reveals that the sector grew at varying rates in the first three quarters of 2023 and continued to increase production in the last

quarter of the year. Construction materials industrial production increased by 8.7% in October 2023 year-on-year. Accordingly, while production increased in 15 sub-sectors in October 2023 year-on-year, it decreased in six sub-sectors and remained unchanged in one sub-sector.

For the first ten months of 2023, the highest year-on-year production increase was 36.5% in metal structures and components. The production of metal doors and windows increased by 35.6%. Wood construction materials production increased by 23.1% and ready-mixed concrete production by 16.8%. The sub-sector with the highest decline in production in the first ten months of the year was construction glass with 15.7%, followed by ceramic coating materials with 11.9%.

UNICERA 2023

Türkiye witnessed significant developments in the ceramic industry in 2023. Among these developments, there is a focus on sustainability and innovative designs, important fairs, and investments.

UNICERA 2023 is one of the largest commercial platforms of the Turkish ceramic industry and contributes to the growth of the sector in the international market. The fair featured the latest technology products from Türkiye and the world's leading brands. The event took place at a time when sustainability and recycling are at the forefront. The fair also plays an important role in the development of the Turkish ceramic industry.

MANUFACTURING FACILITIES

Türkiye's largest producer

Kaleseramik has an annual production capacity of 56 million m² and is the 1st largest producer in Türkiye, 5th largest in Europe, and the 17th largest in the world.

Kaleseramik produces in Çanakkale/Çan/Semedeli, Balıkesir/Bandırma, Yozgat/Yerköy facilities in Türkiye. The company is Türkiye's 1st, Europe's 5th, and the world's 17th largest ceramic coating materials producer with an annual production capacity of 56 million m².

- The Ceramic Coating Materials capacity utilization rate was realized as 55.85% in 2023. The amount of production decreased by 21.57% compared to the previous year to 34.6 million m².

- The sanitary ware capacity utilization rate was realized as 67.76% in 2023, while the production amount reached 772.5 thousand units, down by 8.67% compared to the previous year.
- While the furniture capacity utilization rate was 66.64% in 2023, the production amount was 56 thousand modules with an increase of 0.97% compared to the previous year.

The investment in the new slab-sinterflex production line, established within the Slab-Sinterflex 2 Factory located in the Company's premises in Çanakkale Çan, was commissioned on July 27, 2023.

The new line's production capacity is 1.5 million m²/year. 70% of the products to be produced in 160x320 cm x (6-10-20 mm) and lower sizes are intended for export markets. This investment aims to reduce carbon emissions by 42% per unit product compared to standard production through zero waste, low energy use, and full digitalization.

The Company's production and capacity utilization rates in the main product groups are as follows:

	2022	2023	Change (%)
Ceramic Coating (thousand m ²)	44,152.4	34,628.5	-21.57
Sanitary Ware (thousand units)	845.9	772.5	-8.67
Furniture (thousand units)	56.5	56.0	-0.97

The investment of approximately EUR 34.2 million for the new slab-sinterflex production line was financed with internal resources and a loan.

Location	Open Space (m ²)	Closed Space (m ²)
Çan	407,216	376,894
Semedeli	189,281	59,957
Yozgat	180,266	25,073
Bandırma	38,498	12,115

* Production areas refer to offices and all other indoor areas in use.



PRODUCTS AND SERVICES

A new large-sized porcelain slab production line was deployed

The first phase of product development activities was completed with the deployment of the new large-sized (160x320 cm) porcelain slab production line.



Kalebodur:
105 SKUs were
deployed in 44 series.

**Çanakkale
Seramik:**
173 SKUs were
deployed in
17 series.



The first phase of product development activities was completed with the deployment of the new large-sized (160x320 cm) porcelain slab production line and thus launched to the sales channel and customers. The portfolio of small-sized decorative products continued to develop this year and new series were added. Special importance was attached to the surface development of the ceramic coating series. In line with the user experience, wishes, and requests, deep series with surfaces that appeal to different areas of use in performance have been developed, including R&D studies.

During 2023, 233 SKUs in 52 series under the Kalesinterflex brand, 105 SKUs in 44 series under the Kalebodur brand, 173 SKUs in 17 series under the Çanakkale Seramik

brand, 1 SKU in 1 series under the Edilcuoghi brand and 40 SKUs in 7 series under the Ida brand were deployed in ceramic coating materials.

New built-in reservoir studies and field tests in the bathroom product group were completed and launched to the market. New generation toilet bowl developments with easy-to-clean drain structures have been completed. More colored and patterned sink models were introduced, and colored photoelectric urinal series for public areas were deployed. In the water management systems, complete bathroom set solutions with different coating alternatives and new shower systems were developed. For bathroom furniture, new series have been introduced that include

compact set solutions that users can “buy-take-insert-use” for small bathroom spaces. Different materials, such as the use of ceramics in furniture countertops, were used to differentiate the designs.

In 2023, 65 SKUs were deployed in 9 series in ceramic sanitary ware under Kale Banyo brand. 7 SKUs underwent design changes to increase efficiency and reduce costs. In water management systems, 15 series with 59 SKUs, and in bathroom furniture, 6 series with 69 SKUs were worked on and offered for sale.

As part of market and business development activities, we continued to work on expanding the use of Kalesinterflex-branded large porcelain slabs and special composite tops derived from them

in furniture. The products were introduced to over 100 furniture companies for use in the body and cover coatings of table-top tops and consoles, and sales were made.

In 2024, plans include working with renowned designers in both ceramic coatings and bathroom products for holistic bathroom solutions and product portfolio development. In addition to continued investments in large-sized porcelain slabs, product portfolio development for new sizes is also planned. New large-sized production investments in wall tiles, which are on the Company's agenda, are planned to ensure product portfolio development in this area as well.

MARKETING AND SALES

New products were launched

In 2023, new products were launched in the tile and bathroom product groups.

37,500
NUMBER OF
ARCHITECTURAL
CONTACTS

A meeting was held
with dealers in Cyprus
in November.

Through brand and channel-based strategies focusing on the value offered to customers, marketing activities were carried out for both end-consumers and channel customers.

New products were launched in the tile and bathroom product groups. As for the bathroom, products such as a new tank design with a rimless toilet, a new concealed reservoir with improved technical features and durability, as well as new color options added to the existing faucet series, have been announced to the market supported by both communication and display efforts. In the tile product group, both retail and project-oriented penetration processes of the new series were carried out.

In line with the decision to expand the Edilcuoghi brand within the holistic bathroom concept, the Edilcuoghi-branded Petra bathroom series was showcased at the Cersaie and Unicera fairs.

Brand collaborations with Hansgrohe, Geberit, Huppe, and Omega, which cater to upper mid-luxury segment customers, have been continued. By following the product portfolio, pricing, display, and communication supports required by the collaboration processes, the customer profile visiting the stores was elevated, thereby generating additional revenue for the sales points.

During the spring and autumn periods, campaigns were conducted offering discounts on all bathroom products along with free installation support.

The emphasis on the authorized service structure, which provides a competitive advantage in the field for the brand, was continued, and the hashtag #ArkasındaKaleVar was used in communication efforts. The free installation service for bathroom furniture, which has been met with great satisfaction by dealers and consumers, was continued. The interest in the free installation coupon application, valid for sanitary ware and faucets, also continued to increase.

We are all over the world

In June, a three-week discount campaign was implemented on Facebook in the Iraq region through media buying. In September, a similar discount campaign was carried out on Instagram, focusing on interaction and gaining followers. This effort resulted in Kale Iraq's Instagram account gaining 950 new followers.

Similarly, in June, a discount campaign was conducted outdoors in Pakistan, targeting one of the key markets.

Support was provided for communication efforts with partners in various countries such as Germany, Romania, France, Kazakhstan, and Uzbekistan. A new investment launch for Kalesinterflex & T-One was carried out for customers in Mongolia.

Corporate relationships strengthened together with dealers

To understand the needs and expectations of dealers and their employees, and to listen to consumer expectations in their service regions from their perspective, the Annual Dealer Satisfaction and Dealer Employee Expectations Surveys were repeated. These surveys identified the need for improving corporate relationships.

The joint dealer employee platform for Kaleseramik and Kalekim has been completed to facilitate getting to know dealer employees, communication, providing training, and managing loyalty programs. Continuous improvements for the platform are being pursued without interruption.

An online training platform has been prepared to contribute to the professional and personal development of dealer employees. It is planned to be deployed together with the dealer employee portal.

A meeting was held with dealers in Cyprus in November. Following the successful and enjoyable main dealer meeting, secondary dealer meetings were also held in Cyprus.

Close collaboration with architects

Professional communication activities carried out for the Kalebodur brand have been supported by architectural communication channels and developed through architectural office visits. Connections with customers consisting of regional small-scale architects, project management offices, and academics have been maintained.

Architects Bulletin has reached an architectural contact list of 37,500 since 2012. Prof. Dr. Celal Abdi Güzer moderates the monthly broadcast titled "Kalebodur'la Mimarlar Konuşuyor" (Architects Talking with Kalebodur). Started in 2018, the "We Talk Buildings" series also continues.



MARKETING AND SALES

Seminars aimed at improving the professional knowledge and skills of plumbing masters were conducted in 3 cities with a total of 288 participants.



Various children's workshops were held through the integration of Kalesinterflex products with Arkki, an organization of the Türkiye Design Council.

Training activities

In line with the Company's strategic priorities of pioneering, leadership, and profitable growth domestically, training sessions were organized to enhance the effectiveness of marketing and sales activities. These sessions provided detailed information about products and their applications to improve the knowledge, quality, and capabilities of the Kaleseramik sales team and sales point personnel. In this context, 27 Kaleseramik and Kale Banyo training sessions were organized for dealership employees and the Kaleseramik sales team, with a total of 207 participants.

To address the customer's need for guidance and inspiration at the point of sale, training sessions were organized for Kale store teams, selected dealers, and DIY store employees.

In these training sessions, innovations in products and services, as well as current research findings and some technical details, were also shared.

Master seminars were organized to contribute to the professional development of plumbing masters. Seminars aimed at enhancing the professional knowledge and skills of plumbing masters were conducted in 3 cities with 288 participants, based on requests from dealers. During the seminars, alongside Kale Banyo's innovative products and services, the latest developments in the sector, as well as the problems and expectations of plumbing masters, were addressed.

Cüneyt Özdemir and Architecture with Kalebodur series, which is broadcast on the last week of every month, continues with new episodes. As part of the brand communication efforts for T-One Porcelain Kitchen Countertops, the "Countertop Chats" series, where stories of famous chefs' usage are shared, continues to be published on YouTube as part of the ongoing digital content series.

MARUF on the Go allows children to design the cities of the future.

As part of the MARUF on the Go events organized by the Union of Marmara Municipalities in 2023, Arkki Türkiye supported children between the ages of 7-12 to dream and project the cities of the future. With the sponsorship of Kalebodur,

a series of workshops called "Imagining Marmara," aimed at contributing to the future vision of the cities in the Marmara Region, enabled 187 children from 11 provinces to envision the Future of Marmara and create numerous valuable projects.

Sponsorships from the company's Salt Architecture Archive, Açık Radyo, and Türkiye's first digital archive, Arkiv, also continued.

Frequent factory tours were organized for architects to provide information about products and production, while in collaboration with the Interior Architects Association and Idealist, talks, workshops, and the production of digital video content were carried out.



A factory tour was organized in collaboration with the Istanbul Natural Gas Plumbing and Heating Technicians Craftsmen's Association. The tour was attended by a total of 17 participants, including the president of the association, the general secretary, and 15 members.

Campaigns supported by research

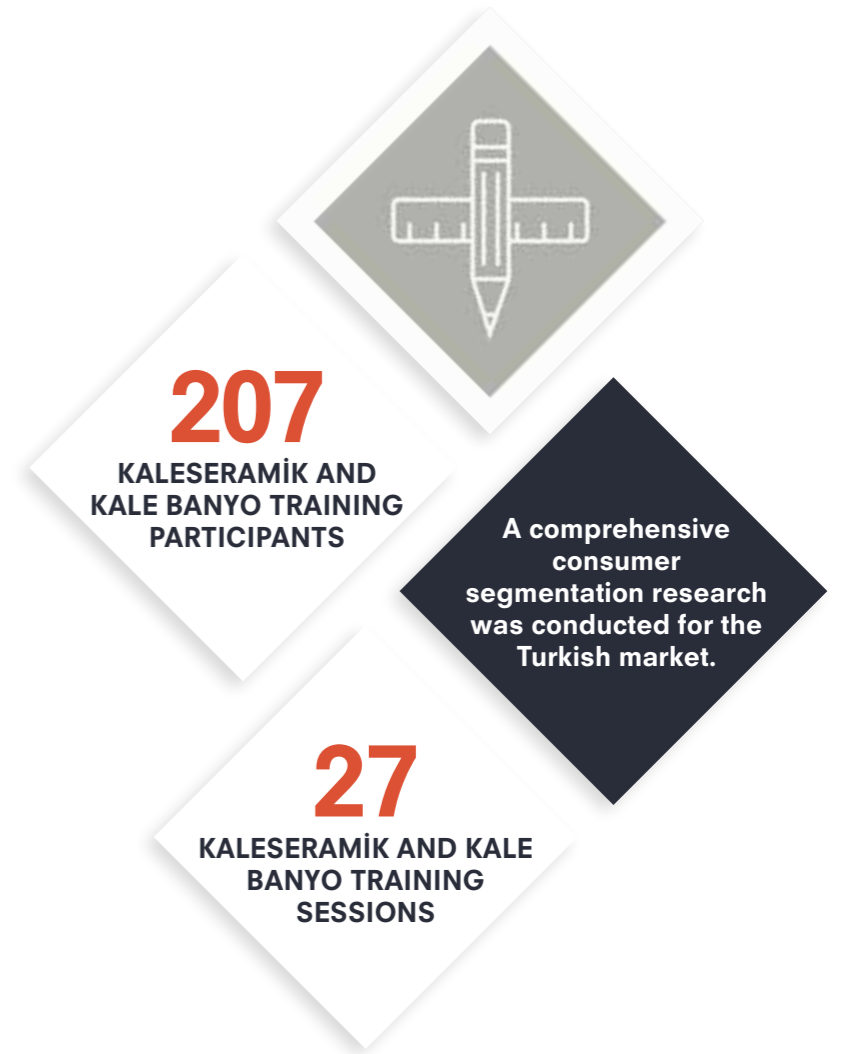
In 2023, a comprehensive consumer segmentation study was conducted to identify the changing and diversifying customer needs and expectations influenced by socio-economic, political, and technological developments in the Turkish market. The outputs of this research guided the development of marketing strategies tailored to meet customer needs and expectations. Additionally, research was conducted to closely understand the young consumers who will be the consumers of the future.

A comprehensive brand health study was initiated to explore the performance of all brands both among end-users and professionals.

Understanding not only national and global developments and consumers' behavioral changes but also the key influencers guiding consumers has become increasingly important. Accordingly, research efforts were initiated to get to know the ceramic and installation masters in the practitioner channel in detail. Mystery shopper visits were conducted across all sales points nationwide to ensure compliance with established standards of service quality, aiming to support the improvement of the customer purchasing experience by identifying areas for improvement at each sales point.

Research was conducted to discover the needs of the market for the effective placement of the Slab product group. Research was conducted to listen to consumer needs and expectations for the furniture product group, aiming to determine the brand strategy. Global porcelain slab reports were examined to understand the development trends of the Slab category worldwide and to contribute to the global sales strategy. Strategies were then planned based on this information.

To strengthen the Company's presence in the bathroom category in Europe, detailed analyses of the bathroom markets in France, Germany, the United Kingdom, and Italy were conducted. Studies were conducted to identify the marketing needs for enhancing the Company's position in these countries.



INVESTMENTS

USD 230 million investment in five years

Of the total investment of approximately TL 1.2 billion in 2023, 55% was allocated to new and sales-generating investments in Granite Slab, while the remaining portion was allocated to investments in sanitary ware, technology renewal, LPG plant, molds, and IT.

TL 1.2
billion
PURCHASE OF
TANGIBLE AND
INTANGIBLE FIXED
ASSETS

The new investments
aimed to reduce
carbon emissions by
42%.

1.5
million m²/year
NEW LINE
PRODUCTION
CAPACITY

Kaleseramik focused on new investments and collaborations as well as sustainability and digitalization efforts in 2023 with the successful IPO program.

As part of the 2023 investment plan, the Company purchased tangible and intangible fixed assets amounting to TL 1.2 billion. Consistent with strategic targets, approximately 55% of this amount was allocated to new and sales-generating investments in Granite Slab, while the remaining portion was allocated to investments in sanitary ware, technology renewal, LPG plant, molds, and IT.

The investment in the new slab-sinterflex production line, established within the Slab-Sinterflex 2 Factory located in the Company's premises in Çanakkale Çan, was commissioned on July 27, 2023.

With an annual production capacity of 1.5 million m², 70% of the products produced in 160x320 cm x (6-10-20 mm) and lower sizes on the new production line are intended for export markets. The new line emits 42% fewer carbon emissions per unit product compared to standard production thanks to its features of zero waste, low energy use, and full digitalization.



This investment of around EUR 34.2 million was funded by internal resources and a loan.

Feasibility studies on SPP (Solar Power Plant) investment are being carried out.

Among the Company's 2023 investments were also expenditures for the application development of SAP, the ERP program, and digital transformation.

The First Green Hydrogen Valley of Türkiye is coming to life

The "HY Southern Marmara Project," prepared by a 16-member consortium with the coordination of the Southern Marmara Development Agency, was awarded support under the Horizon Europe Clean Hydrogen Partnership 2022 Call. With a total budget of EUR 36.8 million and a duration of five years, this project will bring Türkiye's first Green Hydrogen Valley to life. With the successful completion of the project, Türkiye has experienced a first in the Framework Programs, and the EU grant of EUR 8 million,

which is the highest grant amount so far, has been brought to our country. As part of the project, Kaleseramik also laid the foundations for the integration of hydrogen combustion systems into ceramic rapid-firing processes.

Between 2022 and 2026, Kalebodur aims to invest USD 230 million. The Company will focus on new and more sales-generating investments in 2024 and is also planning new size investments.

R&D ACTIVITIES

Higher savings through R&D studies

A total of TL 120 million in savings were achieved, TL 11.5 million of which will be realized in 2023, from projects that add value/difference/function to cost, quality, efficiency, and product.

TL **180.7**
million
R&D
EXPENDITURE

A total of TL 120
million in savings was
achieved through R&D
studies.

37
NUMBER OF PROJECTS
CARRIED OUT AT
R&D CENTER

A difference created in the industry with the strong R&D structure

Kaleseramik R&D Center was established in 2012 to meet the need for research, technology development, and innovation in an increasingly competitive environment. 37 projects were carried out at the Center in 2023, with a total R&D expenditure of TL 180.7 million.

The Kaleseramik R&D Center supports the Company's strategies with efforts to solidify its position in the current competitive environment. The Center works on projects supported by various methods and operates around five main axes: 'cost', 'quality', 'efficiency', 'adding value/functionality to the product', and 'developing new usage areas'. In terms of scientific research, patent, and utility model activities, 4 articles, 4 presentations, and 2 posters were prepared for national and international congresses. As a result of these efforts, 25 patents and utility models were developed.



Since its establishment, Kaleseramik R&D Center has generated a total of TL 120 million in savings, including TL 11.5 million in 2023 from projects that add value/difference/function to cost, quality, efficiency, and products.

Close collaboration with universities

In ongoing projects, collaborations are made with universities and institutes. Collaborations are carried out with distinguished universities in Türkiye such as Istanbul Technical University, Yıldız Technical University, Eskişehir Technical University, Gebze Technical University, İzmir Kâtip Çelebi University, Çanakkale Onsekiz Mart University, Anadolu University and Dumlupınar University, as well as Jaume University and Zaragoza University from Spain. Collaborations are also made with Research Centers such as ITC-SAM and BOREN. These projects aim to develop existing technologies and create new products and processes with academic support.

Strong laboratory structure

A strong laboratory infrastructure forms the basis of the Company's success in R&D activities. These laboratories conduct physical, mineralogical, and chemical analyses of raw materials, materials, water/wastewater, and finished products. A total of 36,268 tests/analyses were conducted in 2023 and TL 0.87 million in revenue was generated from external customers during this process. Furthermore, investments are made each year to strengthen the device infrastructure at the R&D Center. In 2023, the Center was further strengthened by adding methods such as reverse engineering, and instruments such as scanning electron microscope, strength device, and carbon-sulfur determination device to the laboratory infrastructure.

As of June 1, 2023, Kalemaden Semedeli and Body Preparation Laboratories R&D Center Laboratories were merged,

equipment and workforce were started to be used more efficiently. Analysis delivery time was also reduced to 0.83 days. The laboratory adopts a science-based, unbiased, accurate, professional, and standardized working method and provides services with 600 different test/analysis procedures. Since 2019, the laboratory has been among the 996 Test Laboratories certified by TÜRKAK. Moreover, the second cycle for the TS EN ISO 17025 Laboratory Qualification Certificate covering the accreditation of 32 tests/analyses under the main headings of chemical analysis, wastewater, and ceramic end products was launched. Similarly, 9 scope expansion applications covering new tests/experiments were filed last year. Among these experiments are particle size analysis using the laser method, qualitative and quantitative mineral analysis using XRD, determination of %C and %S, and final product tests for Ceramic Sanitary Ware. Quantitative analysis using XRD is among the first experiments to be documented in Türkiye.

R&D ACTIVITIES

Kaleseramik R&D Center produced 4 scientific publications in 2023.



Educational activities

Employee training is crucial for the effective and efficient functioning of businesses in today's competitive environment. Training is also a way to improve staff motivation and adaptation to work. For this reason, 6 training sessions were organized within the scope of TS EN ISO IEC 17025 and on Basic Ceramics.

70 scientific publications

The number of scientific publications is considered to be an important indicator of R&D activities in scientific studies in science and engineering. National and international publications, congresses, and standards are followed and new methods and studies are monitored.

In addition, in order to transform the outputs of the projects carried out at the R&D Center into publications, SCI publications are prioritized.

A total of 70 scientific publications have been published since the establishment of the R&D Center, 4 of which were published in 2023.

We participated in the ECER'S XVIIIth Conference of the European Ceramic Society held in France on July 2-6. By making verbal and poster presentations, significant contributions were provided to the scientific literature from Kaleseramik R&D Center project outputs.

On September 6-9, we participated in the Clay 2023-19th National Clay Symposium held in Eskişehir and presented the papers "Investigation of Usage Possibilities of the Sivrihisar Sepiolites (Eskişehir) for the Production of Ceramic Tiles" and "Investigation of Possible Use of Felsic Altered Volcanic Material from Şaphane Village (Balıkesir) in Porcelain Tile Products."

Another participation was made in the 15th National Chemistry Congress held at Çanakkale Onsekiz Mart University from September 4-7.

Kaleseramik R&D Center made three presentations at Qualicer 2024 as the output of the research and product development activities carried out in 2023. Dr. Kağan Kayacı, Director of R&D Center and Technology Development also participated as a panelist in the session of the congress focusing on innovation management, chaired by ITC director Enrique Sánchez.

12 patent and 16 intellectual property applications

Irrespective of the organization, one of the most important R&D KPIs is the number of patent and intellectual property applications. The main ranking in the technology value pyramid is based on "Value Creation and Portfolio Evaluation" and "Integration with Business Processes" as the leading return metrics. "Strategic Co-Orientation with the Company" and "Probability of Success" stand out at the strategy level. At the asset level, "Number of Patents" also demonstrates R&D capability. In 2023, the number of patents at Kaleseramik R&D Center reached 12, and intellectual property applications reached 16.

Studies in 2023

Raw material projects

According to industry reports, the research on new raw material resources, the study of existing resources for ceramics and different sectors, and the modeling of existing fields stand out as areas of development.

Preliminary studies conducted by the R&D Center have identified projects that will shape Kalemaden's strategies. Accordingly, collaborative activities continue for the development of a substitute product in order to replace the imported kaolin used in the sanitary ware, as well as for the development of an alternative product to imported clays in order to obtain metakaolin-calcined kaolin for ceramics and other sectors, and for blasted perlite.

Cost, quality and efficiency projects

In the current environment where global competition is gradually increasing, it has become a great necessity for businesses to make quality and cost-effective production in line with customer requirements and the market. The R&D Center allocates 55% of its efforts to projects under this subject.

Energy saving projects

For the solution of this important process, in which the ceramic industry is tested by various restrictions and targets on energy in the global arena, savings in resources used are required. In 2023; projects such as

- Installation of systems that will provide savings in natural gas consumption by using oxygen-rich air in spray/vertical dryer combustion systems,
 - Energy recovery from waste heat of factory chimneys
- were carried out and the Company's sensitivity in this regard was emphasized.



Unique R&D projects

A significant function of R&D is to analyze the information gathered from literature reviews and participation in conferences and to design projects that might provide an area of development for Kaleseramik, thereby gaining an advantage.

Projects that add value/difference/ functionality to the product

Businesses can succeed in global markets where the level of competition is very high only if they ensure customer satisfaction. The best way to keep customers satisfied is to design brand-new products or enhance the existing ones in line with identified or anticipated customer requests and needs.

Kale Group celebrated its 66th anniversary with the opening of its new slab production line. This investment was made in July and focused on the production technology of Porcelain Slab/Slab & Countertop Products with dimensions of 160x320 cm and thicknesses of 6, 12, and 20 mm. On a single line, complete digital

decoration, traditional decoration, and wet/dry material mixed decoration applications were made possible at 11 different application stations. New product development/design modeling activities were carried out for 65 series of 147 SKUs in 6 mm and 12 mm thicknesses.

As part of tile design and product development activities, 228 series of new product model prototypes in 39 different sizes were realized. In the Wall Tile & Kale Workshop & Trim production technologies, new product development/design modeling activities were carried out on a total of 161 series in 32 different sizes. In the Wall Tile product group, 36 SKUs of 60x120 cm sized products were manufactured for the first time in Türkiye using single-fired/monoporosa production technology. In addition, a total of 334 series of new product development/design modeling activities were carried out in Glazed Porcelain, low water absorption Granite Porcelain, Kalesinterflex branded thin industrial porcelain slabs, and Low-Grade 3rd Firing Decor production technologies.

R&D ACTIVITIES

As part of efforts to promote localization, the “Development of Next-Generation Domestic Ceramic Roller Kilns” project has been initiated.

“Digital Effects Preparation” facility investment completed.

“Prototype Mineral Enrichment Facility” was commissioned.

As part of 2023 Internal Resource 3D Relief Design & CNC Mold Modeling studies;

- A total of 19 SKU/number of relief design modeling and manufacturing was carried out in 8 different sizes in Glazed Porcelain and Low Water Absorption Granite Porcelain production technologies.
- A total of 67 SKU/number of relief design modeling and manufacturing was carried out in 13 different sizes in Wall Tile & Kale Workshop & Trim production technology.

Technological development projects

Companies must follow the developments and even develop technology to maintain their current existence. One of Kaleseramik’s R&D objectives is to anticipate new technologies ahead of other companies and to complete studies in this field. Accordingly, laser technologies were on the Company’s radar. To conduct the first sintering trials on ceramic tiles with laser sintering technologies in Türkiye and to compare their performance with convection firing methods, two researchers from the R&D Center received training at the University of Zaragoza. While the training activities continued, an electric kiln where the laser system will be integrated was placed in the R&D Center. The laser kiln is planned to be put into operation this year.



