

**KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.
AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AND REVIEW AUDIT REPORT
FOR THE INTERIM PERIOD
1 JANUARY- 30 JUNE 2023**

**(CONVENIENCE TRANSLATION OF
CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH)**



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

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred as the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Group is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the consolidated financial statements. Consequently, a review on the interim condensed consolidated financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with TAS 34.

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

Burak Özpoyraz, SMMM
Partner

Istanbul, 9 August 2023

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.

STATEMENT OF CONSOLIDATED FINANCIAL STATEMENTS

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KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.**STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS OF 30 JUNE 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated)

		<i>Current period</i>	<i>Prior period</i>
		<i>Reviewed</i>	<i>Audited</i>
	Notes	30 June 2023	31 December 2022
Assets			
Current assets			
Cash and cash equivalents	4	520,611,458	498,806,148
Financial Investments	15	115,058,183	48,855,538
Trade receivables		734,597,161	501,364,411
- Due from third parties	6	728,438,142	498,878,055
- Due from related parties	5	6,159,019	2,486,356
Other receivables		763,376	250,629
- Due from third parties		763,376	250,629
Inventories	7	283,005,423	215,757,026
Prepaid expenses	8	46,403,924	10,812,979
Assets related to current period tax	24	1,877,429	1,709,204
Other currents assets	9	32,912,534	23,894,635
Total Current assets		1,735,229,488	1,301,450,570
Non-current assets			
Other receivables		1,548,228	1,291,902
-Due from third parties		1,548,228	1,291,902
Goodwill	33	20,394,861	20,394,861
Property, plant, and equipment	12	271,172,316	242,108,864
Intangible assets	13	50,295,047	52,312,964
Investment property	11	118,998,765	81,736,200
Prepaid expenses	8	1,466,981	371,030
Right of use assets	10	19,805,050	16,704,833
Deferred tax assets	24	73,256,197	80,784,991
Total Non-current assets		556,937,445	495,705,645
Total assets		2,292,166,933	1,797,156,215

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

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.**STATEMENT OF CONDENSED CONSOLIDATED FINANCIAL POSITION AS OF
30 JUNE 2023**

(Amounts expressed in Turkish Lira (“TRY”) unless otherwise stated)

		<i>Current period</i>	<i>Prior period</i>
		<i>Reviewed</i>	<i>Audited</i>
	Notes	30 June 2023	31 December 2022
Liabilities			
Short term liabilities			
Short term liabilities		90,921,048	68,538,487
- Lease liabilities	14	4,816,646	5,864,772
- Bank Loans	14	86,104,402	62,673,715
Short term portion of long-term borrowings	14	1,430,459	3,363,763
Trade payables		575,221,062	396,217,155
- Due to related parties	5	16,298,221	10,973,726
- Due to third parties	16	558,922,841	385,243,429
Payables related to employee benefits	21	12,092,336	13,025,691
Other payables		519,507	234,896
- Due to related parties	5	467,107	182,496
- Due to third parties		52,400	52,400
Deferred income	17	73,011,656	79,901,910
Current income tax liabilities	24	32,834,515	6,643,352
Short-term provisions		67,962,601	25,310,078
- Provisions for employee benefits	21	17,237,177	24,470,012
- Other short-term provisions	22	50,725,424	840,066
Other short-term liabilities	18	41,481,080	15,993,490
Total Short-term liabilities		895,474,264	609,228,822
Long term liabilities			
Long term liabilities		14,414,198	11,696,882
- Lease liabilities	14	13,984,328	10,640,710
- Bank Loans	14	429,870	1,056,172
Long-term provisions		35,132,186	46,572,148
- Provisions for employee benefits	21	35,132,186	46,572,148
Total Long-term liabilities		49,546,384	58,269,030
Equity			
Share capital	25	115,000,000	115,000,000
- Gains / (losses) on remeasurements of defined benefit plans			
Gains / (losses) on remeasurements of defined benefit plans, net		(40,796,509)	(31,324,656)
Other comprehensive income / expense to be reclassified to profit or loss			
- Foreign currency conversion difference		(6,108,722)	(3,021,647)
Treasury shared (-)	25	(7,535,226)	(7,535,226)
Stock issue premium	25	197,350,010	197,350,010
Restricted Reserves	25	408,732,379	151,711,426
Retained earnings		274,968,410	143,626,854
Net profit for the period		323,382,650	506,862,509
Equity holders of the parent		1,264,992,992	1,072,669,270
Non-controlling interests		82,153,293	56,989,093
Total equity		1,347,146,285	1,129,658,363
Total liabilities and equity		2,292,166,933	1,797,156,215