As part of efforts to promote localization, the “Development of Next-Generation Domestic Ceramic Roller Kilns” project has been initiated. The metal construction design of the kiln has been completed and the brick and piping design is underway. Moreover, as part of the “Development of a Domestic Quality Sorting and Packaging Machine” project, the assembly and software of the quality sorting machine were completed. Trial runs of this machine are expected to be carried out during the year.

R&D project-based investments were also commissioned and operations were initiated. The “Prototype Mineral Enrichment

Facility,” one of these investments, was commissioned with a capacity of 50 kg per hour, enabling prototype enrichment trials. Significant foreign exchange savings have been achieved by initiating investment in a “Digital Effect Preparation” facility and launching research and development efforts for local digital glazes and inks, which aimed for the domestication of digital effects and ink materials used as import purchases.

2024 targets

The Company’s projects targeted to be realized in 2024 emphasize energy efficiency. Hydrogen combustion technologies, smart products aimed at enhancing user comfort, and new functional material designs that provide a competitive advantage by

combining traditional ceramic coating materials with advanced technology ceramics constitute the project topics in this area.

One of the biggest problems our world is facing, climate change, necessitates that the entire business world, regardless of sector and size, must fight together. The projects undertaken by the R&D Center in 2024 in this context are as follows;

- Development of Effect-Inks and Technologies for Digital Printing
- Technology Development
- Raw Material Research
- Sustainability

Sustainability projects

The increasing emissions and their impact on the environment are becoming more prominent day by day. With the reduction of carbon emissions, carbon capture and storage technologies have gained industrial significance. Therefore, in order to be a pioneer in the sector and to realize firsts with new technologies, we aim to investigate the application and development of carbon capture technologies in the ceramic sector and to work on their adaptation. Additionally, the use and production of ceramic filters that can be employed in the filter systems used in carbon capture technology are also being researched. The project in this topic;

The HY Southern Marmara-Domestic Roller Kiln EU Project

Hydrogen Valley aims to create a regional “hydrogen economy” by enabling the “green” production of hydrogen gas to be supplied for industry and energy practices. HY Southern Marmara project is an innovation-based European Union project based on implementation covering the Southern Marmara Region. The project has a total budget of EUR 36 million and was granted the highest one-time funding of EUR 7,455,625 from the European Union. EUR 800,000 worth of grant support was received for the EUR 4,336,250 investment on the Kale side.

HORIZON-JTI-CLEANH2-2022-06-02: The consortium with the acronym HY Southern Marmara (Southern Marmara Hydrogen Shore), presented under the H2 Valley (small-scale) call, includes a total of 16 local and foreign organizations.

INFORMATION TECHNOLOGIES

Digitalization target in production



The SAP Profitability and Performance Management (PaPM) Module was launched. This module analyzes the factors affecting profitability, enables key users to easily manage distribution models, and implements the QMS system.

Products and services that meet varying and evolving customer needs and expectations with a holistic approach and applications that provide customers with excellent purchasing and usage experiences are being implemented with digital solutions. In this regard, the development of domestic dealer and secondary dealer portals and the introduction of an international dealer portal were among the projects completed. Another community management project was the Dealer Employee Platform. This platform which was designed to get to know dealer employees, provide communication, and training, and manage the loyalty program was established in 2023.

The Master's Club project, another community management project, is expected to have its mobile application version in 2024.

The redesign of the corporate website kale.com.tr to align with e-commerce dynamics and the adaptation of its infrastructure to pre-sales, sales, and after-sales services have been completed. As of January 3, 2024, this website offers online shopping. The 2.0 version of the Kale Core application, a platform

that creates value for all stakeholders (end user, architect, craftsman, store, dealer) and improves, facilitates, accelerates, customizes, and inspires their journey, has been completed. In the latest version, an English language option, a 'see it at your home' feature, and new collections have been added to the app.

To celebrate the 100th anniversary of the Republic of Türkiye and to digitally and globally embrace the spirit of Çanakkale, an NFT Collection named "Sons of Çanakkale" was released. This collection featured 18 photographs that have become symbols of the March 18 victory.

A platform was created where architect stakeholders could share projects they have realized with Kalebodur as part of the Architect Portal project, aiming to effectively reach the professional target audience.

In line with the goal of "Digitalization in Production," a crucial part of the digital transformation roadmap, the granite factory was selected as the pilot plant for the Kale 99 project. At the Kale 99 factory, efforts are underway to collect and analyze data to stabilize process parameters and increase efficiency. Using the IoT infrastructure of the granite factory, efforts have been initiated to address a quality issue that will allow the prediction of quality problems in advance. The Kale 99 Predictive Quality Project involves

identifying the likely root causes of the addressed problem, installing the system in the production environment, and reporting predicted quality issues in real time to the relevant departments. Industry 4.0 studies continued with the Kale 99 Granite Continuation Phase. In this context, Kaleseramik aims to establish a production control and traceability system for tile production on a job order basis across all production lines, enabling traceability for each tile produced. This involves integrating the production control and traceability system with the ERP system to obtain data and report it through graphical representations. Phase 1 of the granite factory project has been completed. In 2024, Phase 1.5 for the granite factory, Phase 2 for mass production, Phase 4 for secondary processes, and deployment efforts for other factories are ongoing.

The Supplier Relationship Management (SRM) Project was initiated in 2021 to systematically evaluate the strengths and capabilities of suppliers' business strategies. This project also involves determining which activities to engage in with different suppliers, planning and executing all interactions with suppliers, and implementing performance scorecard sharing to establish its infrastructure. The project was implemented within the year 2023. The completion of the second and third phases of the project is targeted for the year 2024.

The SAP Project was also initiated in Kaleseramik Iraq, a subsidiary of Kaleseramik. The project was launched in the first quarter of 2024 and the SAP usage was activated.

Product Lifecycle Management (PLM) Project conducted for the management of all product groups of Kaleseramik was also conducted for Frit. With this project, the aim is to develop a market-focused management structure in product lifecycle management and to digitize the process through the implementation of a PLM application. In the second half of 2024, it is planned to commence Kaleseramik PLM Phase 2.

The KaleKokpit system, which enables the establishment of a performance measurement infrastructure, transparent monitoring of Kaleseramik's KPIs/PIs, and quick action-taking, has been implemented.

The E-flow application infrastructure has been established to manage processes that need to be digitized for obtaining approvals and sharing information across various departments through Workflow Automation. As part of the implementation of Robotic Process Automation (RPA) in business processes, projects have been initiated to automate processes such as OGS/HGS payments, POS reconciliation transactions, and the entry of e-waybills and e-invoices into SAP.

HUMAN RESOURCES

Moving towards the future together with employees

Kaleseramik is moving forward into the future with all its employees in line with its human-centered management approach.

Kaleseramik is moving forward into the future with all its employees in line with its human-centered management approach.

The Company's human resources practices aim to attract new talents, ensure employees work in positions that match their competencies, support their learning and development processes, and contribute to achieving the Company's goals through accurate performance tracking.

Recruitment

The recruitment process aims to bring individuals to the Company who are open to development and innovation, match the nature and competencies of the job, possess strong work ethics, and align with the Company's culture, values, and goals.

Depending on the requirements of the position, candidates are evaluated through systematic processes including a general aptitude test, foreign language proficiency test, personality assessment, evaluation center practice, and competency-based interviews. After thorough evaluations, an offer is extended to the most suitable candidate for the position.

Talent management

At Kaleseramik, the talent management approach was built on the premise that every employee is a talent. In line with this approach, the aim is to recruit individuals who possess the suitable talent, competency, knowledge, and skills for the jobs, keep them within the Group, and effectively develop their talents.

Additionally, enhancing employees' performance in alignment with their development plans, and balancing employee expectations with Company expectations are also considered as part of the talent management process.

Learning and development

Learning and development processes involve offering training and development solutions in professional, technical, and personal growth areas for all employees. Thus, the aim is to cultivate a culture of a "learning organization" where continuous learning, application of learning, and knowledge sharing are encouraged. Simultaneously, the goal is to increase employees' job satisfaction and motivation.

Performance management process

Kaleseramik's performance management system is based on multidimensional and target-oriented evaluations. The system not only ensures that the entire Company follows the same direction focused on development and growth but also encompasses the strategic objectives necessary for the Company's long-term success.

Job grading and wage management

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

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

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



Career management

In order to conduct promotion, assignment, grade advancement, and rotation processes within the Company with a holistic and objective human resources approach, performance, and competency evaluation results are used.

Training and development, performance management, competency management, and similar practices support individuals' technical and personal development as well as career goals. While the Management Career Path requires management and leadership skills in addition to fulfilling the necessary conditions for the employee to move to a higher position, the Technical Career Path is considered a career path that involves roles in which the employee undertakes a counselee role on a subject that requires in-depth expertise (R&D, engineering, etc.). Based on their competency assessment results, Kaleseramik employees are directed to the Management Career Path or Technical Career Path, and their career goals are determined.

Personnel and labor movements, employee benefits

Kaleseramik aims to continuously improve working conditions and environments in line with contemporary management principles, laws, standards, technological changes, and advancements.

Accordingly, in addition to the wage in line with the globally accepted wage management model, location-specific benefits such as rent allowance, travel allowance, life insurance, food allowance, meals, maternity allowance, marriage allowance, death allowance, annual leave pay, military service allowance, fuel allowance, Eid al-Adha and Eid al-Fitr bonuses, bonus allowance (for blue-collar employees) and selective benefits package (private health insurance, PPS, social assistance, education allowance, Ramadan food voucher, qurban allowance, holiday allowance), seniority reward are provided to the personnel. Additionally, employees who meet the conditions outlined in current legislation are entitled to receive seniority and severance pay.

3,138
EMPLOYEES

In the performance management system, evaluations are conducted based on targets.

829
FEMALE EMPLOYEES

HUMAN RESOURCES

Social clubs, which provide employees with the opportunity to socialize and practice their hobbies, have been reactivated.



The efforts initiated to enhance the guesthouse facilities for employees at the Çan location are ongoing.

Employees receive a Newborn Baby Visit (including diapers and a changing pad as gifts), and those who are on sick leave for more than 10 days receive a get-well visit. Newly hired white-collar employees receive a “Welcome Package” as a gesture.

The shuttle service for employees continues in 2023.

Training activities

Kaleseramik prioritizes the development of its employees, offering programs like the “Su Programı” (Water Program) for selected managers under the “Geleceğin Kaleleri” (Castles of the Future) initiative, and the “Ateş Programı” (Fire Program) for executives. These programs, in collaboration with Sabancı University, aim to best prepare participants for changing trends and global dynamics. Additionally, under the ÇOMÜ (Çanakkale Onsekiz Mart University) Industrial Collaboration Protocol, the MBA program and support for master’s degree programs at all other universities continue.

Training sessions continue to support the professional development of blue-collar employees, aiming to propel the Kale Group forward.

Throughout the year, all employees received “Living and Working with Values Training” to internalize the connection between values and behaviors in the process of implementing the Kale Group’s values within the organization.

Throughout the year, employees are encouraged to increase their usage of Kale Campus, the Learning Management System (LMS), which was implemented to support their continuous development through remote learning. This initiative allows employees to focus on their own development by accessing the training they need anytime and anywhere.

As part of the Internal Trainer journey with the Kale Masters Program launched in 2022, 10 employees are now continuing their journey as trainers with years of experience and expertise.

Internal communication

As Generation Z entered business life, four generations started to work in the business world at the same time. Due to generational differences, the Company has made changes and improvements in internal communication in recent years due to the demand from employees for continuous and accurate communication. In particular, communication activities carried out through various channels to attract talent and recruit new talent to the Company have become one of the most important factors in the Company’s battle for talent.

Social clubs, which provide employees with the opportunity to socialize and practice their hobbies, have been reactivated.

Process improvements

Under the title ‘Creating a learning organizational structure’, five projects were implemented; under the title ‘Strengthening the employer brand and promoting a culture of trust within the Company’, three projects were implemented; and under the title ‘Completing strategic organizational needs’, six projects were implemented.

HR technology has advanced significantly with the use of artificial intelligence (AI) and automation. Kaleseramik has started to adapt these developments in HR technology to daily life. Especially in industrial relations and SSI processes, robots started to be used.

2024 targets

The expectations, needs, and motivation sources of employees are changing rapidly these days. Strategic priorities of human resources processes for sustainable growth are set in accordance with the Company’s transformation and growth targets.

For 2024, the Company has planned the following activities to ensure organizational agility and competency development:

- Use of Agile and Lean management in processes and teamwork
- Organizational approach in line with Strategic Vision and Plans
- Implementation of In-House Entrepreneurship program
- Conducting studies to attract and retain talents and implementing actions in line with talent management project outputs
- Employer branding activities

Kaleseramik Number of Employees

White collar	559
Blue collar	2,579
Total	3,138

Distribution of Employees by Age

Age	White collar	Blue collar	Total
Ages between 18-20	0	10	10
Ages between 21-25	29	259	288
Ages between 26-30	85	335	420
Ages between 31-35	102	426	528
Ages between 36-40	95	560	655
Ages between 41-50	176	878	1,054
Ages between 51-60	69	110	179
Age of 60 and above	3	1	4
Total	559	2,579	3,138

Educational Status of Employees

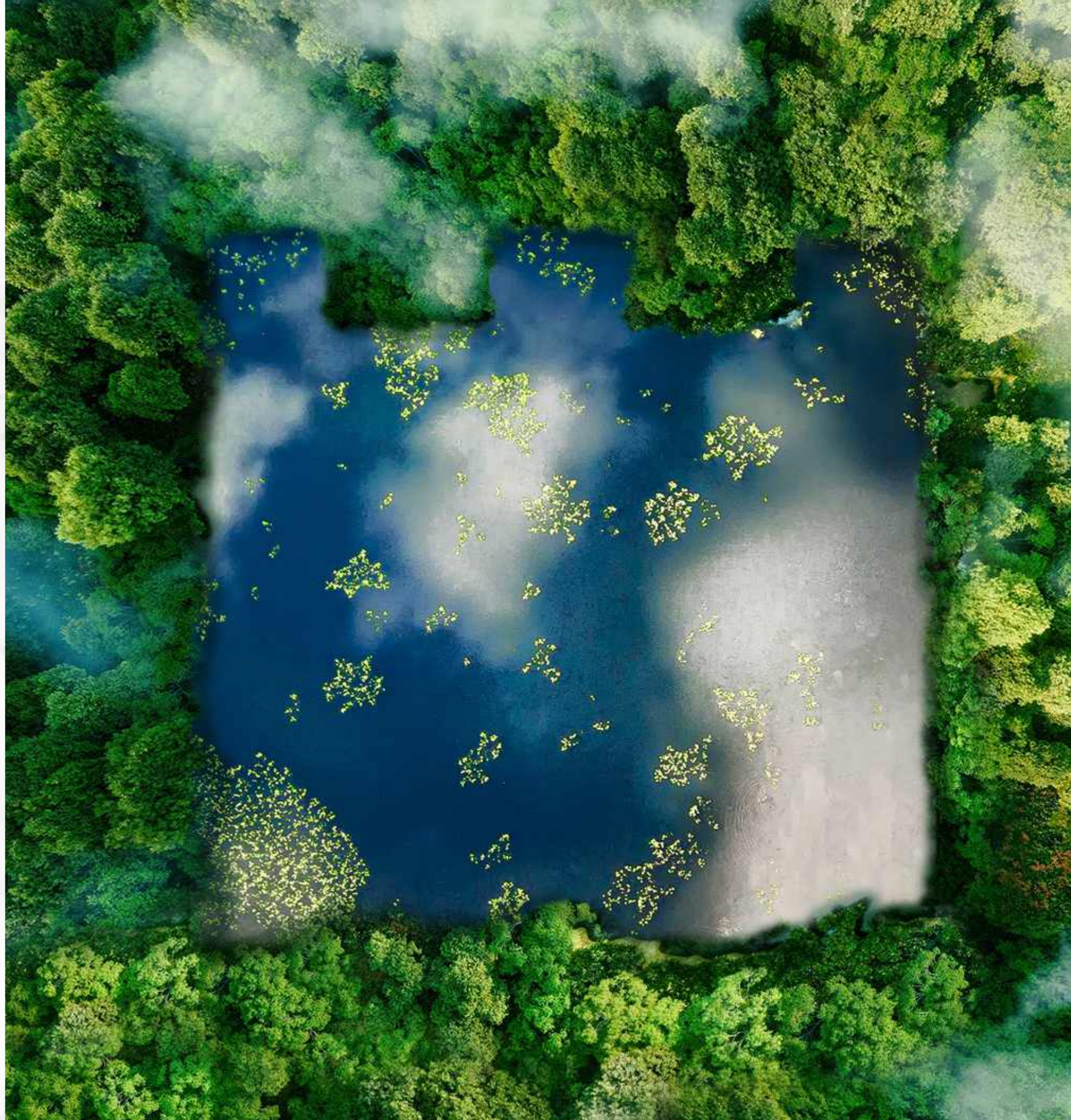
Educational Level	White collar	Blue collar	Total
Undergraduate and Higher	459	70	529
Associate Degree	58	381	439
Vocational High School	14	578	592
High School	26	923	949
Primary School	2	627	629

Number of Employees by Gender

Gender	White collar	Blue collar	Total
Female	186	643	829
Male	373	1,936	2,309

SUSTAINABILITY

Kaleseramik aims to grow by sharing the value it generates with society and adding value to all regions in its sphere of influence, especially in Türkiye.



SUSTAINABILITY APPROACH

Care for Your World movement

Kaleseramik launched the “Care for Your World” movement to raise awareness about what can be improved in the world.

Kaleseramik acts with the vision of net positive impact.

Kaleseramik prioritizes the development and transformation of its employees.

As part of Kale Group’s 66 years of rooted history, Kaleseramik aims not only to produce and grow but also to share the value it generates with society and to grow by adding value to all regions in its sphere of influence, especially within Türkiye.

As part of the people-oriented approach, which is part of its corporate culture, Kale Group develops all of its activities in a way that generates common benefits. The Group builds the future of production based on the idea of a solution-oriented and sustainable system that puts people at the center. It treats the environmental and social impacts of its business with care. Consistent with its responsible and sensitive leadership approach, the Group launched the “Care for

Your World” movement in order to raise awareness about what can be improved in the world, starting with the individual and affecting the whole society. The movement takes its inspiration from the great transformation that the pandemic initiated in people’s lives, and is based on the insight that the small changes that everyone will initiate in their own world will combine to become a meaningful transformation that shapes the future and heals the world.

Kale Group strives to inspire all its stakeholders to “Care for Your World” in a period in which all the problems and inequalities in the world are experienced by everyone, and to inspire what can be improved in the world. “Care for Your World” aims for each individual

to start with themselves, their own habits, and their own home; and to make a difference with a sense of care in their sphere of influence, at their workplace, in their street, neighborhood, city, country, and ultimately on the planet, in every place they touch.

In 2023, Kale Group updated its Sustainability Strategy by closely monitoring the sectors in which it operates and the emerging new approaches on the global sustainability agenda, as well as analyzing the potential risks and the impact of these developments on its activities.

In this way, by adopting a more resilient management approach to the constantly changing global agenda and the environmental and

social impacts of the climate crisis, it aims to maintain its leadership in the sectors in which it operates. The newly developed Sustainability Strategy is built on the focus areas of Cultural Transformation, Energy and Resources Management, Sustainable Business Model, and Social Investments.

Cultural Transformation: As a Company that cares about the future of business and adopts new ways of thinking and working, Kaleseramik prioritizes the development and transformation of its employees. By adopting humane business practices, the Company aims to create a working environment where gender equality and equal opportunity are respected and embraced throughout the Group, and thus become the most preferred Company by employees. In light of global sustainability and technological advancements, it develops training and development programs to ensure that current employees fully align with the competencies of the future and to attract new talents that are critical for the future of its operations. By adopting a resilient and agile management approach to the constantly changing agenda, new-generation tools are used to develop organizational processes with high efficiency and effectiveness. With a model that offers dynamic and diverse work experience opportunities, impact-focused cultural transformation is integrated across all Group companies.

Energy and Resources Management: The Company carefully analyzes the environmental impacts of its operations and acts with a vision of achieving a net positive impact. Actions are being implemented in parallel with the targets of increasing investments focused on reducing greenhouse gas emissions and promoting a circular economy. It is aimed to obtain the energy used in operations from renewable sources. Projects are being developed to minimize and recycle waste generated along the value chain. By integrating circular economy principles into the entire value chain, the Company aims to design recyclable products.

The effective and efficient use of all natural resources, especially water, is emphasized, and projects developed to ensure that they are obtained through fair processes and consumed responsibly aim to create a positive impact.



SUSTAINABILITY APPROACH

While supporting new talents through the programs it develops, the Kale Seramik Foundation also embraces them as potential Kale employees (stakeholders) and develops initiatives that support youth employment through various collaborations, particularly with Kale Group Human Resources.



Sustainable Business Model:

Kaleseramik is conducting efforts to ensure the continuity of its business and develop a resilient management approach against changing global developments. To maximize revenue from sustainability-focused businesses, investments are made in new business models that focus on environmental and social issues, aiming to develop sustainability-focused business processes, products, and services. The Company is developing R&D and innovation-oriented business models that focus on new technologies to extend its sustainable business approach to the entire value chain. It also supports the development and transformation of all stakeholders within its sphere of influence in this context.

Kaleseramik aims for the sustainability strategy and sustainable business approach to be embraced by all stakeholders throughout the supply chain. Within the scope of the Care for Your World movement and its sustainability strategy, the Company continues its efforts to systematize supplier audits within the scope of its goal of ensuring 100% compliance of critical suppliers in its supply chain with environmental and social compliance criteria by 2030.

Each year, as part of supplier development and improvement, improvements of up to 2% of total procurement turnover are realized through improvements made by existing suppliers or the formation of alternative suppliers, the R&D of alternative products and the

introduction of new products, and the benchmarking and improvement of supplier processes.

Social Investments: Kaleseramik aims to lead in social investments developed on the basis of common interest, and focused on positive impact, uniting Group companies. It focuses on societal programs that contribute to Sustainable Development Goals. Social investment initiatives, which include employee volunteering, are being developed, and social benefit is enhanced through strategic collaborations.

Kale Group also ensures that the new generations of talents can find a place for themselves through Kale Design and Art Center, which adopts the mission of 'being the incubation center of its social investments'. Since 2017, the Group has, through the İbrahim Bodur Social Entrepreneurship Award Program, enabled joint development by sharing the value it generates with society, supported initiatives focusing on social problems, and increased brand value by collaborating with initiatives.

While supporting new talents through the programs it develops, the Kale Seramik Foundation also embraces them as potential Kale employees (stakeholders) and develops initiatives that support youth employment through various collaborations, particularly with Kale Group Human Resources. Through partnerships with local and international civil society organizations, stakeholder communication is enhanced, allowing for a comprehensive approach to social benefit.

As with all strategic planning activities, Kaleseramik works in a way that is integrated with Kale Group in its sustainability strategy. The Company aims to allocate a sustainable future throughout its entire value chain in line with sustainability priorities, taking into account stakeholder analysis conducted in collaboration with its stakeholders and considering sectoral realities and changing global conditions, while forming its sustainability strategy.

Kaleseramik's Sustainability Strategy, which is aligned with the United Nations Sustainable Development Goals and other national and international sustainability trends, was developed referencing the "Care for Your World" movement initiated in 2021 to create a framework for Kale Group's Sustainability Strategy, generate shared value economically, socially, and environmentally in every field of operation, and establish a new perspective in this regard.

The Company determined material sustainability issues to identify the primary social, environmental, managerial, and economic issues that will create the greatest impact and value for Kaleseramik and its stakeholders, to incorporate stakeholder views into strategic processes by gathering a wide sample of stakeholder opinions, and to seek stakeholders' opinions on Kaleseramik's activities.

While identifying material sustainability issues, the following analysis and strategies were taken into account:

- Stakeholder analysis
- Impact analysis
- External trend analysis
- Financial impact analysis
- Manager opinions
- Corporate strategy

The prioritization effort indicates the areas that will be focused on within the sustainability strategy of Kaleseramik and the areas where the Company has a significant impact in terms of sustainability. As a result of the prioritization analysis, the economic, environmental, and social issues that will have the greatest impact on Kaleseramik were mapped.



Four impact areas, priority issues, and 2030 targets of the Care for Your World movement were identified. Eight United Nations Sustainable Development Goals articles were associated with sustainability targets, projects, and actions.

These are:

Cultural Transformation

1. To ensure that the employee turnover rate of critical positions is below 5%.
2. The turnover rate of corporate development programs
 - a. Castles of the Future Program turnover rate not exceeding 5%.
 - b. Kalegends Program turnover rate not exceeding 30%.
3. To increase the Digital Transformation Sustainability Index score every year.

4. To make Employee Engagement Survey results reach the ranks of the best companies in Türkiye.
5. To reduce the accident frequency rate by 2.5% each year compared to the previous year and the accident severity rate by 2% compared to the previous year.

Energy and Resources Management

1. To reduce direct greenhouse gas emissions by 25% by 2030 compared to 2021.
2. To increase the use of renewable electricity to 100% by 2030.
3. To reduce water use in production by 25% by 2030 compared to 2021.
4. To increase the closed-loop production rate by 100% by 2030 compared to 2021.

SUSTAINABILITY APPROACH

To increase the holistic benefit offered to employees, the online training platform Kale Campus was introduced.



collaboration with Sabancı EDU, to cultivate potential leaders who will carry Kale Group into the future from within, equip future business leaders of the Group with the requirements of the new age, and establish a common language and culture.

The Kalegends Young Talent Program aims to cultivate the next generation of conscientious leaders for the Kale Group by reaching out to young talents, getting to know them closely, and supporting them with comprehensive development programs, ensuring they make a strong start to their careers.

To increase the holistic benefit offered to employees, the online training platform Kale Campus was introduced. Kale Campus Online Development Platform allows employees to access training regardless of time and place. The platform features a variety of development resources, including interactive e-learning content, video training, live virtual classes, in-class training, articles, blog posts, TED Talks videos, film recommendations, and book summaries on various topics. There are numerous training categories available, ranging from competency development training, professional and technical training, personal development training, and leadership training to legal and mandatory training, as well as training for internal trainers. Through the Kale Campus system, the performance of the training provided to employees can also be tracked.

Kaleseramik has become a stakeholder in Türkiye's first Hydrogen Valley Project, the HY Southern Marmara-Southern Marmara Hydrogen Valley Project. This significant project, which aims to reduce the use of fossil fuels in the industry and increase the use of green hydrogen, has been deemed worthy of support by the European Commission under the Horizon Europe program.

Sustainable Business Model

1. To increase sustainability-oriented product and service investments by 30% by 2030 compared to 2021.
2. To ensure 100% compliance of critical suppliers in the supply chain with environmental and social compliance criteria by 2030.
3. To ensure that 100% of the electricity used is generated from renewable resources by 2030.

Social Investments

1. To be a leader in social investments and allocate at least 0.5% of EBITDA each year to impact investment/social investment programs that will contribute to the Sustainable Development Goals.

For 2023, the strategies and activities that will make a difference for Kale Group in four impact areas include the following:

Kale Group aspires to be an inclusive, dynamic, entrepreneurial, reliable, and preferred group of companies that looks to the future of business, embraces new ways of thinking and working, and where talents can find the opportunity and meaning to realize their potential.

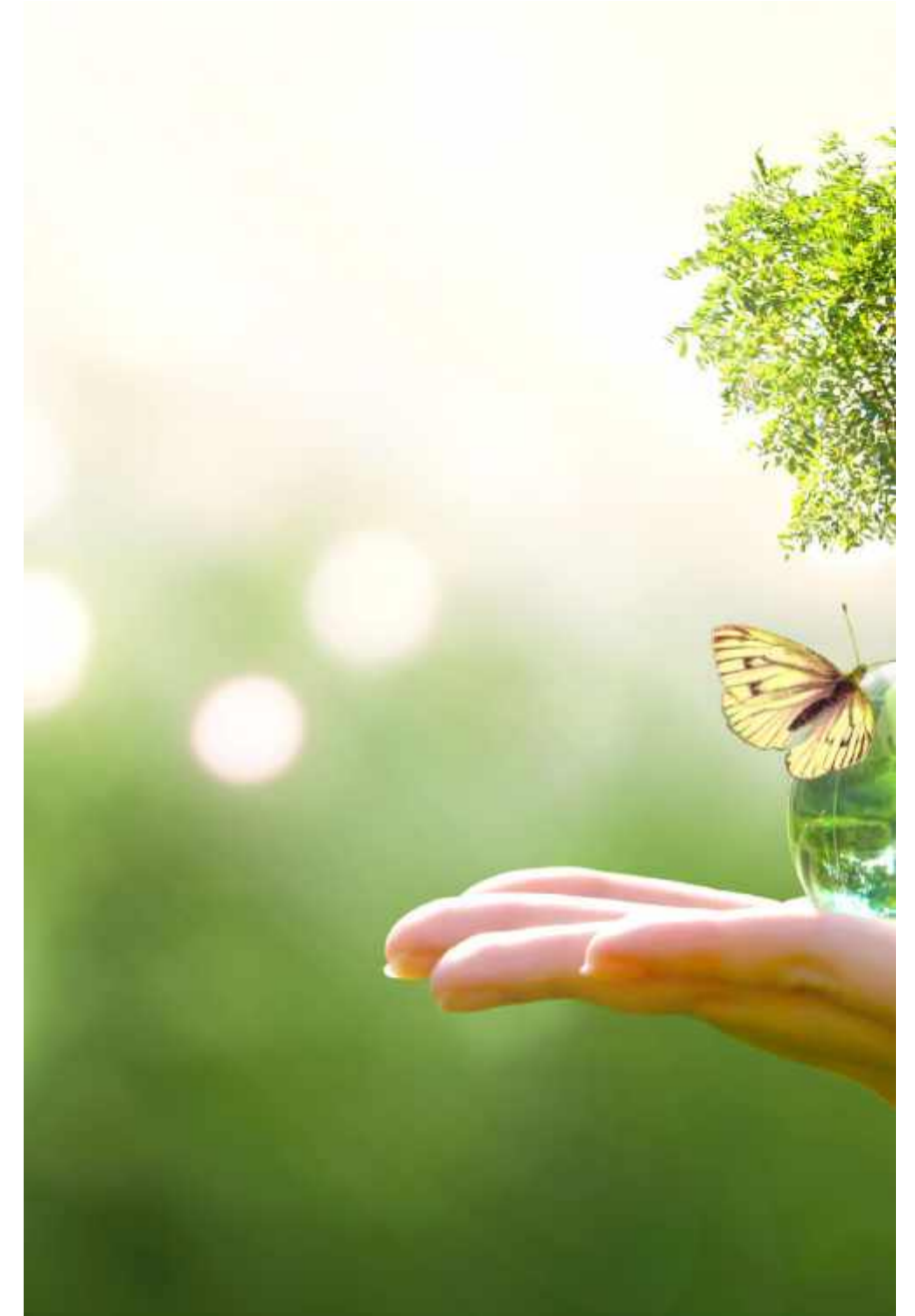
Within this scope, the "Castles of the Future Leadership Development Program" is being implemented for employees who are serving in mid-level management roles and are in the talent pool at Kale Group Companies for one year in

Innovation focus areas to be tracked in 2023 have been updated.

As part of the project, it is aimed to reduce carbon emissions by one-quarter over four years by using green hydrogen for production at the facilities in Çan. In the project, where the Company will play a role in hydrogen combustion systems, it is aimed to conduct studies to develop the use of hydrogen gas as a hybrid fuel to partially replace natural gas used as fuel in kilns during the sintering processes of ceramic tiles. The project was approved as of 2023 and the official process for its implementation has begun. It is believed that this project, which is a turning point for green transformation in the industry, will also make significant contributions to Türkiye's 2053 Net Zero goals. This guide, which makes significant contributions to the sector's development in this field, is not only valuable for architects and engineers who aim to construct green buildings but also serves as an exemplary work for anyone who wants to take responsibility for the future.

The innovation, one of the three fundamental values of the Northern Star vision taken as a guideline to add new meanings to living spaces, is intended to serve as a lever function within the sustainability strategy initiated throughout the Kale Group, to produce tangible outputs related to sustainability and to trigger transformative innovation. The sustainability efforts for the transformative innovation of products, processes, and business models are aimed to work in harmony with innovation efforts and mutually reinforce each other.

In 2023, the focus areas for innovation were updated to be tracked, and innovation efforts were planned within the scope of these focus areas. The innovation strategy, which is addressed under two clusters: development and



transformation, aims to encompass the spread of a culture of creative thinking within the organization, cultural transformation, stakeholder interaction, multidisciplinary collaborations, and open innovation activities. It also includes the enhancement of existing products, processes, and services, as well as the design of new products, services, and business models. As part of innovation and circular economy efforts, a collaboration

was established with a New European Bauhaus-associated start-up during Dutch Design Week. As part of this effort, in the spatial installation project named Tête-à-Terra, approximately six tons of fired ceramic waste were transformed into earthen bricks using sustainable and traditional methods.

OCCUPATIONAL HEALTH AND SAFETY

We Are the Castle of Occupational Safety

Kaleseramik emphasizes that not only its employees but also all individuals in its ecosystem should be able to work in safe and healthy work environments with the slogan “We Are the Castle of Occupational Safety.”

Continuous improvement efforts are carried out.

54,870
TOTAL TRAINING
(PERSON X HOUR)

Kaleseramik emphasizes that not only its employees but also all individuals in its ecosystem should be able to work in safe and healthy work environments with the slogan “We are the Castle of Occupational Safety.” OHS targets are monitored at senior management and Group level. Occupational Health and Safety is the first priority of the Company. The Company’s future vision embraces the approach that human life is too important and sacred to be compared with any business goal. All necessary measures continue to be implemented for employees to work in a safer environment.

All practices carried out for occupational health and safety comply with the Kaleseramik OHS and 45001 Standards and are monitored through audits conducted in the work areas. Regular Occupational Health and Safety (OHS) training sessions and activities are organized for all employees to reduce workplace accidents, create a healthy working environment, raise awareness, and enhance competencies in OHS.

Continuous improvement efforts are underway to eliminate hazards to life and property safety, such as illness, injury, and emergencies. Risk assessments and hazard analyses regarding occupational health and safety are conducted with the participation of employees.

Review and monitoring activities are conducted to improve occupational health and safety performance by setting measurable and achievable goals. Suggestions and recommendations as well as needs and expectations from relevant parties/stakeholders are taken into consideration.



Training provided within the scope of OHS

Location	Region	Number of Training Participants	Total Training (Person x Hour)
Istanbul	Levent Headquarters	67	536
Çanakkale	Çan	2,174	37,495
Çanakkale	Samedeli	671	12,912
Yozgat	Yerköy	163	2,622
Balıkesir	Bandırma	93	1,305
		3,168	54,870

ENVIRONMENT

Environmental processes, smart products

Kaleseramik's entire range of ceramic coating materials successfully passed the highest standard Indoor Air Quality test and was awarded the "Greenguard Gold" certificate.

The solution to globally increasing environmental problems, especially the climate crisis, necessitates inevitable transformations such as ensuring efficiency in resource usage, increasing the use of renewable energy, expanding opportunities for circular economy, and transitioning to clean technologies. These areas are also among the prioritized sustainability issues for Kaleseramik.

The Company aims to continue contributing to the solution by aligning with the challenging goals outlined in this context. To achieve this, R&D and innovation activities and processes are associated with sustainability priorities and targets to generate innovative solutions.

The Company is setting targets for reducing greenhouse gas emissions, transitioning to renewable energy production, increasing the ratio of closed-loop production and resource utilization, and developing projects to achieve these targets. The environmental targets set are as follows:

- To reduce direct greenhouse gas emissions by 25% by 2030 compared to 2021.
- To increase the use of renewable electricity to 100% by 2030.
- To reduce water use in production by 25% by 2030 compared to 2021.
- To increase the closed-loop production rate by 100% by 2030 compared to 2021.
- To ensure that 100% of the electricity used is generated from renewable resources by 2030.

In 2013, the Kaleseramik facility was named "Türkiye's Most Efficient Industrial Facility" by the Ministry of Energy and Natural Resources following the improvements made in production facilities. By making production processes transparent and obtaining Environmental Product Declarations (EPDs) approved by independent organizations for all products, a significant milestone has been reached in the sustainability journey. Since 2013, all ceramic products have had Environmental Product Declaration (EPD) certificates.

The Company's entire range of ceramic coating materials successfully passed the highest standard Indoor Air Quality test and was awarded the "Greenguard Gold" certificate.

Kaleseramik, which has pioneered environmental initiatives, is the first ceramic manufacturer to obtain a Health Product Declaration (HPD) for its wall tile product groups.

Water, energy and raw material efficiency

Recycling efforts are of great importance for the future of the ceramic industry in our country, which largely relies on local raw material sources for production. The impact of recycling on resource usage contributes to the conservation of our country's natural water reserves, especially at a time when the importance of water resources is increasingly recognized.

The Company operates with a focus on resource efficiency in all its operational processes. With this approach, material-focused recycling efforts in production processes have also been increased.

By achieving an increase of over 70% in recycling rates, savings are achieved in the water and energy consumption required for production processes, while also contributing to the sustainability of raw materials. As a result of these efforts, Kaleseramik won the Waste Management category of the Sustainable Business Awards in 2021.

Along with the reduction in resource consumption, greenhouse gas emissions are also reduced.



Starting from the acquisition of raw materials, through the various stages of production, including maintenance, laboratory, and office activities, various wastes are inevitably generated throughout the life cycle of ceramics. However, these wastes are classified and recycled according to their types. In addition, efficiency-focused initiatives across production areas, from the use of high-efficiency equipment to lighting practices, contribute to savings in natural resource consumption.

The waste heat generated in production processes is utilized in drying processes, resulting in savings in natural gas consumption. Besides these practices, circular and sustainable processes are being developed by using waste heat in greenhouse facilities that are engaged in organic agriculture.

We protect the environment with smart products

Kaleseramik offers friendly solutions to consumers and business partners thanks to its eco-friendly products designed with the 'Smart' philosophy and oriented towards saving. With a conscious effort to preserve water, the world's most valuable resource, ambitious products are being designed, manufactured, and promoted for their efficiency. The "Kale Smart Flushing System Hanging Toilet" product, created with a "Smart" approach, has been recognized with the "Golden Drop" award by the Building Industry Center, often referred to as the Oscars of the Turkish construction sector.

Kalesinterflex

Distinguished by its environmentally friendly technology, Kalesinterflex is produced using less energy and raw materials than standard ceramic tiles.

Kaleguard Defence

Kaleseramik has developed a new technology that has been clinically tested for its effectiveness against bacteria and especially harmful viruses such as Covid-19. Kaleguard Defence-applied matte surface ceramics provide long-term hygiene as they prevent the growth of dangerous microorganisms that are invisible to the eye and prevent their growth.

Cura Tile by Kale

Cura Tile by Kale products, which are named after 'curing' the users and the natural environment, have been developed to ensure that users can breathe healthily and safely in today's world where indoor air quality is more important than ever. Alongside innovative and sustainable production technology, Cura Tile by Kale products, with their natural composition, pave the way for both environmentally conscious industrialization and sustainable urbanization.

Smartedge (Thin Cut) Faucet

Thin-section Smartedge sinks help protect natural resources by saving raw materials and energy compared to conventional sink production.



CORPORATE SOCIAL RESPONSIBILITY

Contributing to education and employment

As part of the Scholarship Program that has been running for many years under the KSV umbrella, educational scholarships have been provided to 850 successful and needy students to this day.



Through social responsibility activities in the fields of education and employment, the Company contributes to the Sustainable Development Goals.

Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health, and Social Aid Foundation (KSV) was established in 1991 by İbrahim Bodur, the founder of the Kale Group, to make the contributions of the Kale Group Companies to society continuous and regular. KSV carries out its activities within the framework of the scholarship program, physical infrastructure investments such as schools, student dormitories, and training centers, and other programs aimed at developing collaborations between industry and universities. Since its establishment, KSV's efforts to contribute to society have been carried out under the themes of "Education" and "Employment."

Education Scholarships

As part of the Scholarship Program that has been running for many years under the KSV umbrella, educational scholarships have been provided to 850 successful and needy students to this day. This support for students, especially those attending universities, is not limited to financial support. Scholarship recipients also receive mentoring support from Kale Group executives. Kale Group also gives priority to scholarship recipients

in job and internship opportunities. KSV organizes regular Idea and Project Camps to contribute to the 21st-century competencies of scholarship recipients while bringing together scholarship recipients and Kale Group executives. Within the scope of the scholarship program, KSV Scholarship Recipients also contribute to the Foundation by supporting new scholarship recipients after taking the first step in their careers.

Vocational Courses

KSV has been organizing Vocational Training and Development Adaptation Courses nationwide since 1991 in Türkiye in the field of "Ceramic Floor and Wall Tile Coating," aimed at training qualified workers for the construction sector and providing vocational skills to unemployed youth.

All vocational training activities undertaken by Kale Group in response to the shortage of qualified workers observed in the construction sector are conducted in collaboration with the Directorate General of Vocational Education of the Ministry of National Education, under a protocol signed in 1991. Trainees receive official certificates approved by the Ministry of National Education at the end of these courses.

A total of 240 Vocational Courses have been organized across Türkiye and 4,751 unemployed young trainees have found a job so far. At the same time, 4,313 qualified craftsmen were recruited to the construction sector through 213 Development and Adaptation Courses.

KSV also offers courses in prisons, reformatories, and orphanages to help prisoners and convicts start their new lives with great hope. At the same time, for the first time in Türkiye, KSV started training craftswomen to be employed in the construction sector. The project was launched in Ankara, where unemployed women received 424 hours of training in Ceramic Floor and Wall Tile Coating. A total of 69 craftswomen completed the program and were awarded vocational qualification certificates.



İbrahim Bodur Social Entrepreneurship Award

The İbrahim Bodur Social Entrepreneurship Award was launched in 2017 to honor the legacy and values of the late İbrahim Bodur, Founder of Kale Group. Kale Group aims not only to produce and grow but also to develop by sharing its values with society. This meaningful award program was implemented with Ashoka Türkiye, the world's first and largest social entrepreneurship platform. The award aims to support social entrepreneurs who are committed to the world and environment they live in and who dare to take action to improve lives and increase the positive impact they create.

The İbrahim Bodur Social Entrepreneurship Award honors social entrepreneurs who not only have a creative idea but also a sustainable and successful pilot project in three different categories. Applications are reviewed according to the criteria of current social impact, impact potential, financial sustainability, competence, and reliability. Successful candidates receive the financial support of Kale Group.

Kale Design and Art Center

Students, recent graduates, and professionals in the art and design fields are provided with a common production and learning space.

The foundations of the Kale Design and Art Center (KTSM) project were laid in 2018 by the Kale Group through Dr. (h.c.) İbrahim Bodur Kaleseramik Education, Health and Social Aid Foundation and with the financial support of Istanbul Development Agency (İSTKA). KTSM was established with the transformation of Kale Group's first headquarters in Karaköy. KTSM aims to be a center that contributes to the attraction created by the creative industries in the city by providing a platform for actors in the field to come together and collaborate through workshops, talks, exhibitions, and other events held under its roof. With both its position and the expertise it brings, KTSM also aims to contribute to Istanbul becoming a brand city in creative sectors and to strengthen the existing infrastructure in this field.

CORPORATE SOCIAL RESPONSIBILITY

The needs of people with disabilities were also taken into consideration and a total of 384 containers, including 194 hygiene containers and 190 survival containers were delivered to the earthquake zone.



Women's Empowerment Principles (WEPs)

Kale Group is a member of the Women's Empowerment Principles (WEPs) platform, established in 2010 in partnership with the United Nations Global Compact and UN Women.

The Women's Empowerment Principles, which aim to strengthen the position of women in the business world and society, require business leaders to explicitly commit to the following seven principles for creating company policies that advance gender equality:

- Providing High-Level Corporate Leadership For Gender Equality
- Treating All Men and Women Fairly at the Workplace,

- Respecting Human Rights and Principles of Non-Discrimination, and Supporting These Principles
- Ensuring Health, Security, and Wellbeing for All Women and Men
- Supporting Women Through Education, Courses, and Professional Development Opportunities
- Implementing Entrepreneurial Development, Supply Chain and Marketing Methods that Empower Women
- Encouraging Equality Through Social Initiatives and Support
- Measuring the Development to Ensure Gender Equality, and Reporting It Publicly

30% Club

Zeynep Bodur Okyay, Chairperson and CEO of Kale Group, is one of the founding members of the 30% Club in Türkiye. The club is described as a collaboration where Chairs and CEOs aim to better gender balance at all levels of their organizations. This collaboration stems from the belief that gender balance will enable companies to be more successful and Boards of Directors to be more effective.

Since its establishment in 2010 in the United Kingdom, the 30% Club's campaign has been running in Australia, Canada, the GCC, Hong Kong, Ireland, Italy, Malaysia, South Africa, the United States and Türkiye. In Türkiye, the 30% Club has been hosted by the Sabancı University Corporate Governance Forum since 2017.

We have united for the earthquake victims

Within the scope of corporate social responsibility activities, other projects carried out in 2023 were as follows:

- In response to the call made to Kale Volunteers to provide support to the earthquake-affected region, over 150 Kale Volunteers, along with authorized service centers and dealers, were present in the disaster area.
- In coordination with public institutions and organizations, especially AFAD, over 40 vehicles, construction machines, and generators were provided to transport aid materials and construction equipment to the disaster area.



- Various hygiene materials, clothes, medicines, and food packages were delivered to the region in cooperation with Needs Map and AFAD. More than 3 thousand provisions were delivered to thousands of earthquake victims.
- We have provided support to employees, dealers, and technical services affected by the earthquake in the region for their financial needs.
- The needs of people with disabilities were also taken into consideration and a total of 384 containers, including 194 hygiene containers and 190 survival containers were delivered.
- Thanks to the support of its female employees, Kale Group established five nursery containers and a playground in the earthquake zone on Women's Day and Mother's Day to encourage the children who were affected by the earthquake to return to social life.
- Through the contributions of DEİK and the Istanbul Chamber of Industry where the Company is represented at the management

level, support amounting to a total of TL 6,269,000 was provided to the living centers established in the region. This included 8 containers, 2 generators, and over a thousand products.

- The cooperation with the Turkish-Austrian ICC created a bridge between the countries. A total of 17 containers, including 13 survival containers, and 4 hygiene containers, were set up in Adıyaman Palanlı village with the support of Rotary Distrikt 1920.
- In cooperation with the US-based Good 360 and Lift, the aid collected to be transferred to the earthquake zone was coordinated in Türkiye. Aid with a market value of USD 6 million was transferred to the earthquake zone.
- During the "Each Child Matters" event held in Hatay on April 23rd, National Sovereignty and Children's Day, workshops were organized for over 100 children affected by the earthquake, and gifts were distributed.
- Food packages were prepared for 500 children in cooperation with TokTut Association and gift packages were prepared in cooperation with Yapı Kredi Publishing.

- In cooperation with the Urgent Needs Project Foundation, Kale Group employees joined forces to make the holiday wishes of approximately 1,500 children and young people come true on Eid al-Fitr.
- In cooperation with Hansgrohe Türkiye, a container village of 36 containers was built in Adıyaman, providing a new living space for earthquake victims.
- In order to implement the projects of social enterprises supported under the İbrahim Bodur Social Entrepreneurship Program for the earthquake region, the Community Support Program was launched and seven projects worth a total of TL 2 million were supported.
- On Father's Day, a Vocational Training and Development Adaptation Course on 'Ceramic Floor and Wall Tile Coating' was launched in Gaziantep and Adıyaman in order to provide earthquake-affected citizens with a sustainable life.
- In cooperation with the Health and Education Foundation (SEV), 40,000 books were donated to UNICEF and the Community Volunteers Foundation (TOG) to be given as gifts to children in the earthquake region.
- 85% of the scholarship quota for the new semester of the 2023-2024 academic year has been allocated to support earthquake-affected students to continue their education.
- Kale Volunteers turned their steps into goodness at the Istanbul Marathon. Volunteers ran for the Spastic Children's Foundation of Türkiye and supported infants in the earthquake zone to access the Early Intervention Program. With 78 Kale Volunteer runners, 2,180 development sessions were provided for 595 infants.
- As a continuation of the Good 360 and Lift cooperation, with the support of Maersk and Lululemon, 60 containers, furniture, and over 500 textile materials for winter conditions were delivered to the region.
- The traditional Student Gathering took place on November 18th.

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING

AGENDA OF THE ORDINARY GENERAL ASSEMBLY MEETING OF KALESERAMİK, ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş. DATED 10.06.2024

1. Opening and election of the Presiding Board,
2. Reading and deliberation of the Board of Directors Annual Report for the 2023 activity year,
3. Reading the summary of the Independent Audit Firm's Report for the 2023 activity year,
4. Reading, discussing, and approving the consolidated CMB and TCC balance sheet and profit and loss accounts for the 2023 activity year,
5. Discussing and resolving the release of the members of the Board of Directors separately for the activities and transactions of the 2023 accounting period,
6. Discussing and resolving the proposal of the Board of Directors regarding the profit distribution for the 2023 activity year,
7. Discussing and resolving the election of the members of the Board of Directors and the determination of their terms of office,
8. Discussing and resolving the membership remuneration of the members of the Board of Directors for the 2024 activity year,
9. Providing information about donations and aids made in the 2023 activity year and discussing and resolving the donation limit for the 01.01.2024 - 31.12.2024 activity year,
10. Discussing and resolving, in accordance with the Turkish Commercial Code and the Capital Markets Law, the proposal of the Board of Directors on the election of an independent external audit firm for the audit of accounts and transactions of the 2024 activity year,
11. Authorization of the members of the Board of Directors to perform the transactions outlined in Articles 395 and 396 of the Turkish Commercial Code;
12. Providing information to shareholders about the guarantees, pledges, and mortgages issued by the Company in favor of 3rd parties in accordance with the regulations of the Capital Markets Board, as well as income or benefits they have generated,
13. Closing.

PROFIT DISTRIBUTION PROPOSAL FOR 2023

KALESERAMİK, ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş. RESOLUTION OF THE BOARD OF DIRECTORS

Resolution Date : 16.05.2024
Resolution Number : 1956
Members : H. İBRAHİM BODUR HOLDİNG A.Ş. representative Dr. (h.c) Hatice Zeynep Bodur Okyay, Cengiz Solakoğlu, Kadri Tarık Özçelik, Haluk Alperat, Adile Esra Tözge, Dr. (h.c.) Osman Okyay, Yusuf Kinay, Fahri Okan Böke

Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş. Board of Directors convened at the headquarters today and upon the negotiations made;

As a result of the examination of the financial statements for the accounting period January 1, 2023 - December 31, 2023, prepared in accordance with the Turkish Accounting Standards and Turkish Financial Reporting Standards (TAS/IFRS) under the Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets" No. II-14.1 and audited by PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., and the financial statements prepared in accordance with the provisions of the Tax Procedure Law (TPL) and based on the statutory records after the application of inflation accounting;

It has been determined that there is a net profit for the period amounting to TL 295,264,310 according to the financial reports prepared in accordance with TFRS, whereas there is a net loss for the period in the legal records kept in accordance with the TPL, and that there is no distributable profit for the period in the legal records kept in accordance with the TPL, since it is required to distribute dividends according to the lower of TFRS and TPL accounts in accordance with the legislation.

Nevertheless, within the scope of our Company's articles of association and profit distribution policy, it was approved unanimously that a gross profit of TL 100,000,000 (one hundred million Turkish Liras), corresponding to the gross cash dividend of TL 0.1942582 (net TL 0.1748323) for each share with a nominal value of TL 1, to be covered from the extraordinary reserves in our balance sheet will be distributed to our shareholders in cash from June 25, 2024, based on the dividend distribution proposal table prepared for the relevant accounting period, in accordance with the principles stipulated in the legislation, the proposal shall be submitted to the approval of the shareholders at the Ordinary General Assembly Meeting of the Company along with the attached dividend distribution proposal table to be discussed and decided, and this resolution shall be published on the Public Disclosure Platform and our Company's website.

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

ANNEX: Dividend Distribution Proposal Table for the 2023 Accounting Period

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

Vice Chairperson
CENGİZ SOLAKOĞLU

Vice Chairperson
KADRİ TARİK ÖZÇELİK

Board Member
Dr. (h.c) OSMAN OKYAY

Board Member
HALUK ALPERAT

Board Member
ADİLE ESRA TÖZGE

Board Member
FAHRİ OKAN BÖKE

Board Member
YUSUF KINAY

PROFIT DISTRIBUTION TABLE FOR 2023

KALESERAMİK 2023 EXTRAORDINARY RESERVES DISTRIBUTION TABLE (TL)			
1	Paid-in/Issued Capital		514,778,660.51
2	Total Legal Reserves (According to Legal Records)		36,617,954.37
If there are privileges for the distribution of profit according to the Articles of Association, information on such privileges		There is no privilege	
		According to CMB	According to Legal Records
3	Profit for the Period	378,553,427.00	0.00
4	Taxes Payable (-)	83,289,117.00	0.00
5	Net Profit for the Period (=)	295,264,310.00	0.00
6	Previous Year's Losses (-)	1,649,177,285.00	173,484,508.65
7	Primary Legal Reserve (-)	0.00	0.00
8	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	0.00	0.00
9	Donations Made During the Year (+)	0.00	
10	Endowment added distributable net period profit on which the first dividend is calculated	0.00	
11	1 st Dividend to Shareholders	100,000,000.00	
	- Cash	100,000,000.00	
	- Bonus	0.00	
	- Total	100,000,000.00	
12	Dividend Distributed to Holders of Privileged Shares	0.00	
13	Dividend Distributed to Members of the Board of Directors, Employees, etc.	0.00	
14	Dividends distributed to holders of redeemed shares	0.00	
15	Secondary Dividend to Shareholders	0.00	
16	Secondary Legal Reserve (-)	7,426,106.70	7,426,106.70
17	Statutory Reserves	0.00	0.00
18	Special Reserves		
19	EXTRAORDINARY RESERVES	0.00	0.00
20	Other Distributable Items	100,000,000.00	100,000,000.00
	- Retained Earnings		
	- Extraordinary Reserves	100,000,000.00	100,000,000.00
	- Other Distributable Reserves as per the Law and Articles of Association		

INFORMATION ON THE RATE OF DIVIDEND DISTRIBUTED

INFORMATION ON DIVIDEND PER SHARE

GROUP		TOTAL DIVIDEND AMOUNT (TL)	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
			AMOUNT (TL)	RATE (%)
GROSS	A	3,342.91	0.1942582	19.42582
	B	11,547,553.73	0.1942582	19.42582
	C	88,449,103.36	0.1942582	19.42582
	TOTAL	100,000,000.00	0.1942582	19.42582
NET	A	3,008.62	0.1748323	17.48323
	B	10,392,798.35	0.1748323	17.48323
	C	79,604,193.02	0.1748323	17.48323
	TOTAL	90,000,000.00	0.1748323	17.48323

THE RATIO OF THE DIVIDEND DISTRIBUTED TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT

THE AMOUNT OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	THE RATIO OF THE DIVIDEND DISTRIBUTED TO THE SHAREHOLDERS TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PROFIT (%)
100,000,000.00	-

SUBSIDIARY REPORT

As per the 199th article of the Turkish Commercial Code No. 6102 that entered into force on July 1, 2012, the board of directors of Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. is obliged to prepare a report within the first three months of the activity year on the company's relations with its controlling shareholders and companies affiliated with controlling shareholders in the previous activity year and to include the conclusion part of this report in the annual report.