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

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.**STATEMENT OF CONDENSED CONSOLIDATED PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023**

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

	Notes	Reviewed 1 January- 30 June 2023	Not Reviewed 1 April- 30 June 2023	Reviewed 1 January- 30 June 2022	Not Reviewed 1 April- 30 June 2022
Revenue	26	1,450,332,943	848,134,968	857,927,793	555,537,129
Cost of sales (-)	26	(884,939,347)	(507,375,215)	(526,657,884)	(346,196,145)
Gross profit		565,393,596	340,759,753	331,269,909	209,340,984
Marketing, sales and distribution expenses (-)	27	(146,112,187)	(81,926,389)	(107,978,976)	(76,480,405)
General administrative expenses (-)	27	(99,769,889)	(49,533,838)	(46,249,002)	(25,502,535)
Research and development expenses (-)	27	(4,314,974)	(2,193,647)	(2,230,783)	(1,113,301)
Other operating income	29	123,056,241	91,309,318	111,319,683	71,248,625
Other operating expenses (-)	29	(144,803,575)	(106,759,152)	(108,751,221)	(62,652,289)
Operating profit		293,449,212	191,656,045	177,379,610	114,841,079
Income from investing activities	30	69,926,937	67,485,832	15,219,968	14,938,325
Expenses from investing activities (-)	30	-	-	(227,203)	(5,504)
Profit/ (loss) from equity accounted investees		-	-	(3,670,826)	(3,670,826)
Operating profit before financial income		363,376,149	259,141,877	188,701,549	126,103,074
Financial income	31	78,485,373	49,961,038	39,298,346	12,177,807
Financial expenses	31	(30,497,462)	(19,244,015)	(13,949,173)	(9,625,360)
Profit before tax		411,364,060	289,858,900	214,050,722	128,655,521
- Current tax expense (-)	24	(58,086,476)	(39,625,939)	(43,728,039)	(25,019,000)
- Deferred tax income / (expense) (-)	24	(9,614,935)	(7,922,433)	14,738,016	10,657,809
Net profit from continuing operations		343,662,649	242,310,528	185,060,699	114,294,330
Net profit for the period		343,662,649	242,310,528	185,060,699	114,294,330
Attribution of Profit / (Loss) for the period:					
Non-controlling interests		20,279,999	12,954,707	3,705,300	4,035,877
Equity holders of the parent		323,382,650	229,355,820	181,355,399	110,258,453
Not to be reclassified to profit or loss					
Gains / (losses) on remeasurements of defined benefit plans	21	(11,557,995)	(11,557,995)	(6,438,379)	(6,438,379)
Gains / (losses) on remeasurements of defined benefit plans, tax effect		2,086,141	2,086,141	1,352,060	1,352,060
To be reclassified to profit or loss					
Hedge of investments in foreign business		(3,087,074)	(2,141,478)	(6,868,478)	(6,231,723)
Other comprehensive expense		(12,558,928)	(11,613,332)	(11,954,797)	(11,318,042)
Total comprehensive income		331,103,721	230,697,196	173,105,902	102,976,288
Attribution of Comprehensive Income for the period:					
Non-controlling interests		20,279,999	12,954,707	3,705,300	4,035,877
Equity holders of the parent		310,823,723	217,742,489	169,400,602	98,940,411
Earnings per shares		0,0299	0,0211	0,0158	0,0096

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

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CONDENSED CONSOLIDATED CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023

(All amounts are expressed in thousandss of Turkish Lira (“TRY”) unless otherwise indicated.)