Necessary explanations regarding the transactions carried out by Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. with related parties are provided in Footnote 6 of the financial report.

In the Report prepared by the Board of Directors of Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. dated February 28, 2024, it was stated that “in the 2023 activity year, our Company had no legal transactions made for the benefit of either the controlling shareholder H. İbrahim Bodur Holding A.Ş./ controlling entity, or the subsidiaries of the controlling shareholder H. İbrahim Bodur Holding A.Ş./ controlling entity, or for the benefit of the controlling shareholder/ controlling entity or its subsidiaries under the direction of the controlling shareholder H. İbrahim Bodur Holding A.Ş / controlling entity, or had no precautions taken or avoided being taken for the benefit of the controlling shareholder H. İbrahim Bodur Holding A.Ş/ controlling entity or its subsidiaries. In the 2023 activity year, all service and/or merchandise business transactions performed within the scope of commercial activities between our controlling shareholder/ controlling entity as well as the subsidiaries of our controlling shareholder/controlling entity and our Company were carried out at arm’s length.”

FINANCIAL RIGHTS GRANTED TO THE BOARD MEMBERS AND SENIOR EXECUTIVES

Pursuant to the Capital Markets Board regulations, the Company’s “Remuneration Policy,” which includes all kinds of rights, benefits, and remuneration provided to the members of the Board of Directors and senior executives, as well as the criteria used in their determination, was adopted by the Company’s Board of Directors with the decision dated 06.03.2023 and numbered 1789, and following its announcement on the Company’s corporate website, it was disclosed to the shareholders with a separate agenda item at the Extraordinary General Assembly meeting dated 10.03.2023 and the shareholders were allowed to express their opinions.

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

In the footnotes of the financial statements, payments made to the Members of the Board of Directors and senior executives are disclosed to the public collectively in parallel with general practices.

There are no practices that will lead to conflicts of interest such as lending to the Members of the Board of Directors and senior executives, extending loans, and giving guarantees in their favor by the Company.

Share options or payment plans based on the Company’s performance are not used for the remuneration of independent members of the Board of Directors, no dividend payments are made.

INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

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

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

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

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

The 2023 audit program was developed based on a risk-focused audit plan. In addition to criteria such as risk levels of previous audit reports, completion rates of follow-up actions, audit frequency, significant organizational/systemic changes, the opinions of the CEO, Audit Committee, Strategy/Risk Department (Economic, Political, and Corporate Risks) were also taken into consideration in this study. In 2023, follow-up actions were conducted for each quarter to track the previous period’s findings in the field.

As part of the 2023 audit plan, audits and examinations were carried out in accordance with the annual audit plan, particularly process evaluation audits of subsidiary companies, procurement processes, operating expenses, export processes, and consultancy service procurements.

Kale Holding’s Internal Audit Department submits reports to the Audit Committee at the end of each quarter on audit activities and areas of improvement.

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

INFORMATION ON RISK MANAGEMENT PRACTICES

Risk Management and Risk Management Committee Studies

CMB's Corporate Governance Communiqué and for the effective functioning of the committees within the Board of Directors, Kaleseramik, Çanakkale Kalebodur Seramik Sanayi AŞ maintains the activities of the Early Detection of Risk Committee to carry out activities for the early detection of risks that may jeopardize the existence, development and continuity of the Company, to take necessary actions regarding the risks identified and to manage the risks.

The Committee consists of two Board Members, and the Chairman of the Committee is elected from among the Independent Board Members. The Early Detection of Risk Committee advises the Board of Directors on the early detection and evaluation of risks that may affect the Company, calculating their impacts and possibilities, managing and reporting these risks in accordance with the Company's corporate risk appetite, and taking necessary measures to reduce the impacts and possibilities of the identified risks. In this regard, the Early Detection of Risk Committee held four meetings in 2023, the year in which the Company went public. The Committee convenes with the participation of all members and decisions are taken with the majority of the members attending the meeting. The resolutions of the Committee are advisory to the Board of Directors.

The General Manager of Kaleseramik is responsible for the implementation of the corporate risk management process and corporate risk management at the highest level on behalf of the Board of Directors within the Company. The Business Development and Strategic Planning Director is responsible

for the execution of all activities in the corporate risk management process throughout the Company and ensures the management, coordination, and oversight of financial, strategic, operational, compliance, and external risks that may affect the Company through the risk management system established.

Responsible persons are identified for each corporate risk, and they carry out all work related to risks. The corporate risk officers are responsible for taking the necessary precautions against the risks, determining the actions, operating the early warning mechanism, and ensuring that urgent actions are taken by notifying the Business Development and Strategic Planning Director when an unforeseen new risk arises. Also, in principle, all Kaleseramik employees are responsible for anticipating and evaluating the risks inherent in their work, acting as required by the job and in such a way as to protect the Company's interests.

Kaleseramik's main objective in risk management is to anticipate, manage, and monitor potential risks that may affect the Company's stakeholders, especially shareholders, in line with its strategies and objectives, and to ensure that necessary actions are taken in advance in terms of risk and crisis management.

Corporate Risk Management

Kaleseramik, Çanakkale Kalebodur Seramik Sanayi AŞ. takes into account global risks and sectoral and industrial risks in the world to achieve its strategic goals and ensure the Company's long-term sustainability and implements the risk management process by taking into account the best practices at the global level.

To ensure economic, environmental, and social sustainability, as required by the Kaleseramik Risk Management Policy, Kaleseramik, Çanakkale Kalebodur Seramik Sanayi AŞ.;

- Identifies corporate and process risks that may hinder the achievement of strategic and operational objectives.
- Assesses the risks it has identified and takes necessary actions in line with its needs.
- Acts in accordance with relevant standards and legislation while managing its risks.

Impact and probability analyses of corporate risks are conducted and their degrees are established and prioritized in line with the determined five-point scales. In this way, it is determined which risks should be focused on, risk management is applied at every level of function and operations, and it is ensured that the senior management is intertwined with the decision-making mechanisms. In particular, the risk response of high and very high risks is determined and the actions mitigating the impact and probability of the risk are defined. During the year, corporate risks are constantly reviewed by the relevant risk officers, and actions are put into practice by the action owners. The evaluations regarding the material risks and the important actions taken are followed up by the senior management. All activities related to risk management and risks are periodically reported to the Early Detection of Risk Committee.

The risks that are specifically monitored within the Corporate Risk Management process and the practices addressed in 2023 are summarized below.

Outstanding Risks in the World and Kaleseramik

Kaleseramik conducts a study at the beginning of each year to determine the corporate risks for the new period and adds the risks that it is/may be exposed to during its activities during the year to its list and works to address them. Emerging risks are proactively monitored and their potential impact on the Company in the long term is assessed. All work carried out in the process is shared with both the Board of Directors and the Early Detection of Risk Committee, and their opinions and suggestions are also received. While determining the risks, it examines technological, environmental, social, geopolitical, and economic dimensions and carries out action studies to prepare the Company for the risks that may occur in these areas.

Kaleseramik conducts its activities by supporting the sustainable development of society and prioritizing the needs of future generations, while also paying attention to environmental and social sustainability risks. In this context, it conducts comprehensive studies on issues such as climate change, employee engagement, and development, and simultaneously manages risks and mitigating actions. Kaleseramik continues its efforts to raise the level of awareness in the Company and society on this issue through the Sustainability Committee. Risk inventories are created by paying attention to the global agenda, climate change, and sustainability priorities and taking into account environmental impacts, proper use of resources, occupational health and safety, sales, productivity, revenue generation capacity, profitability, indebtedness, and all future expectations.

The impacts and possibilities of monopolization of digital power, digital inequality, collapse in technological infrastructure, cyber attacks, and information security risks are also increasing with the increasing speed of digital transformation. In this context, cyber risks include disruption of data integrity, failure to ensure business continuity, and data leaks in technologies and infrastructures where information is stored, transferred, or processed. Kaleseramik takes measures at all levels of information technologies and operational processes to prevent the loss of reputation, income, market share, and brand value that may be caused by cyber-attacks and information security risk, carries out projects, develops cybersecurity collaborations, conducts information security awareness training, and performs periodic tests/checks in this context. In addition, it implements projects on digital transformation roadmaps that are updated every year to lead the Company into the future.

Adapting to rapidly changing technology structures with the impact of digitalization, responding to changing customer behaviors, and meeting their expectations is only possible through innovation and innovative business models. Kaleseramik aims to offer innovative products, services, and processes in line with its strategies on the path to its vision, to respond to changing customer expectations, while increasing its market share, creating new markets, gaining competitive advantage, keeping customer satisfaction at the highest level, and creating efficiency within the organization. To this end, the risks of not keeping up with the pace of innovation and new competencies are among the important global risks that need to be managed to ensure the continuity of the business.

Kaleseramik also monitors political and geopolitical risks. In economic and social terms, crisis risks caused by increased debts for states, people's livelihood problems, and social cohesion erosion also stand out as rising risks at the global level. Trade wars and the disintegration of interstate relations are among the significant global risks.

Kaleseramik monitors the markets and customers very closely and is very sensitive to growing abroad, diversifying its markets, and managing its product mix in a way that maximizes the gross profit. It identifies the risks that will prevent the realization of its strategies and carries out the activities to take the necessary actions and manage the risks.

Receivables Risks and Financial Risks

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

However, short-term liquidity management is carried out with the alignment of receivable and debt maturities and effective stock management, and a calculated cash level is maintained to eliminate any risk factor in the balance sheet.

OTHER EXPLANATIONS

IMPORTANT REGULATORY CHANGES IN 2023

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

REPURCHASED OWN SHARES BY THE COMPANY

The Company does not have a share repurchase program.

INFORMATION ABOUT THE LAWSUITS FILED AGAINST THE COMPANY, THAT MIGHT HAVE IMPACTS ON THE FINANCIAL STATUS AND ACTIVITIES OF THE COMPANY; AND POTENTIAL OUTCOMES THEREOF

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

EXPLANATIONS REGARDING THE ADMINISTRATIVE OR JUDICIAL SANCTIONS IMPOSED ON THE COMPANY AND THE MEMBERS OF THE BOARD DUE TO BREACH OF LEGISLATION

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

EXPLANATIONS ON AD HOC AND PUBLIC AUDITS DURING 2023

The Company has not been subject to any private and public audits in 2023.

STATEMENTS OF INDEPENDENCE

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

18.04.2024

CENGİZ SOLAKOĞLU

SIGNATURE

ANNEX: 1 Capital Markets Law

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

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

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

a) Not to have a relationship in terms of employment at an administrative level to take upon significant duties and responsibilities within the last five years, not to own more than 5% of the capital or voting rights or privileged shares either jointly or solely or not to have established a significant commercial relation between the corporation, companies in which the corporation holds control of management or has significant effect (in determining the control and significant effect, the provisions of TFRS 10 and Turkish Accounting Standards 28 should be referred to, respectively) and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities in which these shareholders hold control of management and himself/herself, his/her spouse and his/her relatives by blood or marriage up to second degree (In case that the corporations within the scope of this subparagraph are non-active in the last three accounting periods, there shall not be a violation of the independence criteria. In case the ratio of the turnover/profit before tax obtained from the significant commercial relation is 20% or higher than the total turnover/profit before tax obtained from the same kind of business in respect to any of the candidates for an independent member or any person from the corporation, independence shall be deemed damaged).

b) Not to have been a shareholder (5% and more), an employee at an administrative level to take upon significant duties and responsibilities, or a member of board of directors within the last five years in companies that the corporation purchases from or sells to goods or services at a significant level within the framework of the contracts executed, especially on audit (including tax audit, statutory audit, internal audit), rating and consulting of the corporation, at the period when the corporation purchases or sells services or goods).

c) To have professional education, knowledge, and experience to duly fulfill the duties assigned for being an independent board member.

d) Not to be a full-time employee at public authorities and institutions after being elected, except being an academic member at a university provided that it complies with the relevant legislation.

e) To reside in Türkiye as per the Income Tax Law (I.T.L) dated 31 December 1960 and numbered 193.

f) To be capable of contributing positively to the operations of the corporation, to maintain his/her objectivity in conflicts of interest between the corporation and the shareholders, to have strong ethical standards, professional reputation, and experience to freely take decisions by considering the rights of the stakeholders.

g) To be able to allocate time for the corporation’s business to follow up on the activities of the corporation and duly fulfill the allocated duties.

h) Not to have acted as a member of the board of directors for more than a term of six years in the last ten years.

i) The same person shall not be the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management and in more than five corporations in total which are admitted to trading on the stock exchange.

j) Not to be registered and announced as a board member representing a legal entity.

STATEMENTS OF INDEPENDENCE

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

18.04.2024

FAHRİ OKAN BÖKE

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18.04.2024

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16.04.2024

ARZU ERDEN

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 - j) Not to be registered and announced as a board member representing a legal entity.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

The shares of our Company started to be traded on the Stars Market of Borsa Istanbul as of July 27, 2023. As of this date, the Company has become subject to the obligations of the third group companies within the framework of the CMB’s Corporate Governance Communiqué, since its shares were offered to the public for the first time and started to be traded on the stock exchange.

With the awareness of its responsibilities towards shareholders, the Company has adopted the concepts of “equality,” “transparency,” “accountability,” and “responsibility,” which are the basis of corporate governance, in its activities, and the Company believes in the importance of full compliance with the Corporate Governance Principles within the framework of the provisions of the articles of association. In this context, the Company has taken maximum care and made efforts to comply with the Capital Markets Law and secondary regulations and decisions of the CMB, adopted and applied the corporate governance principles attached to the Corporate Governance Communiqué and required to be applied for the group it is included in by the relevant legislation before the public offering of the shares. At the extraordinary general assembly meeting held on 10.03.2023, in accordance with the provisions of the articles of association, two independent board members who meet all independence criteria under capital market regulations and have submitted their declarations of independence were elected to serve for one year on the 8-member board of directors.

With the Board of Directors’ resolution dated 15.03.2023 and numbered 1804, the Audit Committee, the Corporate Governance Committee, and the Early Detection of Risk Committee were established. The Corporate Governance Committee also assumed the responsibilities of the Nomination Committee and the Remuneration Committee as stipulated in the Communiqué.

The Committees are chaired by Independent Members of the Board of Directors. The working principles of the Committees have been approved by the resolution of the Company’s Board of Directors dated March 15, 2023, and the relevant information has been published on the corporate website.

As per the resolution of the Board of Directors dated 06.03.2023 and numbered 1789, the Company’s Profit Distribution Policy and Donation Policy were adopted and approved at the extraordinary general assembly meeting held on 10.03.2023. With the same resolution, the Remuneration Policy was also adopted and submitted for the information of the shareholders at the extraordinary general assembly meeting held on 10.03.2023.

Pursuant to the resolution dated 06.03.2023 and numbered 1791, the Company adopted the Disclosure Policy, Information Security Management Systems Policy, and Sustainability Policy and announced these policies on the corporate website of the Company.

Within the framework of the CMB’s determination on the groups that companies are included in for 2024, in accordance with the mandatory corporate governance principles for the first group that we are included in, considering the obligation to have at least three independent board members in respect of the number of board members, by providing the necessary legal infrastructure, 4 independent members will be elected at the ordinary general assembly of the 2023 accounting period to be held and, thus, the Company will comply with this mandatory principle.

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

Corporate Governance Principles Not Yet Implemented
Comprehensive efforts made within our Company as part of the Corporate Governance Principles, the principles that were not complied with by the relevant departments, and conflicts of interest (if any) arising from these are explained below.
With respect to principle no. 1.3.11., due to the IPO of our Company’s shares in 2023 and the commencement of trading on the stock exchange, it is aimed to ensure compliance with the relevant principle at the first general assembly to be held in 2024, after the IPO.

With respect to principle no. 1.5.2, the scope of minority rights has not been expanded in the Articles of Association, the general provisions provided for in the relevant legislation apply, and no amendments to the Articles of Association are planned in this regard.
With respect to principle no. 2.1.4, efforts are ongoing to prepare the Investor Relations section of the Company’s website in English.
With respect to principle no. 4.2.8, the Company continues to work on and evaluate the professional liability insurance for executives.
With respect to principle no. 4.4.7., the Board members are not prohibited from taking other positions outside the company. It is not planned to impose any restrictions on this issue. The duties assumed by the board members outside the company are included in the annual reports.

With respect to principle 4.5.5., due to the number of Board members and committee structuring requirements, two independent Board members serve on more than one committee. Committee structures will be reviewed after the 4 independent members are submitted for approval at the General Assembly for 2024.

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

With respect to principle 4.6.1., no work has been carried out regarding the performance evaluation of the Board of Directors.

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

The 2023 Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF), prepared in accordance with Decision No. 2/49 of the CMB dated January 10, 2019, with the approval of the Company’s Board of Directors are included in this report. The documents in question can be accessed via the Company’s corporate governance page on the Public Disclosure Platform.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT AND INFORMATION FORM

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
Corporate Governance Compliance Report						
1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
1.3. GENERAL ASSEMBLY						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7 - Insiders with privileged information have informed the Board of Directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.					X	There was no such transaction notification.
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Assembly Meeting was held open to the public, including the stakeholders and media, without having the right to speak.					X	Since our company's shares were offered to the public and started to be traded on the stock exchange in 2023, it is aimed to ensure compliance with the relevant principle at the first general assembly to be held in 2024, after the public offering.
1.4. VOTING RIGHTS						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.	X					
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such cross-ownership provides management control.					X	The company does not have a cross-shareholding relationship that brings management control.
1.5. MINORITY RIGHTS						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			The scope of minority rights is not expanded in the Articles of Association, and the general provisions stipulated in the relevant legislation are valid. No amendments to the Articles of Association are planned in this regard.
1.6. DIVIDEND RIGHTS						
1.6.1 - The Dividend Distribution Policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The Dividend Distribution Policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future.	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.					X	Not been implemented yet.
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
1.7. TRANSFER OF SHARES						
1.7.1 - There are no restrictions preventing shares from being transferred.	X					
2.1. CORPORATE WEBSITE						
2.1.1. - The Company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The Company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.			X			Work continues on preparing the Investor Relations section of our company's website in English.
2.2. ANNUAL REPORT						
2.2.1 - The Board of Directors ensures that the annual report represents a true and complete view of the company's activities.	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
3.1. COMPANY POLICY REGARDING STAKEHOLDERS						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.	X					
3.1.4 - A whistleblowing programme is in place for reporting legal and ethical issues.	X					
3.1.5 - The Company addresses conflicts of interest among stakeholders in a balanced manner.	X					
3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT						
3.2.1 - The Articles of Incorporation, or the internal regulations (terms of reference/manuals), regulate the participation of employees in management.	X					
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.	X					
3.3. HUMAN RESOURCES POLICY						
3.3.1 - The Company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.	X					
3.3.2 - Recruitment criteria are documented.	X					
3.3.3 - The Company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.	X					
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				There is no union organization or subjection to syndication.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.	X					
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT AND INFORMATION FORM

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
3.3.8 - The Company ensures freedom of association and supports the right for collective bargaining.					X	There is no collective bargaining agreement in the company. On the other hand, there is no prohibitive regulation on the aforementioned issues.
3.3.9 - A safe working environment for employees is maintained.	X					
3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					
3.4.3 - The Company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The Company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY						
3.5.1 - The Board of the corporation has adopted a code of ethics and disclosed on the corporate website.	X					
3.5.2 - The Company is considerate of its social responsibilities. Measures have been taken to prevent corruption and bribery.	X					
4.1. ROLE OF THE BOARD OF DIRECTORS						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance.	X					
4.2. ACTIVITIES OF THE BOARD OF DIRECTORS						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.	X					
4.2.3 - The Board has ensured the Company has an internal control framework adequate for its activities, size and complexity.	X					
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.	X					
4.2.5 - The roles of the Chairman and Chief Executive Officer are separated and defined.	X					
4.2.7 - The Board of Directors ensures that the investor relations department and corporate governance committee function effectively, while working in close cooperation with the investor relations department and corporate governance committee in resolving the disputes among shareholders and communicating with shareholders.	X					
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X			Studies on managerial professional liability insurance continue and are being evaluated by the company.

	Compliance Status					Description
	Yes	Partial	No	Exempt	Not applicable	
4.3. STRUCTURE OF THE BOARD OF DIRECTORS						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.	X					Within the scope of the Company's Diversity and Inclusion Policy, it is aimed to ensure a balanced representation of women and men on the board of directors and to maintain the current rate of female members at minimum 25% during the member selection phase in order to increase the position and effectiveness of women in the highest decision-making authority of the Company. In 2023, the rate of women on the Board of Directors was 5%.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
4.4. BOARD MEETING PROCEDURES						
4.4.1 - Each board member attended the majority of the board meetings in person or online.	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.	X					
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members.					X	All board members attended the meetings physically.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.	X					
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.	X					
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Assembly Meeting.			X			There are no limitations on the external duties held by the Members of the Board of Directors. It is not planned to impose any restrictions on this issue. The duties assumed by the board members outside the company are included in the annual reports.
4.5. BOARD COMMITTEES						
4.5.5 - Board members serve in only one of the Board's committees.			X			Due to the number of Board members and committee structuring requirements, two independent Board members take part in more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.					X	There is no consultancy service received in this direction.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
4.6. FINANCIAL RIGHTS						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			No work is done regarding the performance evaluation of the Board of Directors.
4.6.4 - The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.			X			In parallel with the general practices, the remunerations given to the members of the board of directors and executives with administrative responsibility are explained collectively in the annual report.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE
REPORT AND INFORMATION FORM

1. SHAREHOLDERS	
1.1. Facilitating the Exercise of Shareholders Rights	
Number of investor conferences and meetings organized by the company during the year	Before the public offering, promotional and informational meetings were held for potential institutional investors.
1.2. Right to Obtain and Examine Information	
Number of special auditor requests	No special auditor request was made.
Number of special auditor requests accepted at the general assembly meeting	No special auditor request was made at the General Assembly.
1.3. General Assembly	
The link of the announcement made in the Public Disclosure Platform (KAP), which includes the information requested under the principle 1.3.1 (a- d)	Since our company's shares were offered to the public and started to be traded on the stock exchange in 2023, the necessary compliance must be ensured as of the date of the first general assembly after the public offering.
Whether the documents related to the general assembly meeting were presented in English at the same time as the Turkish version or not	Since our company's shares were offered to the public and started to be traded on the stock exchange in 2023, the necessary compliance must be ensured as of the date of the first general assembly after the public offering.
The links of the announcements made on KAP associated with the transactions that are not approved by the majority of independent members or by unanimous votes of present board members in the context of Principle 1.3.9.	There is no such transaction.
Links to the PDP announcements regarding related party transactions carried out within the scope of Article 9 of the Corporate Governance Communiqué (II17.1)	There is no such transaction.
Links to the PDP announcements regarding common and continuous transactions carried out within the scope of Article 10 of the Corporate Governance Communiqué (II17.1)	There is no such transaction.
The heading of the section on the corporate website that contains the policy regarding donations and aids	Investor Relations / Policies / Donation and Aid Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	https://www.kap.org.tr/tr/Bildirim/1172846
The number of the provisions of the articles of association that discuss the participation of stakeholders in the General Shareholders' Meeting	Article 11
Information about the stakeholders attending the general assembly	Our Board of Directors members, shareholders, Independent Audit Company Responsible Auditor and Company employees attended the 2022 Ordinary General Assembly meeting dated April 14, 2023, which was held before the public offering.
1.4. Voting Rights	
Whether there are any privileged voting rights	No
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares	-
Share percentage of the biggest shareholder	61.23%
1.5. Minority Rights	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the Articles of the Incorporation	No
If yes, specify the relevant provision of the articles of association	-
1.6. Dividend Right	
The heading of the section on the corporate website that includes the policy on dividend distribution	Investor Relations / Policies / Dividend Distribution Policy https://www.kale.com.tr/kar-dagitim-politikasi
In case the Board proposes not to distribute any dividends at the general assembly meeting, the basis for such proposal and the minutes of the related general assembly agenda item which includes the reason not to distribute profit, and the utilization method of the undistributed profit	It is included in the minutes of the last General Assembly before the public offering. https://www.kale.com.tr/genel-kurul
PDP link to the related general shareholder meeting minutes in case the Board of Directors proposed to the general assembly not to distribute dividends	-

General Assembly Meetings									
General Assembly Date	The number of requests for additional information regarding the agenda of the general assembly	Percentage of shareholders' attendance at general assembly	Percentage of shares directly represented at the meeting	Percentage of shares represented by proxy	The heading of the section on the corporate website that includes the general assembly meeting minutes, and also indicates for each resolution dissentive and affirmative votes	The heading of the section on the corporate website that contains all questions asked and all responses provided at the general assembly meeting	Article or paragraph number of the general assembly meeting minutes regarding related parties	The number of people who have the privilege to access shareholding information upon notification of the Board (the Insider List)	The KAP link of the general assembly notification
April 14, 2023	0	99.60%	1.98%	97.6%	https://www.kale.com.tr/genel-kurul	https://www.kale.com.tr/genel-kurul	-	0	-
2. DISCLOSURE AND TRANSPARENCY									
2.1. Corporate Website									
Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.					www.kale.com.tr/yatirimci-iliskileri				
The heading of the section on the corporate website that includes the list of real person shareholders who own more than 5% of the Company' s shares, directly or indirectly					https://www.kale.com.tr/ortaklik-yapisi				
Languages in which the corporate website is presented					Turkish and English (Efforts to prepare the Investor Relations section in English are continuing.)				
2.2. Annual Report									
The page numbers or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.									
a) Page number or section heading of the annual report which includes the jobs of board members and executives outside the Company, and independence statements of board members					Board Committees and Board Evaluation, Declarations of Independence of Independent Board Member Candidates				
b) Page number or section heading of the annual report which includes information on the committees created under the Board of Directors					Board Committees and Assessment of the Board of Directors				
c) Page number or section heading of the annual report which includes the number of board meetings held throughout the year, and the members' attendance record					Board Committees and Assessment of the Board of Directors				
d) Page number or heading of the section in the annual report that provides information on regulatory changes that can have a material impact on the Company's activities					Corporate Governance / Other Explanations				
d)The page number or heading of the section that includes information regarding important lawsuits filed against the company and possible consequences thereof					Corporate Governance / Other Explanations				
f) Page number or heading of the section in the annual report that provides information on the conflicts of interest between the Company and entities providing investment advisory and rating services to the Company, and the precautions taken to prevent these					There is no such situation.				
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%					There is no such situation.				
h) Page number or heading of the section that provides information on employees' benefits and professional training, as well as other corporate social responsibility activities related to the Company's operations that have social and environmental impacts					Human Resources, Corporate Social Responsibility Projects				
3. STAKEHOLDERS									
3.1. Corporation's Policy on Stakeholders									
The heading of the section on the corporate website that includes the policy on compensation policy					Investor Relations / Policies				
The number of definitive convictions the company was subject to in relation to breach of employee rights					0				
Title of the official regarding the notification mechanism					Notifications received through Kale Group Ethics Line Communication Channels are recorded according to confidentiality principles and evaluated by the Kale Group Ethics Committee.				
Contact information of the Company's mechanism to report violations					https://www.kale.com.tr/etik-hat etikhat@kale.com.tr +90(212)3715450				