		Other comprehensive income / expense to be reclassified to profit or loss	Other comprehensive income / expense not to be reclassified to profit or loss										
	Capital	Foreign currency conversion difference	Hedge of investments in foreign business	Defined benefit plans re-measurement losses	Treasury Shares	Subsidy	Revaluation of financial investments	Restricted Reserves	Retained earnings	Net profit for the period	Total	Non-controlling interests	Total equity
Balances as of 1 January 2023	115,000,000	(3,021,647)	-	(31,324,656)	(7,535,226)	197,350,010	-	151,711,426	143,626,854	506,862,509	1,072,669,270	56,989,093	1,129,658,362
Transfers	-	-	-	-	-	-	-	257,020,953	249,841,556	(506,862,509)	-	-	-
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	-	4,884,201	4,884,201
Dividend Payment	-	-	-	-	-	-	-	-	(118,500,000)	-	(118,500,000)	-	(118,500,000)
Net profit for the period	-	-	-	-	-	-	-	-	-	323,382,650	323,382,650	20,279,999	343,662,649
Other comprehensive income/(loss)	-	(3,087,075)	-	(9,471,854)	-	-	-	-	-	-	(12,558,928)	-	(12,558,928)
Total comprehensive income/(loss)	-	(3,087,074)	-	(9,471,854)	-	-	-	-	--	323,382,650	310,823,723	20,279,999	331,103,721
Balances as of 30 June 2023	115,000,000	(6,108,722)	-	(40,796,509)	(7,535,226)	197,350,010	-	408,732,379	274,968,410	323,382,650	1,264,992,992	82,153,293	1,347,146,285
Balances as of 1 January 2022	115,000,000	3,884,377	-	(9,211,682)	(7,535,226)	197,350,010	-	15,941,232	116,114,388	213,287,232	644,830,331	(572,930)	644,257,401
Transfers	-	-	-	-	-	-	-	135,774,766	77,512,466	(213,287,232)	-	-	-
Transactions with non-controlling shareholders (*)	-	-	-	(5,516)	-	-	-	(4,572)	-	-	(10,088)	26,286,419	26,276,331
Dividend Payment	-	-	-	-	-	-	-	-	(50,000,000)	-	(50,000,000)	-	(50,000,000)
Net profit for the period	-	-	-	-	-	-	-	-	-	181,355,398	181,355,398	3,705,300	185,060,699
Other comprehensive income/(loss)	-	(6,868,478)	-	(5,080,803)	-	-	-	-	-	-	(11,949,280)	-	(11,949,280)
Total comprehensive income/(loss)	-	(6,868,478)	-	(5,080,803)	-	-	-	-	-	181,355,398	169,406,118	3,705,300	173,111,418
Balances as of 30 June 2022	115,000,000	(2,984,101)	-	(14,298,001)	(7,535,226)	197,350,010	-	151,711,426	143,626,854	181,355,398	764,226,361	29,418,790	793,645,150

(*) As of 4 April 2022, The group has purchased the Lyksor Kimya San.A.Ş. 75% shares.

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

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.

STATEMENT OF CONDENSED CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023

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

	Notes	Current period Reviewed 30 June 2023	Prior period Audited 30 June 2022
Operating activities:		343,662,649	185,060,699
Profit for the period from continuing Operations before tax			
Adjustments:			
Adjustments for depreciation and amortisation	10,12,13,29	20,264,373	12,689,589
Severance pay provision, net	21	5,102,837	2,697,863
Allowance for unused vacation, net	21	924,995	1,368,528
Other provisions/(cancellations) related to personnel, net	21	11,620,818	6,898,772
Other provisions, net	22	50,596,513	34,375,414
Interest expense	31	22,971,966	10,186,584
Interest income	31	(44,349,357)	(18,367,575)
Provision for inventory impairment	7	1,241,385	(211,384)
Doubtful trade receivable provision expense, net	5, 29	5,926,078	4,821,930
Fixed asset sales profit, net	30	-	(285,365)
Adjustments for tax income/(expense)		67,701,412	28,990,023
Deferred finance income/(expenses), net		(8,677,857)	1,171,693
Other adjustments for non-cash items		-	78,859,257
Adjustments for fair value losses (gains) of financial investments	30	(32,664,373)	(14,929,100)
Adjustments for fair value losses/(gains) of investment properties	11, 30	(37,262,565)	221,700
Adjustments for impairment of equity method investments		-	9,118,386
Cash flow from operating activities before changes in operating assets and liabilities		407,058,874	342,667,014
Changes in assets and liabilities:			
Changes in trade receivables		(204,515,522)	(264,637,393)
Changes in Inventories		(68,489,782)	(123,150,593)
Changes in other assets		(38,945,072)	(15,011,622)
Changes in trade payables		153,832,012	56,167,760
Changes in other liabilities		15,467,519	17,576,944
Changes in financial investments		(33,538,272)	(78,030,050)
Collection from doubtful trade receivables	5	193,908	567,135
Severance payments paid	21	(28,100,794)	(432,610)
Personnel bonuses paid	21	(19,778,647)	(12,696,254)
Taxes paid	24	(27,129,390)	(24,059,967)
Cash from operating activities		156,054,834	(101,039,636)
Investing activities:			
Purchase of tangible and intangible assets	12, 13	(43,115,370)	(43,283,987)
Cash outflow from acquisition of subsidiaries		-	(139,135,012)
Right of use		(5,228,757)	-
Cash advance given	10	(23,486,221)	(3,004,022)
Investing activities		(71,830,348)	(185,423,021)
Financing activities:			
Loans Received	14	86,323,100	89,517,825
Loans paid	14	(65,764,213)	(24,689,260)
Cash outflows related to leases	14	(7,610,672)	(4,420,006)
Interest Paid	14	(4,740,913)	(2,644,526)
Interest Received		44,349,357	18,367,575
Dividend payment		(118,500,000)	(50,000,000)
Cash from financing activities		(65,943,341)	26,131,608
Net increase in cash and cash equivalents		18,281,145	(260,331,049)
Cash and cash equivalents at the beginning of the year	4	497,450,090	450,879,510
Cash and cash equivalents at the end of the year	4	515,731,235	190,548,461