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT AND INFORMATION FORM

3.2. Supporting the Participation of the Stakeholders in the Corporation's Management	
The heading of the section on the corporate website that includes internal regulations on employees' participation in the managerial bodies of the Company	-
Managerial bodies where employees are represented	In our company, our colleagues participate in management and share their opinions through various methods. With the Employee Engagement Survey conducted every year, the opinions of each of our colleagues are collected anonymously in the form of questionnaires and open-ended answers.
3.3. Human Resources Policy	
The role of the board on developing and ensuring that the company has a succession plan for the key management positions	Talent categories and succession plans determined for manager and above positions are submitted to the approval of the Company Board of Directors.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	https://kalegrubu.com.tr/insan-kaynaklari/insan-kaynaklari-uygulamalari
Whether there is a plan to grant shares to employees	There is no share acquisition plan.
The heading of the section of the corporate website of the Company that includes the human resources policy on preventing discrimination and harassment, or a summary of the related articles of the policy	There is an Ethical Codes Regulation determined by Kale Holding to be implemented for all Group companies and published on the Company website. https://www.kale.com.tr/etik-kodlar-yonetmeligi
The number of definitive convictions the company is subject to in relation to health and safety measures	0
3.5. Ethical Rules and Social Responsibility	
The heading of the section on the corporate website that includes the policy on ethical principles	There is an Ethical Codes Regulation determined by Kale Holding to be implemented for all Group companies and published on the Company website. https://www.kale.com.tr/etik-kodlar-yonetmeligi
The name of the section on the company website that demonstrates the corporate social responsibility report. If there is not a report on corporate social responsibility, precautions taken with respect to environment, social issues and corporate governance	https://www.kale.com.tr/surdurulebilirlik
Precautions taken to fight all kinds of corruption, including fraud and bribery	All necessary obligations in this regard are fulfilled. Within the scope of the audit activities of the Holding group companies, preventive and deterrent audits are carried out, helping to strengthen the awareness and measures of internal control.
4. BOARD OF DIRECTORS-I	
Activity of the Board of Directors	
Date of the last board evaluation	None.
Whether the board evaluation was externally facilitated	No
Whether all board members are discharged	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	There is no delegation of authority among board members.
The number of reports presented to the Audit Board or other related committees by the internal control department	4
The heading of the section or page number in the annual report that contains the evaluation on the efficacy of the internal control system	Internal Audit and Internal Control Activities
Name of the Chairman	Hatice Zeynep Bodur Okyay
Name of the Chief Executive Officer/General Manager	Altuğ Akbaş (Timur Karaoğlu as of March 1, 2024)
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	-
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	None.
The name of the section on the corporate website that demonstrates current diversity policy targeting women	https://www.kale.com.tr/cesitlilik-ve-kapsayicilik-politikasi
The number and rate of female members	2 (25%)

STRUCTURE OF THE BOARD OF DIRECTORS							
Name/Surname of the Board Member	Whether Executive Director or Not	Whether Independent Member or Not	The First Election Date to Board	Link to PDP Notification that Includes the Independency Declaration	Whether the Independent Director Considered by the Nomination Committee	Whether She/ He Is the Director Who Ceased to Satisfy the Independence or Not	Whether the Director Has at Least 5 Years' Experience on Audit, Accounting and/or Finance or Not
Hatice Zeynep BODUR OKYAY	Executive	Not Independent	March 10, 2023	-	Not applicable	No	-
Cengiz SOLAKOĞLU	Non-Executive	Independent Member	March 10, 2023	-	Evaluated	No	Yes
Kadri Tank ÖZÇELİK	Executive	Not Independent	March 10, 2023	-	Not applicable	No	-
Haluk ALPERAT	Executive	Not Independent	March 10, 2023	-	Not applicable	No	Yes
Yusuf KINAY	Executive	Not Independent	March 10, 2023	-	Not applicable	No	Yes
Adile Esra TÖZGE	Non-Executive	Not Independent	March 10, 2023	-	Not applicable	No	-
Osman OKYAY	Executive	Not Independent	March 10, 2023	-	Not applicable	No	-
Fahri Okan BÖKE	Non-Executive	Independent Member	March 10, 2023	-	Evaluated	No	Yes

4. BOARD OF DIRECTORS-II	
4.4. Meeting Procedures of the Board of Directors	
Number of physical board meetings in the reporting period (meetings in person)	Six Board of Directors meetings were held physically.
Average attendance rate to the board meetings	100%
Whether the board uses an electronic portal to support its work or not	Yes
In accordance with the working principles of the board of directors, how many days before the meeting the information and documents were presented to the members	Although there is no written rule, in practice, information and documents related to the issues included in the agenda of the Board of Directors meeting are submitted to the members of the Board of Directors for examination, sufficient time before the meeting, in order to ensure an equal flow of information.
The name of the section on the corporate website that demonstrates information about the board charter	None.
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	None.
4.5. Board Committees	
Page number or section heading of the annual report which include information on the committees of the Board of Directors	Board Committees and Assessment of the Board of Directors
Link to the PDP announcement with the board committee charters	https://www.kap.org.tr/tr/Bildirim/1172846

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT AND INFORMATION FORM

Board Committees - I				
Names of Board Committees	Name of Committees Defined as "Other" in the First Column	Name Surname of Committee Members	Whether Committee Chair or Not	Board Member or Not
Audit Committee	-	Cengiz SOLAKOĞLU	Yes	Board Member
Audit Committee	-	Fahri Okan BÖKE	No	Board Member
Corporate Governance Committee	-	Fahri Okan BÖKE	Yes	Board Member
Corporate Governance Committee	-	Adile Esra Tözge	No	Board Member
Corporate Governance Committee	-	Cemşit BAYLAN	No	Not Board Member
Corporate Governance Committee	-	Veli ÖMERCİK	No	Not Board Member
Corporate Governance Committee	-	Orkun İnanbil	No	Not Board Member
Early Detection of Risk Committee	-	Cengiz SOLAKOĞLU	Yes	Board Member
Early Detection of Risk Committee	-	Kadri Tarık Özçelik	No	Board Member
Early Detection of Risk Committee	-	İlker EMİROĞLU	No	Not Board Member

4. BOARD OF DIRECTORS - III	
4.5. Board Committees-II	
Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board Committees and Assessment of the Board of Directors https://www.kale.com.tr/komiteler
Specify where the activities of the CORPORATE GOVERNANCE committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board Committees and Assessment of the Board of Directors https://www.kale.com.tr/komiteler
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	The activities of the Nomination Committee are carried out by the Corporate Governance Committee.
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Board Committees and Assessment of the Board of Directors https://www.kale.com.tr/komiteler
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	The activities of the Remuneration Committee are carried out by the Corporate Governance Committee.
4.6. Financial Rights	
The page number or the heading of the section in the annual report where information on operational and financial performance goals, and whether they have been achieved is presented	Board of Directors Report and Message from the Chairperson & Message from the General Manager
Specify the section of website where remuneration policy for executive and non-executive directors are presented	Investor Relations / Policies / Remuneration Policy https://www.kale.com.tr/ucretlendirme-politikasi
Page number or section heading of the annual report which states the wages and other benefits provided to board members and managers with administrative responsibilities	Financial Rights Granted to the Board Members and Senior Executives

Composition of Board Committees - II					
Names of Board Committees	Name of Committees Defined as "Other" in the First Column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Audit Committee	-	100%	100%	4	4
Corporate Governance Committee	-	80%	20%	1	1
Early Detection of Risk Committee	-	66%	33%	4	4

STATEMENT OF COMPLIANCE WITH THE SUSTAINABILITY PRINCIPLES

With the second sustainability report to be published in 2024, Kaleseramik plans to detail the progress of the Company's sustainability journey and strengthen its future steps.

Kaleseramik continues its activities by embracing and monitoring good practices in terms of sustainability, including those specified in the Capital Markets Board (CMB) Sustainability Principles Compliance Framework. The majority of the principles and good practices specified in the "Sustainability Principles Compliance Framework" put into effect by the Capital Markets Board (CMB) are currently managed by Kaleseramik, and the performance related to the subject is regularly reviewed and evaluated, and remedial actions are implemented.

Considering it in this context, Kaleseramik has achieved compliance with almost all of the principles specified in the non-mandatory "Sustainability Principles Compliance Framework" prepared by the CMB with the "comply or explain" approach. Practices regarding the principles within the scope of the CMB's Sustainability Principles Compliance Framework are submitted to the evaluation of stakeholders by referring to the "Sustainability" section of the 2023 Kaleseramik Annual Report, the 2022 Sustainability Report, as well as Kaleseramik's corporate web pages.

The explanations regarding the principles to be improved within the scope of the shared information are as follows:

With respect to principle B.19, investment feasibility studies are ongoing in line with our renewable energy targets.

With respect to principles B.23 and B.24, internal carbon pricing studies have not yet started. There are no carbon credits accumulated/purchased.

With respect to principle C.2.5, efforts are underway to be listed on the Borsa Istanbul sustainability index.

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

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	Compliance Status				Description	Report Information (Including the Page Number) /Link on Public Disclosure
	Yes	Partial	No	Not applicable		
Sustainability Compliance Report						
A. GENERAL PRINCIPLES						
A1. Strategy, Policy, and Goals						
A1.1. The Board of Directors determines environmental, social and governance (ESG) priority issues, risks and opportunities.	x				Kaleseramik manages its sustainability activities through the sustainability committee led by General Manager and based on the Kale Holding approach. In this context, the second sustainability report will be issues in 2024. Priority environmental, social and corporate governance (ESG) issues, risks and opportunities have been identified.	Annual Report 2023 Sustainability section Sustainability Report 2022
A1.1. The Board of Directors establishes ESG policies (For example: Environmental Policy, Energy Policy, Human Rights and Employee Policy etc.) and declares to the public.	x				Kaleseramik handles it with an integrated management systems approach, and the relevant policies can be accessed on its website.	www.kale.com.tr/ politikalar https://www.kale.com.tr/ kataloglar-ve-kilavuzlar
A1.2. The short and long term goals in line with ESG policies are declared to the public.	x				Targets on ESG issues have been determined and included in the Sustainability Report 2022. It will also be included in the 2023 report.	Annual Report 2023 Sustainability Report 2022
A2. Implementation / Monitoring						
A2.1. The committees and/or units responsible for the implementation of ESG policies as well as the highest-level person in charge of ESG issues and their duties are determined and publicly disclosed.	x				Within the framework of the Take Care of Your World (İyi Bak Dünyana) movement, a governance mechanism has been established in order to ensure that the sustainability perspective is adopted by all Group companies and stakeholders and to progress in line with the goals. This governance mechanism consists of Group Sustainability Committee, Sustainability Manager, Group Human Resources Director, Corporate Communications and Impact Investments Director, Thematic Working Groups, Kalekim Sustainability Committee, Kalekim Sustainability Leaders, Kalekim Sustainability Working Groups, Kale Seramik Foundation KSV, İbrahim Bodur Social Entrepreneurship İBSG, Kale Tasarım and Art Center KTSM, and Kale Volunteers Platform.	Sustainability Report 2022 Annual Report 2023, Sustainability
A2.1. The responsible committee / unit reports the activities carried out within the scope of the policies to the Board of Directors at least once a year.	x				In strategic plan evaluation meetings, the sustainability agenda is included under corporate governance.	Annual Report 2023 Strategic Plan section
A2.2. Implementation and action plans in line with the ESG targets are formed and declared to the public.	x				Priority issues and action plans prepared within this scope will also be included in detail in the Sustainability Report, which is planned to be published in 2024.	Annual Report 2023 Sustainability Report 2022
A2.3. The scope of ESG Key Performance Indicators (KPI) and relevant indicators are announced on a yearly basis.”	x				ESG key performance indicators are monitored and reviewed annually. Detailed distribution by year will be shared in the sustainability report 2024.	Sustainability Report 2022 Annual Report 2023
A2.4. Activities that improve sustainability performance in business processes, products, and services have been disclosed to the public.	x				R&D and innovation activities are included in the annual report.	Annual Report 2023, R&D activities
A3. Reporting						
A3.1. Information regarding the performance of the Incorporation in terms of sustainability performance, targets and activities are included correctly and adequately in the annual report.	x				Information regarding sustainability performance, targets and actions is included in the annual report 2023.	Annual Report 2023

	Compliance Status				Description	Report Information (Including the Page Number) /Link on Public Disclosure
	Yes	Partial	No	Not applicable		
A3.2. Information about its activities on which of the United Nations (UN) 2030 Sustainable Development Goals are related to has been disclosed to the public by the Incorporation.	x				The United Nations 2030 Sustainability Development Goals, to which Kaleseramik contributed, are included in the Sustainability Report 2022 and Annual Report 2023.	Annual Report 2023, Sustainability Section
A3.3. Information about the important lawsuits filed and/or concluded in ESG issues, which are important in terms of ESG policies and/or will significantly affect activities, have been disclosed to the public.			x		There is no such legal process.	
A4. Verification						
A4.1. ESG Key Performance metrics of the Incorporation have been verified and publicly disclosed by an independent third party organization.			x		There is no independent third-party verification.	
B. ENVIRONMENTAL PRINCIPLES						
B1. The Company has disclosed its policies and practices in the field of environmental management, action plans, environmental management systems (known with ISO 14001 standard), and programs to the public.	x				Kaleseramik has ISO 14001 Environmental Management System.	Sustainability Report 2022, Annual Report 2023
B2. The scope of the report, the reporting period, the reporting date, and the limitations regarding the reporting conditions were disclosed to the public regarding the environmental reports prepared to provide information on environmental management.	x				Annual Report 2023	
B4. Environmental targets included in the rewarding criteria within the scope of performance incentive systems based on stakeholders (such as members of the Board of Directors, managers and employees) have been disclosed to the public.	x				A sustainability index that includes sustainability targets has been created in Kaleseramik's balanced corporate report card. In addition, environmental targets are included in the process performance indicators. Relevant performance indicators are associated with employees' individual target cards.	Annual Report 2023
B5. How priority environmental issues are integrated into business targets and strategies has been disclosed to the public.	x				Material environmental issues are integrated into business objectives and strategies.	Sustainability Report 2022, Annual Report 2023/ Sustainability section
B7. How environmental issues are managed and integrated into business targets and strategies throughout the company's value chain, including the operational process, suppliers and customers has been disclosed to the public	x				Supplier management and customer focus are among the material sustainability issues.	Sustainability Report 2022 / Material Issues, Annual Report 2023 Sustainability section
B8. Whether the environment organizations and non-governmental organizations are involved in the policy-making processes or not, and the collaborations with these institutions and organizations have been disclosed to the public.	x				Within the scope of management systems, internal and external audits (internal audits, field audits, TSE audits, Ministry's and Provincial Directorates' audits, etc.) are carried out regularly at all locations and the functioning of the system is controlled.	Annual Report 2023

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	Compliance Status				Description	Report Information (Including the Page Number) /Link on Public Disclosure
	Yes	Partial	No	Not applicable		
B9. In the light of environmental indicators (greenhouse gas emissions (Scope-1 (Direct), Scope-2 (Indirect energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity impacts), comparable information on its environmental impacts are disclosed to the public.	x				Greenhouse gas emission reports are prepared in three locations and verified by verifier organizations. Data on environmental issues such as scope-1 and scope-2 emissions, energy, water and waste management are monitored.	Sustainability Report 2022, Annual Report 2023
B10. Standards, protocols, methodologies, and reference year details used to collect and calculate data are disclosed to the public.	x				Regarding calculation methodologies (Greenhouse Gas Protocol (GHG)) was used.	Sustainability Report 2022, Annual Report 2023
B11. The status of the environmental indicators for the reporting year (increase or decrease) in comparison with previous years has been described.	x					Sustainability Report 2022, Annual Report 2023
B12. Short and long-term targets to reduce environmental impact are set and these targets are announced together with information on their progress in relation to the goals set in the past years.	x					Sustainability Report 2022, Annual Report 2023
B13. The strategy and actions to combat the climate crisis are announced.	x					Sustainability Report 2022, Annual Report 2023
B14. In order to prevent or minimize the potential negative impact of products and/or services on the environment, programs or procedures have been established and disclosed to the public.	x					Sustainability Report 2022, Annual Report 2023 Sustainability R&D Activities
B14. Actions for reducing greenhouse gas emissions of third parties (e.g. suppliers, subcontractors, dealers, etc.) are taken and these actions have been disclosed to the public.	x				Studies are carried out to monitor and reduce Scope 3 emissions regarding the transportation of supplied inputs and products.	Sustainability Report 2022, Annual Report 2023
B15. The environmental benefits / profits and cost savings provided by projects and initiatives carried out to reduce environmental impact are announced.	x					Sustainability Report 2022, Annual Report 2023
B16. The total energy consumption (natural gas, diesel, gasoline, LPG, coal, electricity, heating, cooling) data are announced as Scope-1 and Scope-2.	x					Sustainability Report 2022, Annual Report 2023
B17. Information on electricity, heat, steam and cooling generated and consumed in the reporting year is provided.	x					Sustainability Report 2022, Annual Report 2023
B18. Efforts to increase the use of renewable energy and transition to zero or low-carbon electricity have been made and disclosed to the public.	x					Annual Report 2023, Sustainability Section
B19. The renewable generation of energy and the usage data are announced.			x		There is no use of renewable energy. Renewable energy investments are currently in the planning stage, with preparations ongoing.	Annual Report 2023, Sustainability section Sustainability Report 2022
B20. Energy efficiency projects are realized and the amount of energy consumption and emission reduction gained by means of these studies are announced.	x					Annual Report 2023, Sustainability section Sustainability Report 2022

	Compliance Status				Description	Report Information (Including the Page Number) /Link on Public Disclosure
	Yes	Partial	No	Not applicable		
B21. The amount of water withdrawn, used, recycled and discharged from underground or above ground, its sources and procedures are reported.	x					Annual Report 2023, Sustainability section Sustainability Report 2022
B22. Explains whether the operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).			x		Since the legal regulation processes regarding the carbon pricing system have not been completed yet in our country, there is no carbon pricing system in which the Company is involved.	
B23. The carbon credit information accumulated or purchased during the reporting period is announced.			x			
B24. If carbon pricing is applied in the company, details are disclosed.			x			
B25. Platforms where the Company discloses environmental information is announced.	x					Annual Report 2023 Sustainability Report 2022
C. SOCIAL PRINCIPLES						
C1. Human Rights and Labor Rights						
C1.1. Corporate Human Rights and Labor Rights Policy is established in which full compliance with the legal framework and legislation regulating the human rights and business life in Türkiye, ILO Conventions that are ratified by Türkiye and the Universal Declaration of Human Rights is committed. Roles and responsibilities associated with the implementation of the policy are determined and announced.	x				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the website.	www.kale.com.tr/politikalar https://www.kale.com.tr/etik-hat
C1.2. Considering the supply and value chain effects, the Company includes fair workforce, improvement of labor standards, women's employment and inclusion (such as nondiscrimination on women, men, gender, religious belief, language, ethnicity, race, age, disability, refugee etc.) in its policy regarding the labor rights.	x				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the website. Diversity and Inclusion Policy has been determined and shared on the website.	www.kale.com.tr/politikalar https://www.kale.com.tr/etik-hat
C1.3. Precautions taken throughout the value chain regarding the consideration of specific economic, environmental, and social factors such as low-income groups, women, or minority rights/opportunities have been disclosed to the public.	x					www.kale.com.tr/politikalar https://www.kale.com.tr/etik-hat
C1.4. Developments regarding preventive and corrective practices against discrimination, inequality, human rights violations, forced labor and child labor are reported.	x				Employee rights have been clearly defined within the Kale Group Code of Ethics regulation, Ethics Line Communication channels have been established for possible practices against violations of these principles, and these communication channels have been announced on the Kale Group website.	www.kale.com.tr/politikalar https://www.kale.com.tr/etik-hat
C1.5. Investment in employees (training, improvement policies), compensation, vested benefits, right to unionize, work/life balance solutions and talent management issues are included in employee rights policy.	x					Annual Report 2023, Human Resources Section
C1.5. Dispute resolution processes are determined by creating mechanisms for employee complaints and dispute.	x					Annual Report 2023, Human Resources Section

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

	Compliance Status				Description	Report Information (Including the Page Number) /Link on Public Disclosure
	Yes	Partial	No	Not applicable		
C1.5. The activities carried out to ensure employee satisfaction during the reporting period are announced.	x					Annual Report 2023, Human Resources Section
C1.6. Occupational health and safety policies are established and declared to the public.	x				ISO 45001 Occupational Health and Safety Management System is available. Integrated Management System Policy has been created within the scope of Integrated Management Systems implementation.	Annual Report 2023, Sustainability / Occupational Health and Safety section https://www.kale.com.tr/kataloglar-ve-kilavuzlar
C1.6. The occupational accidents, measures taken to maintain health, and accident statistics are announced.	x					Sustainability Report 2022, Occupational Health and Safety section Annual Report 2023, Sustainability/ Occupational Health and Safety section
C1.7. Protection of personal data and data security policies are established and disclosed to the public.	x				An information security and personal data protection policy has been established.	https://www.kale.com.tr/bilgi-guvenligi-politikasi
C1.8. Ethical policy is established and declared to the public.						
C1.9. Activities regarding social investment, social responsibility, financial inclusion, access to financing are revealed.	x					
C1.10. -Informative meetings and training programs on ESG policies and practices are provided to employees.	x					Annual Report 2023, Human Resources Section
C2. Stakeholders, International Standards and Initiatives						
C2.1. A customer satisfaction policy regarding the management and resolution of customer complaints is established and announced.	x				ISO 10002 Customer Complaints Management System is available. Integrated Management System Policy has been created within the scope of Integrated Management Systems implementation.	https://www.kale.com.tr/kataloglar-ve-kilavuzlar
C2.2. Information on stakeholders communication (with which stakeholders, on what issue and how often) is announced.	x					Sustainability Report 2022,
C2.3. International reporting standards adopted for the reportings are disclosed.	x					Annual Report 2023, Strategies section
C2.4. Principles, signatory and member international organizations, committees and principles on sustainability and adopted by the Company are disclosed.	x					
C2.5. Improvements and activities are conducted in order to be listed in the sustainability indices of Borsa Istanbul and/or international index providers.	x				Efforts are underway to be included in the Borsa Istanbul Sustainability Index.	
D. CORPORATE GOVERNANCE PRINCIPLES						
D1. Stakeholders were consulted in determining measures and strategies in the field of sustainability.	x				In 2022, the Company conducted a prioritization analysis on environmental, social, and corporate governance, considering stakeholder expectations and global trends.	Annual Report 2023, Sustainability Section, Sustainability Report 2022
D2. Efforts have been made to increase awareness about sustainability and its importance through social responsibility projects, awareness-raising activities, and trainings.	x					Annual Report 2023, Sustainability Section

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

As per the resolution dated 09.01.2023 and numbered 1768 of the Company’s Board of Directors, and in accordance with the Capital Markets Law (“Law”), the Turkish Commercial Code (“TCC”), and relevant legislation, the Articles 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, and 21 of our Company’s Articles of Association have been amended, and the amendment of the Company’s Articles of Association including the cancellation of Articles 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 68, 70, 71, 72, 73, 74, and 75, and the transition to the registered capital system with a ceiling of TL 1,000,000,000.00 (One Billion Turkish Liras) in accordance with Article 18 of the Capital Markets Law and secondary legislation provisions, and the amendment of Article 6 of the Articles of Association for this purpose, were approved at the Extraordinary General Assembly dated 10.03.2023, registered on 14.03.2023, and announced in the Turkish Trade Registry Gazette dated 14.03.2023 and numbered 10789.

Within the registered capital ceiling of our Company amounting to TL 1,000,000,000.00, our Company’s issued capital of TL 405,388,195.51 (Four hundred and five million three hundred and eighty-eight thousand one hundred and ninety-five Turkish Liras and fifty-one Kurus) was increased to TL 514,778,660.51 through the sale of shares with a nominal value of TL 109,390,465.00 on the Borsa Istanbul Primary Market on July 20-21.

Because the IPO process of the shares with a nominal value of TL 109,390,465.00 increased in cash has been completed and their prices have been paid in cash and in full, within the scope of the permit of the Capital Markets Board, dated 17.07.2023 and numbered E-29833736-105.01.01.01-39677 regarding capital increase transactions, the amendment of Article 6 of the Articles of Association titled “Capital of the Company” was registered on 11.09.2023 and announced in the Turkish Trade Registry Gazette, dated 13.09.2023 and numbered 10913.

ANNUAL REPORT COMPLIANCE STATEMENT

STATEMENT OF RESPONSIBILITY ISSUED PURSUANT TO ARTICLE 9 OF CAPITAL MARKETS BOARD'S COMMUNIQUÉ ON THE PRINCIPLES OF FINANCIAL REPORTING IN CAPITAL MARKETS (NO. II-14-1.)

BOARD'S RESOLUTION ON THE APPROVAL OF THE ANNUAL REPORT

RESOLUTION DATE: 17.05.2024

RESOLUTION NO: 1960

In line with the CMB regulations, the annual report for the accounting period 01.01.2023 - 31.12.2023, issued by our Company and independently audited by PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., prepared in accordance with the Turkish Commercial Code and the Capital Markets Board's ("CMB") "Communiqué on Principles Regarding Financial Reporting in Capital Markets" numbered II-14.1 ("Communiqué");

a. it has been examined by us in line with the CMB regulations,

b. they do not cover any misstatements on important issues or any incomplete information that may be misleading as of the statement date, within the framework of the information we have in the areas of responsibility and duty at the Company,

c. We declare that the Annual Report prepared as per the Communiqué honestly reflects the development and performance of the business and the financial situation of the Company along with those within the scope of consolidation, as well as the significant risks and uncertainties faced, within the framework of the information we have in the areas of responsibility and duty at the Company.

d. We have examined the Corporate Governance Compliance Report ("CGCR") and the Corporate Governance Information Form ("CGIF") prepared for the accounting period 01.01.2023-31.12.2023 within the framework of the CMB's decision, dated 10.01.2019 and numbered 2/49 and the "Sustainability Compliance Framework" prepared using the template in the decision of the CMB, dated 23.06.2022 and numbered 34/977, and that the said reports have been prepared in accordance with the CMB's Communiqué on Corporate Governance No. II-17.1 and the procedures and principles set out in the said decision,

and we declare our responsibility for the statement made.

Regards,

Cengiz SOLAKOĞLU
Chairperson of the Audit
Committee

Fahri Okan BÖKE
Member of the Audit
Committee

Cemşit BAYLAN
Assistant General Manager
Financial Affairs

ANNUAL REPORT COMPLIANCE OPINION



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

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

1. Opinion

We have audited the annual report of Kaleseramik Çanakkale Kalebodur Seramik San. A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the 1 January - 31 December 2023 period.

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

2. Basis for Opinion

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

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

We expressed an unqualified opinion in the auditor's report dated 2 May 2024 on the full set consolidated financial statements for the 1 January - 31 December 2023 period.