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

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS OF 30 JUNE 2023

(All amounts are expressed in thousandss of Turkish Lira (“TRY”) unless otherwise indicated.)

1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

Financial statements for the accounting period 1 January – 30 June 2023 were approved by the Board of Directors on 9 August 2023 for publication. The shareholders of the Company have the right to make changes on the financial statements after the financial statements are published.

As of 30 June 2023 and 31 December 2022 the subsidiaries of the Company are as follows:

		Company's voting rights and effective shareholding ratios	
		30 June 2022	31 December 2021
Scope of Activity			
<u>Subsidiaries</u>			
Ooo Kalekim (“Kalekim-Rusya”) (Based in Russia)	Marketing and sales of cement-based and paint-plaster-based products	100.00%	100.00%
Kalekim Neon SHA (“Kalekim-Neon”) (Baes in Albania)	Production, sale and marketing of cement-based products	51.00%	51.00%
Kalekim Lyksor Kimya San,A.Ş. (“Kalekim-Lyksor”) (Baes in Türkiye)	Manufacture and trade of chemicals and all kinds of auxiliary chemicals and products, semi-finished products, raw materials used in production	75.00%	75.00%
Kalekim Romania (Baes in Romania)	Sales and marketing in the fields of activity of the Group, especially in construction chemicals, paint and plaster	50.00%	50.00%

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS OF 30 JUNE 2023

(All amounts are expressed in thousandss of Turkish Lira (“TRY”) unless otherwise indicated.)

1. GROUP’S ORGANIZATION AND NATURE OF OPERATIONS (Continued)

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

		Company's voting rights and effective shareholding ratios	
	Scope of Activity	30 June 2023	31 December 2022
<u>Joint Ventures</u>			
Sarl Ha Building Industry (settled in Algeria) (*)	Production of ceramic adhesives and grouts	50.00%	50.00%

(*) Joint venture agreement signed between Sarl HA Building Industry on 10 October 2020 and it was established as a business partnership in Algeria with 50% equal capital ownership within the scope of the contract amended on 20 December 2021.

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

The average number of personnel of the Group for the year ended 30 June 2023 is 482 people (31 December 2022-399 people).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

Statement of Compliance in TAS

The accompanying condensed consolidated interim financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on 13 June 2013. The accompanying condensed consolidated interim financial statements are prepared based on the Turkish Financial Reporting Standards and interpretations (“TFRS”) that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué. The condensed consolidated interim financial statements and disclosures have been prepared in accordance with the resolution of CMB dated 7 June 2013 about the “illustrations of consolidated financial statements and application guidance”.