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

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

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.

c) to include the matters below in the annual report:

– events of particular importance that occurred in the Company after the operating year,

– the Group's research and development activities,

– financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

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

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

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

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

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



Orhan Öztürk, SMMM
Independent Auditor

Istanbul, 2 May 2024

**KALESERAMİK
ÇANAKKALE KALEBODUR
SERAMİK SANAYİ A.Ş.**

**CONSOLIDATED FINANCIAL STATEMENTS
AT 1 JANUARY-31 DECEMBER 2023 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 2023, 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 2023, 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
Application of TAS 29, “Financial Reporting in Hyperinflationary Economies	
<p>The Group applied TAS 29 “Financial reporting in hyperinflationary economies” (“TAS 29”) for the year ending 31 December 2023 in its consolidated financial statements.</p> <p>According to TAS 29, the consolidated financial statements as of 31 December 2022 should be restated according to the purchasing power of 31 December 2023. Applying TAS 29 results in significant changes to financial statement items included in the Group’s consolidated financial statements for the year ending 31 December 2023.</p> <p>The application of TAS 29 has a widespread and material impact on the consolidated financial statements. In addition, considering the additional effort required to perform the audit of its application, we identified TAS 29 application as a key audit matter. The Group’s accounting policies and related explanations regarding the application of TAS 29 are disclosed in Note 2.2.</p>	<p>We performed the following audit procedures in relation to the application of TAS 29 “Financial Reporting in Hyperinflationary Economies”:</p> <ul style="list-style-type: none">• Verifying whether management’s determination of monetary and non-monetary items complies with TAS 29,• Obtaining detailed lists of non-monetary items and testing original entry dates and amounts with supporting documentation on a sample basis to ensure they are correctly included in the calculation,• Verifying that the general price index rates used in calculations correspond with the coefficients in the “Consumer Price Index in Turkey” published by the Turkish Statistical Institute,• Testing the mathematical accuracy of the restatement of non-monetary items, income statement, and cash flow statement to reflect the impact of inflation,• Evaluating the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.



Key Audit Matters	How the key audit matter was addressed in the audit
Revenue recognition	
<p>The Group achieved revenue of TL 9,239,709,596 for the financial period ending on December 31, 2023. 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 IFRS 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Company’s Board of Directors on 2 May 2024.

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



Orhan Öztürk, SMMM
Independent Auditor

Istanbul, 2 August 2024

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

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KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Consolidated Statement of Financial Table
as of December 31, 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Footnote References	Audited Current period 31.12.2023	Audited Past period 31.12.2022
Assets			
Current Assets		7,074,481,651	5,799,675,659
Cash and cash equivalents	5	2,281,572,739	383,138,741
Financial investments	30	-	160,161,419
Trade receivables		1,717,718,094	1,844,938,257
- Trade receivables from related parties	6	23,613,817	45,980,661
- Trade receivables from third parties	7	1,694,104,277	1,798,957,596
Other receivables		131,760,739	133,691,889
-Other receivables from third parties	8	131,760,739	133,691,889
Inventories	9	2,738,740,144	2,770,774,454
Prepaid Expenses	10	144,099,170	156,760,664
Tax assets for the current period	27	21,559,743	197,713,927
Other Current Assets	18	39,031,022	152,496,308
Non-current assets		5,426,084,481	4,618,794,484
Financial investments	3	52,136,484	65,391,527
Investments Accounted for Using Equity Method	3	13,367,971	11,510,103
Investment properties	11	245,079,072	205,976,962
Property, plant and equipment	12	4,105,682,087	3,414,113,659
Intangible Assets		278,807,984	221,437,445
- Other Intangible Assets	13	278,807,984	221,437,445
Right-of-use assets	14	44,680,915	63,192,629
Deferred Tax Asset	27	685,869,968	636,414,203
Other Non Current Assets		460,000	757,956
Total assets		12,500,566,132	10,418,470,143

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, 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Footnote Reference	Audited Current period 31.12.2023	Audited Past period 31.12.2022
Liabilities			
Current Liabilities		3,643,595,714	4,885,731,479
Short-term borrowings	15	1,446,125,687	1,818,681,424
Current portion of long-term borrowings		346,069,999	172,734,515
- Short-term portions of long-term borrowings	15	330,887,978	140,133,595
- Borrowings from lease transactions	15	15,182,021	32,600,920
Derivative financial liabilities	19	6,123,362	24,729,644
Trade payables		1,357,133,270	1,903,029,107
- Trade payables to related parties	6	95,727,478	159,166,022
- Trade payables to third parties	7	1,261,405,792	1,743,863,085
Payables Related to Employee Benefits	17	121,614,563	85,864,016
Other Payables		2,749,511	3,954,960
- Other payables to third parties	8	2,749,511	3,954,960
Deferred Income	10	326,125,603	733,019,195
Short-term provisions		26,364,388	132,417,324
- Short-term provisions for employee benefits	17	8,500,000	64,995,907
- Other short-term provisions	16	17,864,388	67,421,417
Other short-term liabilities	18	11,289,331	11,301,294
Non-Current Liabilities		1,085,104,109	804,051,641
Long-term borrowings		588,759,479	382,207,102
- Long-term borrowings	15	570,545,051	368,165,561
- Borrowings from lease transactions	15	18,214,428	14,041,541
Trade Payables		232,119,462	-
- Trade payables to third parties	7	232,119,462	-
Long-term provisions		264,225,168	421,844,539
- Long-term provisions for employee benefits	17	264,225,168	421,844,539
Equity		7,771,866,309	4,728,687,023
Paid-in capital	20	514,778,661	405,388,196
Capital adjustment differences	20	5,580,233,717	5,552,198,473
Share capital	20	3,392,500,989	475,888,450
Items That Will Not Be Reclassified to Profit or Loss		(411,289,967)	(235,374,606)
- Remeasurement of defined benefit plans gains (losses)		(413,579,955)	(247,529,216)
- Investments in equity instruments gains (losses) arising from		2,387,106	12,593,489
- Share of other comprehensive income of investments accounted through equity method that will not be reclassified to profit or loss		(97,118)	(438,879)
Items That Are or May Be Reclassified to Profit Or Loss		(121,998,582)	(50,862,862)
-Foreign Currency Translation Differences		(121,998,582)	(50,862,862)
Restricted Profit Reserves	20	171,554,466	142,858,529
Previous Years Profit(Loss)		(1,649,177,285)	(3,738,978,825)
Net Profit for the Period		295,264,310	2,177,569,668
Total Equity		12,500,566,132	10,418,470,143

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

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Consolidated Statements of Profit or Loss Table for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Footnote References	Audited Current period 31.12.2023	Audited Past period 31.12.2022
PROFIT OR LOSS			
Revenue	21	9,713,708,850	12,258,407,931
Cost Of Sales (-)	21	(8,186,069,929)	(9,672,376,181)
Gross Profit		1,527,638,921	2,586,031,750
General Administrative Expenses (-)	22	(576,486,933)	(390,320,522)
Marketing Expenses(-)	22	(1,112,140,897)	(1,136,310,575)
Research and Development Expense (-)	22	(70,376,530)	(70,176,863)
Other Operating Income	24	1,313,835,589	897,301,212
Other Operating Expense (-)	24	(703,718,714)	(649,863,548)
OPERATING PROFIT BEFORE INVESTMENT ACTIVITIES		378,751,436	1,236,661,454
Income from Investment Activities	25	117,563,441	184,357,712
Expenses for Investment Activities	25	(33,938,749)	-
Share of Investments' Profit Accounted for Using The Equity Method	3	1,516,107	3,060,469
Impairment gains (losses) and reversals of impairment losses determined in accordance with IFRS 9	7	(58,527,638)	(51,457,081)
OPERATING PROFIT(EXPENSE)		405,364,597	1,372,622,554
Financial Income	26	455,709,106	62,449,819
Financial Expenses (-)	26	(1,361,171,935)	(836,409,005)
Monetary Gain(Loss)		878,651,659	765,113,976
PROFIT BEFORE TAX		378,553,427	1,363,777,344
Tax Expense			
- Current Tax Expense	27	(73,104,994)	(31,762,099)
- Deferred Tax Expense	27	(10,184,123)	845,554,423
NET PROFIT FOR THE PERIOD		295,264,310	2,177,569,668
Earning Per Share	28	0.186	1.417

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

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Consolidated Statements of Other Comprehensive Income for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Footnote References	Audited Current period 31.12.2023	Audited Past period 31.12.2022
OTHER COMPREHENSIVE INCOME			
Items That Will Not Be Reclassified Subsequently To Profit or Loss		(175,915,361)	(235,822,196)
- Remeasurement gains/(losses) on defined benefit plans from investments valued using the equity method, net of tax		341,761	(438,879)
- Remeasurement losses on defined benefit plans, net of tax		(166,050,739)	(247,976,806)
- Gains (losses) from investments in equity- based financial instruments, net of tax		(10,206,383)	12,593,489
Items That May Be Reclassified Subsequently To Profit or Loss		(71,135,720)	(47,353,451)
- Currency Translation Adjustment		(71,135,720)	(47,353,451)
Other Comprehensive Expense		(247,051,081)	(283,175,647)
Total Comprehensive Income(Loss)		48,213,229	1,894,394,021

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

Consolidated Statements of Changes in Equity
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Comprehensive Income(Expense) That Will Be Reclassified Subsequently To Profit or Loss		Comprehensive Income(Expense) That Will Be Reclassified Subsequently To Profit or Loss		Comprehensive Income(Expense) That Will Be Reclassified Subsequently To Profit or Loss	
	Revaluation and measurement gains/losses	Share of other comprehensive income of investments accounted through equity method that will not be reclassified to profit or loss	Investments in equity instruments arising from gains (losses)	Share premium	Adjustment to share capital	Share capital
1 January 2022	405,388,196	5,552,198,473	475,888,450	447,590	-	-
Transfers	-	-	-	-	-	-
Total Comprehensive Income(loss)	-	-	-	-	-	-
Acquisition of subsidiaries	-	(247,976,806)	12,593,489	(438,879)	(47,353,451)	9,760,902
31 December 2022	405,388,196	5,552,198,473	475,888,450	(247,529,216)	(438,879)	133,097,627
1 January 2023	405,388,196	5,552,198,473	475,888,450	(247,529,216)	(50,862,862)	(4,496,133,246)
Transfers	-	-	-	-	-	768,994,555
Total Comprehensive Income(loss)	-	-	-	-	-	-
Other payments to shareholders excluding dividends (Note 20)	-	(166,050,739)	(10,206,383)	(438,879)	(47,353,451)	9,760,902
Capital Increase	109,390,465	-	-	-	-	-
Increase due to share-based transactions (Note 20)	-	-	-	-	-	-
31 December 2023	514,778,661	5,580,233,717	3,392,500,989	(413,579,955)	(121,998,582)	(1,649,177,285)

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

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Consolidated Statements of Cash Flows
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

	Footnote References	Audited Current Period January 1 – December 31 2023	Audited Past Period January 1 – December 31 2022
A. CASH FLOWS FROM OPERATING ACTIVITIES		154,621,501	65,653,227
Income/(loss) before income taxes		295,264,310	2,177,569,668
Adjustments to reconcile net profit/loss for the period		499,876,122	(711,970,956)
Adjustment related to depreciation and amortization expense	23	493,851,973	457,229,788
Adjustments related to impairment of receivables	7	58,527,638	51,457,081
Adjustment related to provision for inventory impairment	9	(86,498,727)	27,113,552
Adjustments related to provisions/cancellation for employee benefits.	17	77,185,095	100,786,250
Adjustment related to provision for litigations (net)	16	(16,574,405)	21,530,867
Other provisions	16	(11,673,450)	3,413,860
Adjustment related to interest income	26	(455,709,106)	(62,449,819)
Adjustment related to interest expense	26	833,055,207	501,316,559
Adjustment related to fair value decrease/(increase) of derivative financial instruments	24	(18,606,282)	(15,531,051)
Adjustments related to fair value gains on financial assets		(55,673,614)	(18,768,449)
Adjustments related to tax income/expenses	27	83,289,117	(813,792,324)
Adjustments related to fair value losses/gains on investment properties	25	(42,766,323)	(146,230,943)
Adjustments for retained Earnings of investments valued by equity method	3	(1,516,107)	(3,060,469)
Adjustments related to unrealised foreign exchange differences		261,220,222	323,264,222
Adjustment related to gain(loss) sale of property, plant and equipment	25	19,973,703	(2,287,224)
Monetary (gains)/losses		(638,208,824)	(1,135,962,856)
Changes in working capital		(193,518,357)	(1,056,114,147)
Change in trade receivables from related parties.		(22,366,844)	(38,833,199)
Change in trade receivables from third parties.		95,804,512	(851,183,117)
Change in other receivables related to activities from third parties.		174,223,034	(127,665,603)
Adjustments related to change in inventories.		118,533,037	(1,393,809,628)
Changes in prepaid expenses		12,661,494	(144,029,223)
Changes in other assets related to operations.		113,763,242	(36,653,476)
Changes in trade payables to related parties.		(63,438,544)	(14,358,020)
Changes in trade payables to third parties.		(250,337,831)	905,418,972
Changes in deferred income		(406,893,592)	602,396,615
Change in payables related to employee benefits		35,750,547	37,723,690
Adjustments related to change in other liabilities related to operations		(1,205,449)	1,865,325
Change in other liabilities related to operations		(11,963)	3,013,517
Cash flow from operations		601,622,075	409,484,565
Taxes paid/tax returns	27	(73,104,994)	(258,344,879)
Payments made within the scope of provisions for employee benefits	17	(373,895,580)	(85,486,459)
CASH FLOWS FROM INVESTING ACTIVITIES		(986,753,658)	(196,993,659)
Cash outflow related to sales of tangible and intangible assets		(16,951,542)	3,518,734
Cash outflow related to purchases of tangible and intangible assets	11, 12	(1,185,637,149)	(58,640,159)
Cash outflows related to purchases for obtaining control of subdaireas	3	-	(479,264)
Other cash inflows (outflows)		215,835,033	(141,392,970)
CASH FLOWS FROM FINANCING ACTIVITIES		3,462,508,043	(98,039,114)
Cash inflows from Issuance of share and other equity instruments	20	2,916,612,539	-
Net increase in cash and cash equivalents	20	109,390,465	-
Proceeds from borrowings	15	4,925,122,187	4,267,078,313
Cash outflow on debt payment	15	(4,052,336,486)	(3,991,256,185)
Interest income		446,889,879	52,077,885
Interest paid		(841,850,702)	(425,939,127)
Other cash inflows (outflows)		(41,319,839)	-
Change in cash and cash equivalents before foreign exchange differences and monetary effects		2,630,375,886	(229,379,546)
Effect of foreign exchange differences on cash and cash equivalents		47,684,948	307,722,236
Monetary loss		(788,446,063)	(522,982,541)
NET CHANGE IN CASH AND CASH EQUIVALENTS		1,889,614,771	(444,639,851)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		383,034,199	827,674,050
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		2,272,648,970	383,034,199

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

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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, 2023 and 2022, the consolidated subsidiaries are as follows:

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

December 31 2022	Country	Principal Activities	Ordinary Shares held by the company	Ordinary Shares held by the company
			percentage (%)	percentage (%)
Kale Italia	Italy	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.	Russia	Production	100.00	100.00

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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 Capital Market Board (CMB) "Communiqué on Principles Regarding Financial Reporting in Capital Markets," published in the Official Gazette on June 13, 2013, and numbered 28676 ("Communiqué"). These statements are based on the Turkey Financial Reporting Standards (TFRS) issued by the Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu ("KGK"), along with their related appendices and interpretations, as per Article 5 of the Communiqué.

The Company and its subsidiaries registered in Turkey maintain their accounting records and prepare their statutory financial statements in compliance with the principles and conditions set forth by the CMB, the Turkish Commercial Code (TCC), tax legislation, and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries operating in foreign countries prepare their statutory financial statements in accordance with the laws and regulations applicable in the countries where they operate. The consolidated financial statements are prepared on a historical cost basis, except for financial investments, derivative instruments, investment properties, and assets and liabilities included in business combinations, which are presented at fair values and adjusted and classified as necessary to ensure accurate presentation in accordance with TFRS. The consolidated financial statements are presented in formats specified in the "Announcement Regarding TAS Taxonomy" published by the KGK on October 10, 2022, and the "Financial Statement Examples and Usage Guide" published by the CMB.

The consolidated financial statements of the Group have been approved by the Board of Directors and are authorized for publication on May 2, 2024. Although there is no intention to do so, the Group Management and certain regulatory bodies have the authority to make changes to the legally prepared financial statements after they have been published.

Basis of consolidation

The consolidated financial statements include the financial statements of entities controlled by the Group and its subsidiaries. Control is established by the Group meeting the following criteria:

- Having power over the investee company/asset.
- Having exposure to variable returns from the investee company/asset or having the right to such returns.
- Being able to use its power to affect the returns.

If any situation or event arises that could cause a change in at least one of the criteria listed above, the Group reevaluates whether it has control over the investment.

When the Group does not have a majority voting right over the investee company/asset, control power exists if there is sufficient voting right to independently direct/manage the activities of the relevant investment. The Company evaluates all relevant events and conditions, including the following elements, to assess whether the majority voting right in the relevant investment is sufficient to establish control power.

- Comparison of the voting rights held by the Group and the voting rights held by other shareholders;
- Potential voting rights held by the Group and other shareholders;
- Rights arising from other contractual agreements;
- Other events and circumstances that may indicate whether the Group has the current power to direct the relevant activities when a decision needs to be made (including voting at general shareholders' meetings in prior periods)

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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 subsidiaries are accounted for using the equity method. These subsidiaries are generally entities over which the Group has between 20% and 50% voting rights or significant influence, even though it does not have control over their operating activities.

Unrealized gains arising from transactions between the Group and subsidiaries are adjusted based on the Group's ownership share. Unrealized losses are also adjusted unless they indicate impairment of the transferred asset. The Group continues to apply the equity method unless it has incurred an obligation or commitment related to the associate, or if the recorded value of the investment becomes zero due to the cessation of significant influence. If the significant influence ends, the recorded value of the investment at the date of cessation is either shown at fair value if reliably measurable thereafter or at cost if not.

Functional and presentation 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 exchange rate at the balance sheet date for purchases, while liabilities are translated using the exchange rate at the balance sheet date for sales
- Income and expenses in the income statement are translated using the average exchange rate.
- Resulting exchange rate differences are shown as a separate item in equity (foreign exchange differences) and included in other comprehensive income.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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

2.2 New and amended standards and interpretations

Financial reporting in high inflation economies

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, 2023, 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, 2023, 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, 2022, as of December 31, 2023, 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, 2023, 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 2023	1,859.38	1.00000	%268
December 31 2022	1,128.45	1.64773	%156
December 31 2021	686.95	2.70672	%74

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 (TL), 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.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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

2.2 New and amended standards and interpretations (Continued)

a) As of December 31 2023 the new standards amendments to existing standards, and interpretations in effect are as follows:

- **TAS 1, Application Statement 2, and TAS 8 Narrow-scope Amendments:** These changes are applicable to annual reporting periods beginning on or after January 1, 2023. The purpose of these amendments is to enhance accounting policy disclosures and assist financial statement users in distinguishing changes in accounting estimates from changes in accounting policies.
- **TAS 12 Amendment on Deferred Tax Related to Single Transactions:** his amendment is effective for annual reporting periods beginning on or after January 1, 2023. It requires deferred tax accounting for transactions that result in equal amounts of taxable and deductible temporary differences when initially recognized in financial statements.
- **TAS 12 Amendment on International Tax Reform; Temporary Exemption:** This amendment is applicable for the year ending December 2023 and allows early adoption for annual reporting periods beginning on or after January 1, 2023. It provides temporary relief to companies in accounting for deferred taxes arising from international tax reform, including the equalization of deferred taxes due to temporary differences. The changes also include disclosure requirements for affected companies.

b. As of December 31 2023 the new standards amendments to existing standards, and interpretations but have not yet come into effect are as follows:

- **Amendment to TAS 1, Contractual Terms of Long-Term Obligations;** This amendment is applicable for annual reporting periods commencing on or after January 1, 2024. These changes clarify how the conditions that a business must comply with within twelve months following the reporting period affect the classification of a liability. The amendments also aim to improve the information provided by the business about liabilities subject to these conditions.
- **TFRS 16, Sale and Leaseback Transactions;** This is applicable for annual reporting periods commencing on or after January 1, 2024. These changes include provisions explaining how a business accounts for a sale and leaseback transaction under TFRS 16 after the transaction date. Sale and leaseback transactions where some or all of the lease payments are variable lease payments not dependent on an index or rate are likely to be affected.
- **Amendments to TAS 7 and TFRS 7 regarding Supplier Financing Agreements;** These are applicable for annual reporting periods commencing on or after January 1, 2024. These changes require disclosure to increase transparency about the effects of supplier financing agreements and the impacts on businesses' liabilities, cash flows, and liquidity risks. The disclosure requirements are a response from the IASB (International Accounting Standards Board) to investors' concerns that some companies' supplier financing arrangements are not sufficiently transparent and hinder investors' analysis.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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

2.2 New and amended standards and interpretations (Continued)

- **TAS 21, Lack of Convertibility:** This is applicable for annual reporting periods commencing 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 for a specific purpose at a specific measurement date. A currency is convertible when the opportunity to obtain another currency is available (with a normal administrative delay), and the transaction occurs through a market or exchange mechanism that creates applicable rights and obligations.
- **TSRS 1, General Provisions on Disclosure of Sustainability-related Financial Information;** This standard is applicable for annual reporting periods commencing on or after January 1, 2024. It includes the basic framework for disclosing all serious risks and opportunities related to sustainability that a company is exposed to within its value chain.
- **TSRS 2, Climate-related Disclosures:** This is the first standard that sets the requirements for companies to disclose risks and opportunities related to climate. It is applicable for annual reporting periods commencing on or after January 1, 2024.

The Group is currently evaluating the effects of the above changes on its operations and will implement them from the date of validity. It is expected that the implementation of the above interpretations will not have a significant impact on the Group's consolidated financial statements and footnotes 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.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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

2.3 Accounting Policies (Continued)

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.

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 period.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Notes to the Consolidated Financial Statements
for the Period January 1 - December 31 2023

(Unless otherwise stated, the amounts are expressed on the basis of the purchasing power of the Turkish Lira ("TL") as of December 31, 2023.)

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

2.3 Accounting Policies (Continued)

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.

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.

KALESERAMİK ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

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

2.3 Accounting Policies (Continued)

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.

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."

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

2.3 Accounting Policies (Continued)

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.

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.

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

2.3 Accounting Policies (Continued)

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 from the provision of goods or services to customers are presented net of unearned finance income. After deducting unearned finance income, trade receivables are measured at the original invoice amount, discounted to reflect the present value of amounts expected to be collected using the effective interest method. Short-term receivables without a specified interest rate are shown at cost if the effect of discounting is immaterial.

An impairment allowance is recognized for trade receivables when there is objective evidence that the receivable is uncollectible. The amount of the allowance is the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the original effective interest rate of the receivable, including amounts recoverable from guarantees and collateral.

If an impaired receivable is subsequently collected, the amount recovered is credited to other income from main operations.

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.

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

2.3 Accounting Policies (Continued)

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.

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

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

2.3 Accounting Policies (Continued)

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.

Gains arising from the sale of equity shares held for more than two years, as well as founder's shares, usufruct shares, and pre-emptive rights held for the same period, and 50% of the gains from the sale of real estate held for more than two years, are exempt from tax if added to capital or held in a special reserve account for five years, as stipulated by 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.

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

2.3 Accounting Policies (Continued)

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, 2023, 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.

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.

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

2.3 Accounting Policies (Continued)

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."

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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.

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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.

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

2.4 Accounting Estimates

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.

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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.

The Group has prepared the consolidated statement of financial position, consolidated statement of comprehensive income, cash flow statement, and statement of changes in equity as of December 31, 2023, on a comparative basis with the consolidated financial statements for the period ended December 31, 2022. The Company has identified and retrospectively corrected the adjustments and reclassifications in the prior period financial statements. The effects on the financial statements as of December 31, 2023, are as follows:

The financing component resulting from the discounting of revenue amounting to TRY 467,228,270, which was classified under other income from main operations in the statement of profit or loss for the period January 1 - December 31, 2022, has been reclassified under the revenue item in the statement of profit or loss to ensure consistency with the consolidated financial statements prepared as of December 31, 2023.

The derivative fair value difference income amounting to TRY 207,060,295, which was classified under finance income in the statement of profit or loss for the period January 1 - December 31, 2022, has been reclassified under other income from main operations in the statement of profit or loss to ensure consistency with the consolidated financial statements prepared as of December 31, 2023.

The derivative fair value difference expenses amounting to TRY 59,694,080, which were classified under finance expenses in the statement of profit or loss for the period January 1 - December 31, 2022, have been reclassified under other expenses from main operations in the statement of profit or loss to ensure consistency with the consolidated financial statements prepared as of December 31, 2023.

2.6 Going Concern

The Group has prepared its financial statements on a going concern basis.

3. SHARES IN OTHER ENTITIES

a) Financial Investments

Financial Assets at Fair Value Through Other Comprehensive Income	December 31 2023	December 31 2022
Traded on a stock exchange	51,574,834	64,829,877
Not actively traded	561,650	561,650
Total	52,136,484	65,391,527

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

	December 31 2023	December 31 2022
Şişe Cam A.Ş.	24,899,066	38,430,276
Sumaş Suni Tahta ve Mobilya Sanayi A.Ş.	18,673,200	4,015,498
Akçansa Çimento Sanayi Ticaret A.Ş.	6,001,710	4,301,764
Bagfaş Bandırma Gübre Sanayi A.Ş.	2,000,858	18,082,339
Total	51,574,834	64,829,877

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3. SHARES IN OTHER ENTITIES (Continued)

a) Financial Investments (Continued)

The movements of financial investments during the period are as follows

	2023	2022
January 1	65,391,527	48,766,764
Change in fair value	(13,255,043)	16,145,499
Entries	-	479,264
December 31	52,136,484	65,391,527

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.

b) Investments measured using the equity method

	2023	2022
January 1	11,510,103	8,888,513
Shares of profits/(losses) of investments measured using the equity method	1,516,107	3,060,469
Shares of other comprehensive income/(expenses) of investments measured using the equity method	341,761	(438,879)
December 31	13,367,971	11,510,103

	December 31 2023		
	Total Assets	Total Liabilities	Effective shareholding voting rights%
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	107,965,163	73,005,413	38
Kale İda Sağlık ve Turizm Hizmetleri A.Ş.	439,049	22,719	20
Total	108,404,212	73,028,132	

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3. SHARES IN OTHER ENTITIES (Continued)

a) Financial Investments (Continued)

January 1- December 31 2023	Revenue	Profit/Loss Shares	Other Comprehensive Income Shares
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Tic.	289,610,571	4,020,261	899,370
Kale İda Sağlık ve Turizm Hizmetleri A.Ş.	-	(57,960)	-
Total	289,610,571	3,962,301	899,370

December 31 2022			
	Total assets	Total liabilities	Effective shareholdings Voting Rights %
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	188,811,235	158,932,807	38
Kale İda Sağlık ve Turizm Hizmetleri A.Ş.	787,255	5,754	20
Total	189,598,490	158,938,561	

January 1- December 31 2022	Revenue	Profit/Loss Shares	Other Comprehensive Income Shares
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Tic.	220,951,003	8,087,425	(1,154,945)
Kale İda Sağlık ve Turizm Hizmetleri A.Ş.	-	(63,763)	-
Toplam	220,951,003	8,023,662	(1,154,945)

b) Subsidiaries

December 31 2023	Country	Business Activity	Ordinary shares held by thecompany percentage(%)	Ordinary shares held by thecompany percentage(%)
Kale Italia	Italy	Production	100.00	100.00
OOO Kaleseramik Rusya Ltd.	Russia	Production	100.00	100.00

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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.

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 2023			
	Total segment revenue	Inter-segment revenue	Revenue from non-group customers
Turkey	9,713,708,850	-	9,713,708,850
Italy	-	-	-
Total	9,713,708,850	-	9,713,708,850

January 1 - December 31 2022			
	Total segment revenue	Inter-segment revenue	Revenue from non-group customers
Turkey	12,255,796,765	-	12,255,796,765
Italy	2,611,166	-	2,611,166
Total	12,258,407,931	-	12,258,407,931

b) Other income and expense explanations

January 1 - December 31 2023	Turkey	Italy	Total
Depreciation and amortization expense	(493,851,973)	-	(493,851,973)
Net Interest Income/(Expense)	(377,346,101)	-	(377,346,101)
Tax Income/(Expense)	(83,263,123)	(25,994)	(83,289,117)
Shares of profits/(losses) of investments accounted for using the equity method	1,516,107	-	1,516,107

January 1 - December 31 2022	Turkey	Italy	Total
Depreciation and amortization expense	(457,229,788)	-	(457,229,788)
Net Interest Income/(Expense)	(438,866,740)	-	(438,866,740)
Tax Income/(Expense)	813,913,874	(121,550)	813,792,324
Shares of profits/(losses) of investments accounted for using the equity method	3,060,469	-	3,060,469

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4. SEGMENT REPORTING (Continued)

c) Assets

	December 31 2023		Purchases of fixed assets
	Total	Investments accounted for using the equity method	
	Assets		
Turkey	12,511,779,437	13,367,971	1,185,637,149
Italy	1,342,517	-	-
Other	15,259,846	-	-
Total	12,528,381,800	13,367,971	1,185,637,149
Less: inter-segment adjustments	(27,815,668)	-	-
Total Assets	12,500,566,132	13,367,971	1,185,637,149

	31 December 2022		Purchases Of Fixed Assets
	Total	Investments accounted for using the equity method	
	Assets		
Türkiye	10,419,970,825	11,510,103	941,146,808
Italy	2,424,943	-	-
Other	20,611,990	-	-
Total	10,443,007,758	11,510,103	941,146,808
Less: inter-segment adjustments	(24,537,615)	-	-
Toplam Assets	10,418,470,143	11,510,103	941,146,808

d) Liabilities

	December 31 2023	December 31 2022
Turkey	4,729,765,338	5,672,251,664
Italy	204,118,743	207,692,889
Other	12,061,201	12,081,169
Total	4,945,945,282	5,892,025,722
Less: inter-segment adjustments	(217,245,459)	(202,242,602)
Total Liabilities	4,728,699,823	5,689,783,120

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5. CASH AND CASH EQUIVALENTS

	December 31 2023	December 31 2022
Cash	1,986,442	1,305,965
Banks	2,276,359,237	370,695,351
- Demand deposit	129,143,470	183,594,626
- Time deposit	2,147,215,767	187,100,725
other (*)	3,227,060	11,137,425
Total	2,281,572,739	383,138,741
Interest Accrual	(8,923,769)	(104,542)
Cash and cash equivalents in the statement of cash flows	2,272,648,970	383,034,199

(*) As of December 31, 2023 and 2022, other cash and cash equivalents consist of credit card receivables with maturities less than three months.

The Group has no blocked deposits as of December 31, 2023 and 2022.

Maturity	Interest rate (%)	Currency	Currency Balance	TL balance	Accrued interest in original currency	Interest Accrual (TL)	December31 2023
2 January 2024	2.50	USD	40,000	1,177,529	8	244	1,177,773
2 January 2024	0.02	EUR	15,000	488,610	-	-	488,610
2 January 2024	41.00	TL	33,350,000	33,350,000	112,305	112,305	33,462,305
2 January 2024	40.00	TL	2,071,491,059	2,071,491,059	6,805,730	6,805,730	2,078,296,789
14 February 2024	47.00	TL	31,784,800	31,784,800	2,005,490	2,005,490	33,790,290
			2,138,291,998	8,923,533	8,923,769	2,147,215,767	

Vade	Interest Rates (%)	Currency	Currency Balance	TL balance	Accrued interest in original currency	Interest Accrual (TL)	December 31 2022
2 January 2023	2.25	USD	490,000	15,096,770	30	931	15,097,701
2 January 2023	22.00	TL	168,892,243	168,892,243	101,797	101,797	168,994,040
2 January 2023	22.00	TL	3,007,170	3,007,170	1,814	1,814	3,008,984
			172,389,413	186,996,183	103,641	104,542	187,100,725

6. RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

	December 31 2023	December 31 2022
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	23,425,138	-
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	-	45,957,457
Other	188,679	23,204
Total	23,613,817	45,980,661

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6. RELATED PARTY DISCLOSURES (Continued)

b) Trade payables from related parties

	December 31 2023	December 31 2022
Kale Holding A.Ş.	45,213,436	34,551,742
Kalenakliyat Seyahat ve Turizm Sanayi ve Ticaret A.Ş.	37,342,672	43,907,119
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	5,120,222	3,870,776
Kaleseramik Özel Organize Sanayi Bölgesi	3,433,247	10,469,258
Bodur Gayrimenkul Geliştirme A.Ş.	1,838,615	1,551,024
Seramik Araştırma Merkezi A.Ş.	13,493	4,853
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	-	64,280,985
Other	2,765,793	530,265
Total	95,727,478	159,166,022

c) Sales of goods and services to related parties

	January 1- December 31 2023	January 1- December 31 2022
Kalefrit Silikat Mamulleri Sir ve Boya Sanayi ve Ticaret A.Ş.	272,848,319	381,514,523
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	86,928,694	14,067,062
Kalenakliyat Seyahat ve Turizm A.Ş.	6,023,585	10,343,808
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	3,613,599	1,655,642
Kale Holding A.Ş.	3,318,803	898,668
Bodur Gayrimenkul Geliştirme A.Ş.	54,129	419,829
Other	3,034,417	1,028,886
Total	375,821,546	409,928,418

d) Purchase of goods and services to related parties

	January 1- December 31 2022	January 1- December 31 2022
Kalemaden Endüstriyel Hammaddeler Sanayi ve Ticaret A.Ş.	1,054,618,191	1,042,953,290
Kalenakliyat Seyahat ve Turizm A.Ş.	508,913,456	581,107,189
Kale Holding A.Ş.	248,303,411	149,971,988
Kale Seramik Özel Organize Sanayi Bölgesi	57,227,210	102,672,971
Bodur Gayrimenkul Geliştirme A.Ş.	17,909,666	16,437,936
Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.	16,822,813	12,329,325
Other	2,390,188	4,269,497
Total	1,906,184,935	1,909,742,196

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6. RELATED PARTY DISCLOSURES (Continued)

e) Purchase of financial investments

	January 1 - December 31 2023	January 1- December 31 2022
H. İbrahim Bodur Holding A.Ş.	59,072,191	-
Total	59,072,191	-

(*) In accordance with the Board of Directors' resolution dated January 9, 2023, and numbered 1,786, the Group has decided to cancel and acquire 300 usufruct certificates belonging to 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 ownership rights to the holder 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 2023	January 1- December 31 2022
Short-term benefits provided to employees	44,357,649	44,761,983
Long-term benefits provided to employees	913,703	4,164,357
Total	45,271,352	48,926,340

7. TRADE RECEIVABLES AND BORROWINGS

a) Trade receivables from third parties

	31 December 2023	31 December 2022
Trade receivable	569,991,909	712,577,300
Notes receivable	768,319,567	760,701,213
Bank-guaranteed receivables	465,621,004	426,458,479
provision for doubtful debts	(109,828,203)	(100,779,396)
Total	1,694,104,277	1,798,957,596

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7. TRADE RECEIVABLES AND BORROWINGS (Continued)

Expected credit loss as follows

	2023	2022
January 1	100,779,396	166,667,566
Provision expense for doubtful debts	75,173,195	57,215,130
Reversed provisions	(16,645,557)	(5,758,049)
Written-off receivables	-	(56,766,268)
Foreign exchange differences	5,014,178	4,628,807
Monetary gain loss	(54,493,009)	(65,207,790)
December 31	109,828,203	100,779,396

December 31 2023	Not overdue	1 - 30 days past due	1 - 3 month more than 3 months past due	Total
Gross balance at the end of the period	1,453,440,710	140,800,217	45,729,637	1,639,970,564
Expected credit loss	-	-	(109,828,203)	(109,828,203)

December 31 2022	Not overdue	1 - 30 days past due	1 - 3 months more than 3 months past due	Total
Gross balance at the end of the period	1,408,929,236	233,952,207	25,076,187	1,667,957,630
Expected credit loss	-	-	(100,779,396)	(100,779,396)

b) Trade payables to third parties

	December 31 2023	December 31 2022
Short-term trade payables		
Trade Payable	1,286,067,972	1,772,197,246
Expense accruals	16,874,754	1,996,562
Unincurred finance expense	(41,536,934)	(30,330,723)
Total	1,261,405,792	1,743,863,085

	December 31 2023	December 31 2022
Long-term trade payables		
Trade payable	269,049,555	-
Unincurred finance expense	(36,930,093)	-
Total	232,119,462	-

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8. OTHER RECEIVABLES AND PAYABLES

	December 31 2023	December 31 2022
Other short-term receivables from third parties:		
Receivables from the tax office	75,826,692	131,184,425
Receivables from sale of fixed assets	30,470,641	-
Other	25,463,406	2,507,464
Total	131,760,739	133,691,889

	December 31 2023	December 31 2022
Other short-term payables to third parties:		
Deposits and guarantees received	2,748,798	3,954,805
Other	713	155
Total	2,749,511	3,954,960

9. INVENTORY

	December 31 2023	December 31 2022
Raw materials and supplies	251,927,648	295,973,449
Semi-finished goods	178,264,769	223,046,288
Finished goods	1,921,765,694	1,999,265,609
Trade goods	171,708,758	112,674,846
Goods in transit	323,896,107	335,135,821
Provision for inventory impairment(-)	(108,822,832)	(195,321,559)
Total	2,738,740,144	2,770,774,454

	2023	2022
January 1	195,321,559	168,208,007
Inventory impairment provision expense/(reversed provision)	(86,498,727)	27,113,552
December 31	108,822,832	195,321,559

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10. PREPAID EXPENSES AND DEFERRED REVENUES

a) Prepaid Expenses

	31 December 2023	31 December 2022
Short-term Prepaid Expenses		
Advances Given (*)	121,065,275	149,272,401
Expenses for Future Months	23,033,895	7,488,263
Total	144,099,170	156,760,664

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

b) Deferred Revenue

	31 December 2023	31 December 2022
Advances received	326,125,603	733,019,195
Total	326,125,603	733,019,195

11. Investment Properties

	2023	2022
January 1	205,976,962	71,017,218
Fair Value Change (Note 25)	42,766,323	146,230,943
Transfers (*)	-	2,702,404
Foreign exchange differences	(3,664,213)	(13,973,603)
December 31	245,079,072	205,976,962

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 directly expensed cost from investment properties for the year ended December 31, 2023 (December 31, 2022: None).

(*) Based on the management decision dated December 29, 2022, and numbered 1763, the land previously classified under tangible fixed assets has been reclassified as investment property and measured at fair value.

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12. PROPERTY, PLANT AND EQUIPMENT

	January 1 2023	Additions	Disposals	Transfers	December 31 2023
Cost value:					
Land and plots	275,541,693	-	-	-	275,541,693
Underground and above ground layouts	837,386,442	-	-	76,348,017	913,734,459
Buildings	2,349,257,427	84,500	(25,842,396)	105,049,279	2,428,548,810
Plant, machinery and equipment	9,904,257,152	-	(62,244,281)	1,145,500,544	10,987,513,415
Vehicles	20,878,948	276,708	-	131,818	21,287,474
Fixed assets	307,652,267	12,559,808	(265,773)	13,919,272	333,865,574
Special costs	88,640,813	-	-	-	88,640,813
Ongoing investments	798,783,444	1,063,036,074	-	(1,340,948,930)	520,870,588
Total	14,582,398,186	1,075,957,090	(88,352,450)	-	15,570,002,826
Accumulated depreciation:					
Underground and above ground layouts	(684,896,842)	(19,658,130)	-	-	(704,554,972)
Buildings	(1,414,050,841)	(55,156,985)	23,130,595	-	(1,446,077,231)
Plant, machinery and equipment	(8,707,589,123)	(281,495,682)	62,061,935	-	(8,927,022,870)
Vehicles	(19,353,384)	(748,780)	-	-	(20,102,164)
Fixed assets	(259,499,057)	(20,194,522)	137,759	-	(279,555,820)
Special costs	(82,895,280)	(4,112,402)	-	-	(87,007,682)
Total	(11,168,284,527)	(381,366,501)	85,330,289	-	(11,464,320,739)
Net book value	3,414,113,659				4,105,682,087

As of December 31, 2023, there are no pledges, mortgages, or liens on tangible fixed assets (December 31, 2022: None).

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12. PROPERTY, PLANT AND EQUIPMENT(Continued)

	1 January 2022	Additions	Disposals	Transfers	31 December 2022
Cost:					
Land and plots	275,063,944	-	-	477,749	275,541,693
Underground and above ground layouts	824,487,749	-	-	12,898,693	837,386,442
Buildings	2,350,492,840	-	(2,034,328)	798,915	2,349,257,427
Plant, machinery and equipment	9,554,699,517	267,001	-	349,290,634	9,904,257,152
Vehicles	20,314,069	564,879	-	-	20,878,948
Fixed assets	292,270,591	9,903,350	(75,863)	5,554,189	307,652,267
Special costs	88,667,758	-	-	(26,945)	88,640,813
Ongoing investments	313,639,843	871,771,422	-	(386,627,821)	798,783,444
Total	13,719,636,311	882,506,652	(2,110,191)	(17,634,586)	14,582,398,186
Accumulated depreciation:					
Underground and above ground layouts	(665,901,179)	(18,995,663)	-	-	(684,896,842)
Buildings	(1,359,886,664)	(55,001,642)	837,465	-	(1,414,050,841)
Plant, machinery and equipment	(8,451,905,933)	(255,683,190)	-	-	(8,707,589,123)
Vehicles	(18,696,513)	(656,871)	-	-	(19,353,384)
Fixed assets	(240,441,413)	(19,098,860)	41,216	-	(259,499,057)
Special costs	(77,375,891)	(5,519,389)	-	-	(82,895,280)
Total	(10,814,207,593)	(354,955,615)	878,681	-	(11,168,284,527)
Net book value	2,905,428,718				3,414,113,659
The details of period depreciation for tangible fixed assets are as follows;					
				31 December 2023	31 December 2022
Cost of sales				359,960,659	325,076,483
Marketing expenses				8,572,026	13,193,812
General and administrative expenses				8,046,929	11,940,296
Research and development expenses				4,786,887	4,745,024
Total				381,366,501	354,955,615

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13. INTANGIBLE ASSETS

	1 January 2023	Additions	Disposals	Transfers	31 December 2023
Cost:					
Computer software	141,470,619	-	-	-	141,470,619
Development costs	518,820,638	109,680,059	-	-	628,500,697
Total	660,291,257	109,680,059	-	-	769,971,316
Accumulated amortization:					
Computer software	(56,605,507)	(12,714,673)	-	-	(69,320,180)
Development costs	(382,248,305)	(39,594,847)	-	-	(421,843,152)
Total	(438,853,812)	(52,309,520)	-	-	(491,163,332)
Net book value	221,437,445				278,807,984

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13. INTANGIBLE ASSETS (Continued)

	1 January 2022	Additions	Disposals	Transfers	31 December 2022
Cost:					
Computer software	126,538,437	-	-	14,932,182	141,470,619
Development costs	460,180,482	58,640,156	-	-	518,820,638
Total	586,718,919	58,640,156	-	14,932,182	660,291,257
Accumulated amortization:					
Computer software	(40,771,713)	(15,833,794)	-	-	(56,605,507)
Development costs	(342,081,991)	(40,166,314)	-	-	(382,248,305)
Total	(382,853,704)	(56,000,108)	-	-	(438,853,812)
Net book value	203,865,215				221,437,445

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

	31 December 2023	31 December 2022
Cost of sales	1,912,295	4,427,790
Marketing expenses	718,714	913,593
General and administrative expenses	7,060,821	11,076,746
Research and development expenses	42,617,690	39,581,979
Total	52,309,520	56,000,108

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14. RIGHT OF USE

	31 December 2023		
	Buildings	Vehicles	Total
Cost value			
Opening balance as of January 1, 2023	147,477,420	101,904,927	249,382,347
Additions	9,930,644	31,733,594	41,664,238
31 December 2023	157,408,064	133,638,521	291,046,585
Accumulated depreciation:			
Opening balance as of January 1, 2023	(120,413,035)	(65,776,683)	(186,189,718)
Period expense	(35,156,919)	(25,019,033)	(60,175,952)
31 December 2023	(155,569,954)	(90,795,716)	(246,365,670)
Net book value	1,838,110	42,842,805	44,680,915

	31 December 2022		
	Buildings	Vehicles	Total
Cost value			
Opening balance as of January 1, 2022	147,477,420	65,373,061	212,850,481
Additions	-	36,531,866	36,531,866
31 December 2022	147,477,420	101,904,927	249,382,347
Accumulated depreciation:			
Opening balance as of January 1, 2022	(91,963,835)	(47,951,818)	(139,915,653)
Period expense	(28,449,200)	(17,824,865)	(46,274,065)
31 December 2022	(120,413,035)	(65,776,683)	(186,189,718)
Net book value	27,064,385	36,128,244	63,192,629

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

	31 December 2023	31 December 2022
Cost of sales	9,655,699	5,139,843
Marketing expenses	38,804,675	30,388,261
General and administrative expenses	10,646,521	10,025,064
Research and development expenses	1,069,057	720,897
Total	60,175,952	46,274,065

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15. BORROWINGS

	31 December 2023		
	Interest Range (%)	Original amount	TL equivalent
Short-term borrowings:			
TL credits	26.93 -52.01	1,258,657,046	1,258,657,046
US dollar bank loans	9.50-9.75	2,714,145	79,899,543
Other short-term borrowings			
Supplier financing debts	19	107,569,098	107,569,098
Total short-term borrowings			1,446,125,687
Short-term portions of total long-term borrowings			
TL credits	8.5-46.34	125,381,255	125,381,255
US dollar bank loans	8.28 -11.27	5,213,170	153,466,344
Euro dollar bank loans	7.05-7.07	1,597,610	52,040,379
TL liabilities from leasing	35.10	15,182,021	15,182,021
Short-term portions of total long-term borrowings			346,069,999
Long-term borrowings:			
TL credits	8.5-39.95	118,537,130	118,537,130
US dollar bank loans	8.28 -11.27	10,756,562	316,653,823
Euro dollar bank loans	7.05-7.07	4,155,293	135,354,098
TL liabilities from leasing	35.10	18,214,428	18,214,428
Total long-term borrowings			588,759,479

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15. BORROWINGS (Continued)

	31 December 2022		
	Interest range (%)	Original amount	TL equivalent
Short-term borrowings:			
TL credits	13.50 – 22.96	1,818,681,424	1,818,681,424
Total short-term borrowings			1,818,681,424
Short-term portions of total long-term borrowings			
TL credits	8.5	9,008,562	9,008,562
US dollar bank loans	5.31 -6.13	2,464,283	75,923,892
Euro bank loans	3.723	1,680,537	55,201,141
TL liabilities from leasing	18.65	32,600,920	32,600,920
Short-term portions of total long-term borrowings			172,734,515
Long-term borrowings:			
TL credits	8.5	11,769,494	11,769,494
US dollar bank loans	5.31 -6.13	5,418,182	166,932,745
Euro bank loans	3.723	5,768,000	189,463,322
TL liabilities from leasing	18.65	14,041,541	14,041,541
Total long-term borrowings			382,207,102

As of December 31, 2023 and 2022, the loan borrowings table is as follows:

	Credits	Lease Liabilities	Total
1 January 2023	2,326,980,580	46,642,461	2,373,623,041
Cash inflows during the period	4,925,122,187	-	4,925,122,187
Cash outflows during the period	(4,005,032,915)	(47,303,571)	(4,052,336,486)
Additions to lease liabilities	-	41,664,238	41,664,238
Exchange rate difference	360,795,120	-	360,795,120
Interest accrual	(58,436,252)	13,304,076	(45,132,176)
Monetary loss/gain	(1,201,870,004)	(20,910,755)	(1,222,780,759)
31 December 2023	2,347,558,716	33,396,449	2,380,955,165
Cash and cash equivalents			2,281,572,739
Net debt			99,382,426

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15. BORROWINGS (Continued)

	Credits	Lease Liabilities	Total
1 January 2022	3,140,284,676	65,468,040	3,205,752,716
Cash inflows during the period	4,267,078,313	-	4,267,078,313
Cash outflows during the period	(3,939,152,393)	(52,103,792)	(3,991,256,185)
Additions to lease liabilities	-	36,531,866	36,531,866
Exchange rate difference	168,190,539	-	168,190,539
Interest accrual	10,275,403	18,192,278	28,467,681
Monetary loss/gain	(1,319,695,958)	(21,445,931)	(1,341,141,889)
31 December 2022	2,326,980,580	46,642,461	2,373,623,041
Cash and cash equivalents	-	-	383,138,741
Net debt			1,990,484,300

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

	31 December 2023	31 December 2022
Provision for litigation	17,864,388	52,704,506
Cost expense provision (*)	-	14,716,911
Total	17,864,388	67,421,417

(*) The majority of the cost expense provision consists of agency provisions related to Kale Italy.

Movements in litigation provisions during the period are as follows:

	2023	2022
1 January	52,704,506	59,571,607
(Unrelated)/provision expense (Note 24)	(16,574,405)	21,530,867
Monetary loss gain	(18,265,713)	(28,397,968)
31 December	17,864,388	52,704,506

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

	2023	2022
1 January	14,716,911	19,576,084
Provision expense	(11,673,450)	3,413,860
Monetary loss gain	(3,043,461)	(8,273,033)
31 December	-	14,716,911

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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

b) Contingent assets and liabilities

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

		31 December 2023		31 December 2022	
	Original currency	Original amount	TL equivalent	Original currency	TL equivalent
CPM received	TL	2,417,204,570	2,417,204,570	2,487,606,693	2,487,606,693
Total		2,417,204,570		2,487,606,693	

The Group's CPM position is as follows:

		31 December 2023		
	Original Currency	Original Amount	TL Equivalent	
A. Total amount of CPM's given on behalf of its own legal entity	TL	693,292,392	693,292,392	
	USD	6,733,467	198,221,148	
	Euro	9,646,940	314,238,459	
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			1,205,751,999	

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16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2022		
	Original Currency	Original Amount	TL Equivalent
A. Total amount of CPM's given on behalf of its own legal entity	TL	412,558,638	412,558,638
	USD	8,842,012	272,420,043
	Euro	11,081,540	363,998,852
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			1,048,977,533

17. BENEFITS PROVIDED TO EMPLOYEES

a) Debts within the scope of employee benefits

	31 December 2023	31 December 2022
Social security deductions payable	90,475,915	47,725,909
Accumulated leave liability	30,316,463	38,138,107
Debts to personnel	822,185	-
Total	121,614,563	85,864,016

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17. BENEFITS PROVIDED TO EMPLOYEES (Continued)

b) Short-term provisions for employee benefits

	31 December 2023	31 December 2022
Personnel bonus provision	8,500,000	64,995,907
Total	8,500,000	64,995,907

Movement of personnel bonus provisions is as follows:

	31 December 2023	31 December 2022
1 January	64,995,907	72,402,744
Provision expense	11,109,317	79,249,162
Payments made	(51,554,740)	(53,741,094)
Monetary loss gain	(16,050,484)	(32,914,905)
31 December	8,500,000	64,995,907

c) Long term provisions for employee benefits

	31 December 2023	31 December 2022
Provision for severance pay	264,225,168	421,844,539

Provision for severance pay is calculated within the framework of the explanations below.

In accordance with the provisions of the Labor Law in force, employees whose employment contracts have been terminated in such a way that they are entitled to severance pay are obliged to pay the legal severance pay to which they are entitled. In addition, in accordance with the provision of Article 60 of the Social Security Law No. 506, which is currently in force, as amended by the laws no. 2422, dated March 6, 1981, and No. 4447, dated August 25, 1999, there is an obligation to pay legal severance pay to those who have the right to quit their jobs 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 23,489.83-TL (31 December 2022: 19,982.83) as of December 31, 2023.

Severance pay liability is not legally subject to any funding.

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 2023	31 December 2022
Discount rate	2.5%	0.49%
Turnover rate ratio for estimating retirement probability	93.68%	93.66%

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17. BENEFITS PROVIDED TO EMPLOYEES (Continued)

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

	2023	2022
1 January	421.844.539	2,594.844
Service cost	66.075.778	21.537.088
Interest cost	36.336.681	46.909.751
Payments made	(322.340.840)	(31.745.365)
Remeasurement losses	215.650.310	309.971.008
Monetary loss gain	(153.341.300)	(142.422.787)
31 December	264.225.168	421.844.539

As of December 31, 2023 and 2022, a sensitivity analysis was performed on the following important assumptions in the calculation of the severance pay provision:

31 December 2023	Interest Rate		Inflation Rate	
	%1 Increase	%1 Decrease	%1 Increase	%1 Decrease
Sensitivity Level				
Change	-10%	11%	11%	-10%
Net Effect on Severance Pay Obligation	(25,113,366)	29,216,817	29,729,999	(25,881,429)
31 December 2022				
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	(36,012,168)	42,119,478	41,932,243	(36,478,613)

18. OTHER ASSETS AND LIABILITIES

a) Other current assets

	31 December 2023	31 December 2022
Excess Value Added Tax ("VAT")	38,011,459	152,481,788
Other	1,019,563	14,520
Total	39,031,022	152,496,308

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18. OTHER ASSETS AND LIABILITIES (Continued)

b) Other short-term liabilities

	31 December 2023	31 December 2022
Taxes and funds payable	11,289,331	11,301,294
Total	11,289,331	11,301,294

19. DERIVATIVE ASSETS AND LIABILITIES

	31 December 2023		31 December 2022	
	Fair Values		Fair Values	
	Assets	Liability	Assets	Liability
Foreign currency forward transactions	-	6,123,362	-	24,729,644
Total	-	6,123,362	-	24,729,644

20. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid-in capital and capital adjustment differences

As of December 31, 2023, the Group's issued capital consists of 1,645,924,817 shares, each with a nominal value of 0.3128 TL (compared to 1,536,534,352 shares with a nominal value of 0.2638 TL as of December 31, 2022). Below are the historical values of the Group's shareholders and their respective stakes in the capital:

	31 December 2023	Partnership share (%)	31 December 2022	Partnership share (%)
H. İbrahim Bodur Holding A.S.	315,205,881	61.23	315,205,881	77.75
Public part	109,390,465	21.25	-	-
Victory International AG	74,000,000	14.38	74,000,000	18.25
Zeynep Bodur Okyay	8,049,677	1.56	8,049,677	1.99
Sevim Bodur	3,595,307	0.70	3,595,307	0.89
İbrahim Bodur Kaleseramik Eğitim Sağlık ve Sosyal Yardım Vakfı	2,912,501	0.57	2,912,501	0.72
Süleyman Bodur	174,193	0.03	174,193	0.03
Other partners	1,450,637	0.28	1,450,637	0.36
Total	514,778,661		405,388,196	
Capital adjustment differences	5,580,233,717		5,552,198,473	
Total paid-in capital	6,095,012,378		5,957,586,669	

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

On March 10, 2023, during the Extraordinary General Assembly meeting, the company decided to amend Article 6 of its articles of association to extend the existing registered capital ceiling from 497,957,727 TL to 1,000,000,000 TL for a period of five years (2023 - 2027). The relevant decision was registered on March 14, 2023, and announced in the Trade Registry Gazette dated March 14, 2023.