The accompanying condensed consolidated interim financial statements for the period ended 30 June 2023 are prepared in accordance with the Turkish Accounting Standard No:34 “Interim Financial Reporting”. According to TAS 34, entities are allowed to prepare a complete or condensed consolidated set of interim financial statements. In this respect, the Group has preferred to prepare its interim consolidated financial statements for the period as of 30 June 2023 as condensed, and disclosures and notes that are required to be involved in the annual consolidated financial statements prepared according to TAS/TFRS are condensed or not included. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

The condensed consolidated interim financial statements of the Group as of 30 June 2023, have been approved by the Board of Directors on 9 August 2023. The General Assembly has the right to modify the condensed consolidated interim financial statements.

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
STATEMENTS AS OF 30 JUNE 2023

(All amounts are expressed in thousandss of Turkish Lira (“TRY”) unless otherwise indicated.)

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

2.1 Basis of presentation (Continued)

Public Oversight Accounting and Auditing Standards Authority (“POA”) made an announcement on 20 January 2023 about Application of Financial Reporting in Hyperinflationary Economies for Turkish Financial Reporting Standards and Reporting Standards for Large and Medium Sized Entities. In accordance with the announcement, companies that apply TFRS should not adjust financial statements for TAS 29 - Financial Reporting in Hyperinflationary Economies for the year 2022. As of the preparation date of this consolidated financial statements, POA did not make an additional announcement and no adjustment was made to this consolidated financial statements in accordance with TAS 29.

Functional and reporting currency

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

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

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

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

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

2.2 Going concern

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

2.3 New and Revised Turkish Accounting Standards

a) Standards, amendments, and interpretations applicable as of 30 June 2023:

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

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

2.3 New and Revised Turkish Accounting Standards (Continued)

- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
 - **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
 - **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.
- b) Standards, amendments, and interpretations that are issued but not effective as of 30 June 2023:**
- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
 - **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
 - **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements; ;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
 - **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
 - **IFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

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

2.4 Comparatives and restatement of prior periods financial statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified were necessary, to conform to changes in presentation in the current period consolidated financial statements.

2.5 Significant accounting estimates and assumptions

The preparation of consolidated financial statements require management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in the statement of profit or loss in the periods in which they become known.

Significant estimates used in the preparation of these financial statements and the significant judgments and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date are as follows:

a) Provision for doubtful receivables:

An impairment provision is established for Trade receivables if the Group will not be able to collect the amounts due. In addition, the Group uses the provision matrix by choosing the simplified application for the depreciation calculations, since the Trade receivables, which are accounted for at amortized cost in the financial statements, do not contain an important financing component. With this practice, the Group measures the expected credit loss allowance at an amount equal to lifetime expected credit losses, unless the Trade receivables are impaired for certain reasons. In the calculation of expected credit losses, the Company's forecasts for the future are also considered, along with past credit loss experiences.

b) Provisions:

It is reserved when the Group has a legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle this obligation, and the amount to be paid can be reliably estimated.

c) Deferred tax asset:

Deferred tax assets are recognized only if it is highly probable that sufficient financial profit will be available in future periods. If it is probable that a tax income will be realized, the deferred tax asset is recorded over unused tax losses, tax deductions and Other temporary differences. Group management calculates available financial losses and deferred tax assets over other temporary differences as a result of projections made by using estimates.

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

2.5 Significant accounting estimates and assumptions (Continued)

d) Employee termination benefit:

Employee termination liability is determined by actuarial calculations based on certain assumptions including discount rates, future salary increases and employee turnover rates. Since the nature of these plans are long-term, these involve significant uncertainties.

e) Inventory impairment

The Group calculates an inventory impairment provision to cover the estimated loss arising from the inability to use the related inventory. In the estimation of the adequacy of the provision for inventory impairment, the aging of the inventory balances and the possibility to sell the related products are evaluated.

f) Determination of the fair value of investment properties

The fair value of investment properties is determined by using various estimations and assumptions by professionally qualified independent valuation experts who have experience in the investment region and investment category and hold a generally accepted CMB license. Future changes in these estimates and assumptions may have a significant impact on the Company's financial statements.

3. SEGMENT REPORTING

The Group's chief operating decision maker (Board of Directors and Senior Management) measures the segmental reporting according to the basic principles of presentation explained in Note 2. Reported information includes information that management uses to evaluate the performance of operating segments and to decide on resource allocation. In the measurement and reporting of segment revenues from transactions with other segments of the Group's operating segments, transfers between segments are carried out at normal market prices and conditions.

KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

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3. SEGMENT REPORTING (Continued)

1 January – 30 June 2023							
	Ceramic Applications	Waterproofing	Paint-Plaster	Concrete, cement chemicals and raw materials	Elimination	Other (*)	Total
Sales	921,931,739	81,416,824	116,576,601	282,341,540	(34,801,941)	82,868,180	1,450,332,943
Cost of sales	(561,754,333)	(43,673,887)	(80,201,913)	(169,895,429)	34,057,732	(63,471,517)	(884,939,347)
Gross Profit	360,177,406	37,742,937	36,374,688	112,446,111	(744,209)	19,396,663	565,393,596
Marketing expenses (-)	(87,427,518)	(8,956,343)	(16,712,350)	(20,028,586)	(1,610,150)	(11,377,240)	(146,112,187)
General administrative expenses (-)	(67,762,075)	(6,809,349)	(11,687,018)	(8,309,391)	6,944	(5,209,000)	(99,769,889)
Research and development expenses (-)	(3,196,675)	(321,231)	(551,335)	-	-	(245,734)	(4,314,975)
Other operating income	70,594,360	7,093,963	12,175,506	29,063,501	(1,297,812)	5,426,723	123,056,241
Other operating expenses (-)	(98,853,825)	(9,933,731)	(17,049,455)	(11,450,583)	83,100	(7,599,081)	(144,803,575)
Operating profit / loss	173,531,673	18,816,246	2,550,036	101,721,052	(3,562,127)	392,331	293,449,212
1 January – 30 June 2022							
	Ceramic Applications	Waterproofing	Paint-Plaster	Concrete, cement chemicals and raw materials	Elimination	Other (*)	Total
Sales	546,858,018	53,454,637	112,737,341	124,666,754	(31,389,310)	51,600,353	857,927,793
Cost of sales	(339,620,493)	(29,570,657)	(71,963,734)	(87,396,324)	40,736,005	(38,842,681)	(526,657,884)
Gross Profit	207,237,525	23,883,980	40,773,607	37,270,430	9,346,695	12,757,672	331,269,909
Marketing expenses (-)	(59,553,834)	(5,735,446)	(19,675,262)	(6,542,184)	(8,283,963)	(8,188,287)	(107,978,976)
General administrative expenses (-)	(31,165,282)	(3,162,515)	(7,765,976)	(1,621,773)	-	(2,533,456)	(46,249,002)
Research and development expenses (-)	(1,557,860)	(158,085)	(388,198)	-	-	(126,640)	(2,230,783)
Other operating income	72,672,428	7,374,476	18,109,008	8,318,891	(1,062,732)	5,907,612	111,319,683
Other operating expenses (-)	(73,983,526)	(7,507,520)	(18,435,717)	(2,810,265)	-	(6,014,193)	(108,751,221)
Operating profit / loss	113,649,451	14,694,890	12,617,462	34,615,099	-	1,802,708	177,379,610

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

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4. CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Cash	19,350	19,390
Banks	477,667,982	411,453,264
- Demand deposits	66,577,532	23,561,211
- Time deposits	411,090,450	387,892,053
Other (*)	42,924,126	87,333,494
Total	520,611,458	498,806,148
Interest accruals	(4,880,222)	(1,356,058)
Cash and cash equivalents presented in the cash flow statement	515,731,236	497,450,090

(*) As of 30 June 2023 and 31 December 2022, other cash and cash equivalents consist of credit card receivables with a maturity of less than 30 days.

30 June 2023	Interest Rate (%)	Maturity	Amount
TRY	6.5-26-27-28.75-31	2023	326,726,675
USD	1.25	2023	32,278,875
Euro	0.75	2023	52,084,900
Total			411,090,450

31 December 2022	Interest Rate (%)	Maturity	Amount
TRY	13-14-18.5-22	2023	319,352,025
USD	2.50	2023	27,673,484
EUR	1.25	2023	40,866,545
Total			387,892,054

Time deposits have a maturity of less than three months. As of 30 June 2023, there are no blocked deposits (31 December 2022: None.)