Additionally, during the Board of Directors meeting held on April 14, 2023, the Group decided to increase the registered capital within the 1,000,000,000 TL ceiling. The issued capital, which was 405,388,195.51 TL, was fully increased to 514,778,660.51 TL in cash on July 26, 2023.

The Group's shares, with a share price of 25.00 TL and a 21.25% public float rate, had a gross IPO size of 2,734,761,625 TL (pre-indexing) approved by the Capital Markets Board as of July 13, 2023. They began trading on Borsa Istanbul A.S. as of July 27, 2023.

Furthermore, on January 9, 2023, the Group decided to cancel and acquire 300 intifa shares owned by H. İbrahim Holding A.S. Intifa shares, as defined in Article 503 of the Turkish Commercial Code, do not grant ownership rights but provide participation in profits. The payment for the usufruct was made on May 17, 2023.

a) Share issue premiums

The company increased its registered capital ceiling from 1,000,000,000 TL to 514,778,661 TL by fully restricting the pre-emptive rights of existing shareholders. As a result, new shares with a nominal value of 109,390,465 TL were issued and publicly offered, generating a gross IPO revenue of 2,734,761,625 TL. After deducting the IPO cost of 93,173,983 TL, the net IPO revenue amounted to 2,641,587,642 TL (indexed to TÜFE: 2,916,612,539 TL)

b) 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.

	Indexed Nominal value	Inflation Correction Effect	Value
31 December 2023 (in accordance with TFRS)			
Capital	514,778,661	5,580,233,717	6,095,012,378
Share issue premium	2,639,497,177	753,003,812	3,392,500,989
Legal reserves	36,617,954	134,936,512	171,554,466

	Indexed Nominal value	Inflation Correction Effect	Value
31 December 2023 (in accordance with VUK)			
Capital	514,778,661	8,195,431,307	8,710,209,968
Share issue premium	2,732,671,160	1,005,234,654	3,737,905,814
Legal reserves	36,617,954	208,158,364	244,776,318

c) 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.

Dividends related to shares are distributed to all existing shareholders at the end of the accounting period without applying the principle of pro rata, regardless of the issuance and acquisition dates of the shares.

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

Shares issued by companies operating under the equity capital system are entitled to dividends as of the accounting period in which the capital increase is registered.

Shares issued by companies operating under the registered capital system become eligible for dividends as of the accounting period in which the circular related to the new subscription rights is published. If the sale period for shares to be issued due to cash capital increase ends within the accounting period, the share certificates are canceled by invalidating the profit share coupons from previous accounting periods.

Regarding Group's 2023 profit distribution, there is no distributable profit available. (2022: Not applicable).

21. REVENUE AND COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	8,081,219,928	9,285,192,092
Export sales	2,212,625,261	3,775,928,966
Sales returns and sales discounts	(580,136,339)	(802,713,127)
Revenue, net (*)	9,713,708,850	12,258,407,931

(*) All sales consist of instant sales,

Cost of sales

Raw material and material expenses	2,942,578,627	3,831,440,788
General production expenses	2,429,458,721	4,575,077,114
Direct labor expenses	551,644,517	497,856,710
Indirect labor expenses	449,548,912	378,498,116
Depreciation expenses	223,422,607	264,880,158
Change in semi-finished goods stocks	44,738,043	(78,042,719)
Change in finished goods stocks	77,517,428	(1,191,450,950)

Cost of goods sold	6,718,908,855	8,278,259,217
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Cost of merchandise sold	677,291,121	479,948,158
Other costs	789,869,953	914,168,806
Non-working part expense (*)	536,366,000	410,830,931
Semi/Intermediate Product Sales	184,873,368	344,318,077
Inventory impairment/(Non-issued provision)	(86,498,727)	27,113,552
Other	155,129,312	131,906,246

Cost of sales	8,186,069,929	9,672,376,181
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Gross profit	1,527,638,921	2,586,031,750
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(*) 148,106,046 TL consists of depreciation expenses, (2022: 69,763,958 TL).

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22. OPERATING EXPENSES

a) Marketing Expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Employee benefits	366,478,700	293,364,697
Shipping expense	294,592,672	419,179,100
Advertising expense	201,134,147	168,439,427
Sales campaign expense	88,040,545	104,852,164
Depreciation and amortization expense	48,095,415	44,495,666
Travel expense	32,104,854	20,222,112
Communication expense	7,360,852	3,084,345
Energy expense	2,726,443	3,359,451
Other	71,607,269	79,313,613
Total	1,112,140,897	1,136,310,575

b) General Administrative Expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Management service expense (*)	245,096,887	172,956,934
Employee benefits	227,239,023	125,427,385
Depreciation and amortization expense	25,754,271	33,042,106
Communication expense	18,907,558	14,928,481
Consulting expense	16,879,042	8,697,898
Travel expense	5,946,504	3,376,896
Energy expense	3,167,050	3,421,419
Other	33,496,598	28,469,403
Total	576,486,933	390,320,522

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

c) Research and development expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Depreciation and amortization expense	48,473,634	45,047,900
Employee benefits	7,428,999	14,969,644
Project material expenses	5,564,491	-
Maintenance and repair expenses	1,354,074	3,116,937
Consulting expense	347,085	184,259
Other	7,208,247	6,858,123
Total	70,376,530	70,176,863

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23. OPERATING EXPENSES BY NATURE**a) Depreciation expenses**

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of goods produced	371,528,653	334,644,116
Research and development expenses	48,473,634	45,047,900
Marketing expenses	48,095,415	44,495,666
General and administrative expenses	25,754,271	33,042,106
Total	493,851,973	457,229,788

b) Employee benefits

	1 January - 31 December 2023	1 January - 31 December 2022
Cost of goods produced	1,001,193,429	876,354,826
Marketing expenses	366,478,700	293,364,697
General and administrative expenses	227,239,023	125,427,385
Research and development expenses	7,428,999	14,969,644
Total	1,602,340,151	1,310,116,552

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

	1 January - 31 December 2023	1 January - 31 December 2022
Derivative fair value difference	700,930,513	207,060,295
Exchange difference income	537,053,389	662,154,707
Rediscount interest income	36,722,183	17,080,720
Provisions for lawsuits that are no longer subject to issue (Note 16)	16,574,405	-
Non-group service revenues	14,091,399	2,607,505
Insurance damage compensation income	4,572,245	6,540,534
Other	3,891,455	1,857,451
Total	1,313,835,589	897,301,212

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24. OTHER INCOME AND EXPENSES FROM MAIN ACTIVITIES (Continued)**b) Other expenses from main activities**

	1 January - 31 December 2023	1 January - 31 December 2022
Exchange rate difference expense	(517,768,543)	(258,410,241)
Rediscount interest expense	(131,081,497)	(275,969,936)
Donation and aid expenses	(42,863,580)	(8,838,751)
Lawsuit provision expense (Note 16)	-	(21,530,867)
Derivative fair value difference	-	(59,694,080)
Other	(12,005,094)	(25,419,673)
Total	(703,718,714)	(649,863,548)

25. INCOME AND EXPENSE FROM INVESTMENT ACTIVITIES**a) Income from investment activities**

	1 January - 31 December 2023	1 January - 31 December 2022
Exchange rate protected deposit income	55,673,614	18,768,449
Investment properties value increase	42,766,323	146,230,943
Property, plant and equipment sales profit	13,965,046	2,287,224
Rental income	2,944,612	3,008,128
Treasury bill sales profits	2,213,846	14,062,968
Total	117,563,441	184,357,712

b) Expenses from investment activities

	1 January - 31 December 2023	1 January - 31 December 2022
Loss on sale of property, plant and equipment	33,938,749	-
Total	33,938,749	-

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26. FINANCIAL INCOME AND EXPENSES

a) Financing income

	1 January – 31 December 2023	1 January – 31 December 2022
Interest income	455,709,106	62,449,819
Total	455,709,106	62,449,819

b) Financing expenses

	1 January – 31 December 2023	1 January – 31 December 2022
Interest expense	(833,055,207)	(501,316,559)
Exchange rate difference expense	(363,576,379)	(170,951,170)
Bank commission expense	(164,540,349)	(164,141,276)
Total	(1,361,171,935)	(836,409,005)

27. 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 2023 and 2022 are as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Current period corporate tax income/(expense)	(73,104,994)	(31,762,099)
Deferred tax (expense)/income	(10,184,123)	845,554,423
Total tax (expense)/income	(83,289,117)	813,792,324

a) Corporate Tax

	31 December 2023	31 December 2022
Current period tax income/(expense)	(73,104,994)	(31,762,099)
Provisional tax and withholding to be deducted	94,664,737	229,476,026
Assets related to the current period taxes	21,559,743	197,713,927

According to Turkish tax legislation, the main company (parent entity) is not allowed to submit tax returns based on the consolidated financial statements that include its subsidiaries and associates. Therefore, the tax provisions reflected in these consolidated financial statements are calculated separately for all companies included in full consolidation scope.

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

With the amendment to the Corporate Tax Law published in the Official Gazette on April 22, 2022, the corporate tax rate in Turkey is 23% as of December 31, 2023 (December 31, 2022: 25%). According to the provisions added to Article 32 of the Individual Pension Savings and Investment System Law by Law No. 7351 and the Law Amending Certain Laws and Decree-Law No. 375, corporate taxpayers engaged exclusively in export activities receive a 1% reduced corporate tax rate on profits derived solely from exports. Additionally, companies with an industrial registry certificate and actively engaged in production activities also benefit from the 1% reduced corporate tax rate on profits exclusively from production activities. In Italy and Russia, the corporate tax rates are 24% and 20%, respectively.

The corporate tax rate in Turkey is applied to the taxable base, which is determined by adding non-deductible expenses according to tax laws, subtracting exemptions (such as participation exemption, investment allowance exemption, etc.), and deductions (such as R&D deduction). No additional tax is paid if profits are not distributed.

For non-resident corporations earning income through a branch or permanent representative in Turkey, no withholding tax is applied to dividends paid to them. However, dividends paid to other individuals and entities are subject to a 10% withholding tax. Adding profits to capital is not considered dividend distribution.

According to the amendment made by Law No. 6009, published in the Official Gazette on August 1, 2010, investment allowance amounts accrued can be used without any annual limitations. Additionally, after applying the investment allowance, corporate tax will be calculated at the prevailing tax rate of 23% on the resulting profit. The regulation introduced by Law No. 6009 was applicable to profits earned in 2010 and came into effect on August 1, 2010.

Companies calculate provisional tax at a rate of 22% based on their quarterly financial profits and declare and pay it by the 14th day of the second month following that period (with payment due by the evening of the 17th day). The provisional tax paid during the year is offset against the corporate tax calculated based on the corporate tax return filed for the subsequent year. If there is any remaining amount of provisional tax paid after offsetting, it can be refunded in cash or carried forward for offsetting.

In Turkey, there is no practice of reconciling with the tax authority regarding the taxes to be paid. Corporate tax returns must be submitted to the relevant tax office by the 25th day of the fourth month following the end of the accounting period.

Authorized tax inspection authorities can examine accounting records within a five-year period, and if any errors are detected, the tax amounts payable may change due to tax assessments.

According to Turkish tax legislation, financial losses reported on the tax return can be deducted from the current year's corporate income, provided that they do not exceed five years. However, these financial losses cannot be offset against profits from previous years.

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

The law proposal, commonly known as the "Tax Amnesty Law," introduced an additional tax for corporate taxpayers. The taxable base for this additional tax is defined based on the deductions and exemptions reported in the corporate tax return. This new tax is a newly established levy. The entire law proposal has been discussed, and the additional tax regulation has been enacted. With Law No. 7440, titled "Law on the Restructuring of Certain Receivables and Amendments to Certain Laws," published in the Official Gazette on March 12, 2023, the regulation came into effect. Under this regulation, companies will pay an additional tax of 10% (there are exceptions subject to a 5% rate) based on the reduced corporate tax base due to deductions and exemptions reported in the 2022 corporate tax return. However, this additional tax does not affect the 2022 corporate tax provisions. According to the law, the amount of deductions and exemptions utilized independently of the taxable income for the relevant tax period determines the additional tax. In this context, the additional tax will be declared in 2023, paid in two equal installments in April and August 2023, recorded in the 2023 legal books, and not considered as an expense based on the tax base determination according to the law.

Regarding the 2022 Corporate Tax Return, 50% of the earthquake tax amounting to 58,807,160 TL was paid on May 5, 2023, and the remaining amount was paid on August 31, 2023.

The law amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, with Law No. 7352. According to this law, financial statements, including interim periods, for the 2021, 2022, and 2023 temporary tax periods, are not subject to inflation adjustments under the provisions of Article 298, regardless of whether the conditions for inflation adjustment are met. In accordance with Law No. 7352, inflation adjustments were applied to the financial statements dated December 31, 2023. The resulting profit/loss difference due to inflation adjustments was shown in the profit/loss account of previous years and was not subject to taxation.

The reconciliation of expected and realized tax income/(expense) for the periods January 1 - December 31, 2023, and 2022 is as follows:

	1 January - 31 December 2023	1 January - 31 December 2022
Profit before tax	378,553,427	1,363,777,344
Tax income/(expense) calculated based on applicable tax rates (%23, %22)	(87,067,288)	(313,668,789)
Effect of expenses not recognized by law	(111,911,337)	(31,777,091)
Effect of exclusions and discounts	111,064,265	23,133,334
Investment incentive discounts resulting in deferred taxes	64,768,716	396,354,734
Permanent differences on which no deferred tax is calculated	10,495,442	2,831,957
Effect of revaluation of tangible and intangible Assets (*)	116,301,344	663,406,857
Tax rate change effect	97,613,771	31,827,624
Earthquake tax effect	(58,807,160)	-
Inflation accounting effect	(228,137,209)	41,647,589
Other	2,390,339	36,109
Total tax income/(expense)	(83,289,117)	813,792,324

(*) On June 9, 2021, with Article 11 of Law No. 7326 published in the Official Gazette, the opportunity for revaluation was introduced for immovable assets registered in the active assets and depreciable intangible assets. This provision was utilized until December 31, 2023. The eligible assets are revalued using the Consumer Price Index (CPI) and the Producer Price Index (PPI), and a 2% tax is paid on the resulting increase in value. The revaluation difference for the revalued assets is amortized as an expense. As a result of this legislative change, deferred tax assets were created in the financial position statement based on the revaluation entries made in the legal books for fixed assets, and the corresponding deferred tax income was recorded in the income statement.

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

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 2023	31 December 2022
Severance pay	60,771,789	84,368,908
Incentive investments	488,144,012	423,375,296
Financial assets and derivative instruments reflected in other comprehensive income changes in fair value	(1,957,408)	(7,464,627)
Stocks	(5,103,669)	(67,266,535)
Provisions	36,193,857	51,261,995
Differences between registered values and tax bases of tangible, intangible assets and investment properties	107,325,938	138,688,685
Other, net	495,449	13,450,481
Deferred tax asset, net	685,869,968	636,414,203

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

	2023	2022
1 January	636,414,203	(274,359,868)
Associated with the income statement	(10,184,123)	845,554,423
Associated with other comprehensive income	46,550,911	65,546,211
Foreign currency conversion differences	13,088,977	(326,563)
31 December	685,869,968	636,414,203

28. EARNING/LOSS PER SHARE

	1 January - 31 December 2023	1 January - 31 December 2022
Period profit of the parent company	295,264,310	2,177,569,668
Weighted average number of shares available during the period	1,591,229,585	1,536,534,352
Earnings per share	0.186	1.417

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29. 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, 2023, and 2022, the foreign exchange position expressed in Turkish Lira is as follows:

		31 December 2023			
		TL			
		Equivalent	USD	Euro	Other
1.	Trade receivables	345,588,416	5,152,342	4,194,418	1,529,957
2a,	Monetary financial assets	92,597,703	946,782	1,986,127	808
2b,	Non - monetary financial assets	-	-	-	-
3,	Other	77,990,238	569,530	1,817,139	54,298
4,	Current assets (1+2+3)	516,176,357	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)	516,176,357	6,668,654	7,997,684	1,585,063
10,	Trade payables	318,240,196	4,037,847	9,752,217	155,215
11,	Financial liabilities	285,406,266	7,927,315	1,597,610	-
12a,	Other monetary liabilities	-	-	-	-
12b,	Other non-monetary liabilities	-	-	-	-
13,	Short term liabilities (10+11+12)	603,646,462	11,965,162	11,349,827	155,215
14,	Trade payables	232,119,462	-	7,113,116	-
15,	Financial liabilities	452,007,921	10,756,562	4,155,293	-
16a,	Other monetary liabilities	-	-	-	-
16b,	Other non-monetary liabilities	-	-	-	-
17,	Long term liabilities (14+15+16)	684,127,383	10,756,562	11,268,409	-
18,	Total liabilities (13+17)	1,287,773,845	22,721,724	22,618,236	155,215
19,	Off-balance sheet foreign currency derivative instruments asset/(liability) position (19a-19b)	840,531,150	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	840,531,150	22,170,000	5,768,000	-
20,	Monetary items net foreign currency assets /(liabilities) position 9-18+19)	68,933,662	6,116,930	(8,852,552)	1,429,848

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

		31 December 2022			
		TL			
		Equivalent	USD	Euro	Other
1.	Trade receivables	466,454,494	8,892,691	4,161,872	1,504,926
2a,	Monetary financial assets	158,848,696	1,142,834	3,375,025	344,822
2b,	Non-monetary financial assets	-	-	-	-
3,	Other	95,650,049	1,066,055	1,836,714	66,765
4,	Current assets (1+2+3)	720,953,239	11,101,580	9,373,611	1,916,513
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)	720,953,239	11,101,580	9,373,611	1,916,513
10,	Trade payables	522,937,175	4,017,233	11,962,119	168,496
11,	Financial liabilities	131,125,033	2,464,283	1,680,537	-
12a,	Other monetary liabilities	-	-	-	-
12b,	Other non-monetary liabilities	45,385,392	1,120,369	330,837	-
13,	Short term liabilities (10+11+12)	699,447,600	7,601,885	13,973,493	168,496
14,	Trade payables	-	-	-	-
15,	Financial liabilities	356,396,067	5,418,182	5,768,000	-
16a,	Other monetary liabilities	-	-	-	-
16b,	Other non-monetary liabilities	-	-	-	-
17,	Long term liabilities (14+15+16)	356,396,067	5,418,182	5,768,000	-
18,	Total liabilities (13+17)	1,055,843,667	13,020,067	19,741,493	168,496
19,	Off-balance sheet foreign currency derivative instruments asset/(liability) position (19a-19b)	468,699,140d	7,528,000	7,208,000	-
19a	In active off-balance sheet foreign currency	-	-	-	-
19b,	In off-balance sheet foreign currency with a passive character	468,699,140	7,528,000	7,208,000	-
20,	Monetary items net foreign currency assets /(liabilities) position 9-18+19)	133,808,712	5,609,513	(3,159,882)	1,748,017

The exchange rate sensitivity analysis table as of December 31, 2023 and 2022 is as follows:

		31 December 2023			
		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	18,007,141	(18,007,141)	-	-
2.	The portion hedged against USD risk (-)	-	-	-	-
3.	USD net effect (1+2)	18,007,141	(18,007,141)	-	-
If the Euro changes by 10% against the Turkish Lira:					
4.	Euro net assets/liabilities	(28,836,214)	28,836,214	-	-
5.	The portion hedged against Euro risk (-)	-	-	-	-
6.	Euro net effect (4+5)	(28,836,214)	28,836,214	-	-
In the event of a 10% change in other exchange rates against the Turkish Lira:					
7.	Net foreign currency assets/liabilities	5,353,592	(5,353,592)	-	-
8.	The portion hedged against other currency exchange rate risk (-)	-	-	-	-
9.	Net effect of other exchange rates (7+8)	5,353,592	(5,353,592)	-	-
Total (3+6+9)		(5,475,481)	5,475,481	-	-

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2022			
	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	10,488,836	(10,488,836)	-	-
2. The portion hedged against USD risk (-)				
3. USD net effect (1+2)	10,488,836	(10,488,836)	-	-
If the Euro changes by 10% against the Turkish Lira:				
4. Euro net assets/liabilities	(5,919,091)	5,919,091	-	-
5. The portion hedged against Euro risk (-)				
6. Euro net effect (4+5)	(5,919,091)	5,919,091	-	-
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)	8,500,898	(8,500,898)	-	-

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 partly 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 2023		
	Fixed interest	Variable interest rate	Total
Finansal assets:			
Cash and cash equivalents	2,147,215,767	-	2,147,215,767
Financial liabilities:			
Borrowings	(1,335,462,939)	(1,045,492,226)	(2,380,955,165)

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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	31 December 2022		
	Fixed interest	Variable interest rate	Total
Finansal assets:			
Cash and cash equivalents	187,100,725	-	187,100,725
Financial assets	-	-	160,161,419

Financial liabilities:

Borrowings	(957,436,329)	(1,416,186,712)	(2,373,623,041)
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The portion of the debt with a variable borrowing rate amounting to TRY 550,019,709 (as of December 31, 2022: TRY 231,913,276) is in US Dollars, and the portion amounting to TRY 187,394,477 (as of December 31, 2022: TRY 236,829,154) is in Euros.

As of December 31, 2023, and 2022, it is assumed that an increase of 1 point in interest rates would affect the consolidated comprehensive income statement as follows. In the analysis, all other variables, including exchange rates, are assumed to remain constant.

	31 December 2023	31 December 2022
Variable interest financial instruments		
Borrowings	(10,600,130)	(14,161,867)

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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29. 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.

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) (*)	23,613,817	1,694,104,277	-	131,760,739	2,276,359,237	52,136,484
- The portion of the maximum risk secured by collateral, etc	-	1,694,104,277	-	-	-	-
A. Net book value for the financial assets that are neither overdue nor impaired	23,443,637	1,453,440,710	-	131,760,739	2,276,359,237	52,136,484
- Secured part via collateral, etc	-	1,453,440,710	-	-	-	-
B. Net book value of financial assets that are overdue but not impaired	170,180	240,663,567	-	-	-	-
- Secured part via collateral, etc	-	240,663,567	-	-	-	-
C. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	109,828,203	-	-	-	-
- Impairment (-)	-	(109,828,203)	-	-	-	-
- 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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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

31 December 2022	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) (*)	45,980,661	1,798,957,596	-	133,691,889	383,138,741	225,552,946
- The portion of the maximum risk secured by collateral, etc.	-	1,798,957,596	-	-	-	-
A. Net book value for the financial assets that are neither overdue nor impaired	45,957,460	1,408,929,236	-	133,691,889	383,138,741	225,552,946
- Secured part via collateral, etc	-	1,408,929,236	-	-	-	-
B. Net book value of financial assets that are overdue but not impaired	23,201	390,028,360	-	-	-	-
- Secured part via collateral, etc	-	390,028,360	-	-	-	-
C. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	-	-	-	-	-	-
- Overdue (gross carrying amount)	-	-	-	-	-	-
- Impairment (-)	-	100,779,396	-	-	-	-
- Secured part via collateral, etc	-	(100,779,396)	-	-	-	-
- 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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29. 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 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	2,347,558,716	2,590,729,590	750,838,270	1,164,077,749	675,813,571
Obligations from leasing	33,396,449	60,895,525	6,920,774	20,762,323	33,212,428
Trade payables	1,589,252,732	1,667,719,759	1,398,670,204	-	269,049,555
Other Debts	2,749,511	2,749,511	2,749,511	-	-
Total	3,972,957,408	4,322,094,385	2,159,178,759	1,184,840,072	978,075,554

Non-derivative financial liabilities	31 December 2022				
	Net Book Value	Contractual total cash outflow (=I+II+III)	Less Than 3 Months (I)	3-12 Months (II)	1-5 Years (III)
Borrowings	2,326,980,580	2,509,646,118	159,013,446	1,950,395,083	400,237,589
Obligations from leasing	46,642,461	85,048,478	13,556,432	40,669,297	30,822,749
Trade payables	1,903,029,107	1,933,359,830	1,933,359,830	-	-
Other Debts	3,954,960	3,954,960	3,954,960	-	-
Total	4,280,607,108	4,532,009,386	2,109,884,668	1,991,064,380	431,060,338

29.2 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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29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The net liability/total capital ratio as of December 31, 2023, and 2022 is as follows:

	31 December 2023	31 December 2022
Total financial borrowings	2,380,955,165	2,373,623,041
Less: Cash and cash equivalents	(2,281,572,739)	(383,138,741)
Net debt	99,382,426	1,990,484,300
Total shareholders' equity	7,771,866,309	4,728,687,023
Equity	7,871,248,735	6,719,171,323
Net debt/Equity ratio	1.26%	29.62%

30. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING DISCLOSURES

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 2023	Level 1	Level 2	Level 3	Total
Gains on financial assets at fair value through other comprehensive income	51,574,834	-	561,650	52,136,484
Investment properties	-	245,079,072	-	245,079,072
Borrowings	-	(2,404,422,147)	-	(2,404,422,147)
Derivative financial liabilities	-	(6,123,362)	-	(6,123,362)
Total	51,574,834	(2,165,466,437)	561,650	(2,113,329,953)

31 December 2022	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (*)	-	160,161,419	-	160,161,419
Gains on financial assets at fair value through other comprehensive income	64,829,877	-	561,650	65,391,527
Investment properties	-	205,976,962	-	205,976,962
Borrowings	-	(2,449,820,084)	-	(2,449,820,084)
Derivative financial liabilities	-	(24,729,644)	-	(24,729,644)
Total	64,829,877	(2,108,411,347)	561,650	(2,043,019,820)

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30. FINANCIAL INSTRUMENTS FAIR VALUE AND HEDGE ACCOUNTING
DISCLOSURES (Continued)

* Financial assets reflected in the income statement at fair value through profit or loss	31 December 2023	31 December 2022
Exchange Rate Protected Deposits (*)	-	160,161,419
Total short-term financial investments	-	160,161,419

(*) The maturity date for the Exchange Rate Protected Deposits (KKM) is November 11, 2023.

31. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR

	31 December 2023	31 December 2022
Independent audit fee	4,912,903	1,779,548
Total	4,912,903	1,779,548

32. SUBSEQUENT EVENTS

The Company Management has issued a debt instrument with a nominal value of 600,000,000 TL, maturing on January 16, 2025. The settlement of the said bond was carried out on January 18, 2024.

On January 16, 2024, within the framework of the Shareholders' Agreement (Hissedarlık Sözleşmesi) signed between the Company and the shareholders of Al-Sadaf Porcelain and Ceramic Tile Production Limited Company ("Al-Sadaf") established in Iraq, the share transfer procedures have been completed in accordance with the relevant legislation, and the Company has participated in the capital of Al-Sadaf Company at a rate of 49%. Since the majority of the control power is in the management of the Group, Al-Sadaf will be accounted for in the Group's consolidated financial statements by the full consolidation method.

CONTACT

Accounting Period for the Report:	01.01.2023 - 31.12.2023
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 **Kale Seramik**