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5. RELATED PARTY TRANSACTIONS AND BALANCES

i) Related party transactions:

a) Trade receivables from related parties:

	30 June 2023	31 December 2022
Kaleseramik Çanakkale Kalebodur Seramik Sanayi A.Ş. (“Kaleseramik”) (1) (*)	6,159,019	2,486,356
Total	6,159,019	2,486,356

(*) Trade receivables from Kaleseramik are due to product sales and have been collected within the relevant receivable’s due dates.

b) Trade payables to related parties:

	30 June 2023	31 December 2022
Kale Holding A.Ş. (*)	11,836,189	7,655,976
Kalenakliyat Seyahat ve Turizm A.Ş. (“Kalenakliyat”) (1) (**)	4,462,032	3,168,902
Kaleseramik	-	137,521
Bodur Gayrimenkul Geliştirme A.Ş.	-	11,328
Total	16,298,221	10,973,727

(*) The balance of debt to Kale Holding A.Ş., corporate development, legal, audit, etc. received from this company. consists of management support services.

(**) The balance of the debt to Kalenakliyat Seyahat ve Turizm A.Ş. is due to the transportation services received, and the payments are made on the invoice terms.

c) Other payables to related parties:

	30 June 2023	31 December 2022
Other Partners (Note 25)	467,107	182,496
Total	467,107	182,496

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5. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

ii) Other related party transactions

a) Merchandise sales:

	30 June 2023	30 June 2022
Kaleseramik	4,620,214	2,621,160
Total	4,620,214	2,621,160

b) Service sales:

	30 June 2023	30 June 2022
Kaleseramik	2,375,876	280,192
Kale Pratt Whitney Uçak Motor San.A.Ş.	-	31,146
Kale Holding	15,249	-
Total	2,391,125	311,338

c) Service procurement:

	30 June2023	30 June 2022
Kale Holding A.Ş.	33,682,410	13,387,806
Kalenakliyat	6,574,040	4,498,421
Kaleseramik	1,865,450	208,448
Bodur Gayrimenkul Geliştirme A.Ş.	70,392	58,146
Kale Pratt Whitney Uçak Motor San.A.Ş.	-	50,241
Total	42,192,292	18,203,062

d) Rent expense:

	30 June 2023	30 June 2022
Kale Pratt Whitney Uçak Motor San.A.Ş.	-	55,917
Kaleseramik	83,165	53,264
Total	83,165	109,181

e) Purchase of intangible fixed assets

	30 June 2022	30 June 2021
Kale Holding A.Ş.	1,312,990	322,522
Kaleseramik	-	92,544
Total	1,312,990	415,066

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5. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

f) Compensations provided to key management:

The group's key management consist of board of directors and managers. Compensation provided to key management include short-term benefits such as wages and bonuses.

	30 June 2023	30 June 2022
Compensations provided to key management	22,567,529	7,712,717
Total	22,567,529	7,712,717

6. TRADE RECEIVABLES

	30 June 2023	31 December 2022
Trade receivables	474,639,986	354,987,277
Notes receivables	310,068,491	187,934,070
	784,708,477	542,921,347
Less: Unrealized financial income from future sales	(18,997,559)	(12,502,687)
Less: Provision for doubtful trade receivables	(37,272,776)	(31,540,605)
Total	728,438,142	498,878,055

Average turnover day for trade receivables is 77 (31 December 2022: 59 days). Trade receivables are discounted using an annual average of 17% (31 December 2022: 16,35%) for TRY ,10% (31 December 2022: 9,32%) for USD and 9% for EUR as of 30 June 2023.

Aging of doubtful Trade Receivable provisions is as follows:

	30 June 2022	31 December 2022
0-12 month	9,362,406	6,600,097
More than 12 months passed due	27,910,370	24,940,508
Total	37,272,776	31,540,605

The aging of overdue but not impaired receivables as of 30 June 2023 and 31 December 2022 is as follows:

Maturity	30 June 2023	31 December 2022
0-1 months	12,879,980	14,212,611
1-3 months	9,784,519	8,894,010
3 months and more	4,175,514	564,026
Total	26,840,013	23,670,647

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6. TRADE RECEIVABLES (Continued)

The movement of provision for doubtful trade receivables as of 30 June 2023 and 31 December 2022 is as follows:

	2023	2022
1 January	31,540,605	21,327,598
Provision for doubtful receivables (Note 29)	5,926,078	3,645,571
Acquisition	-	1,743,493
Collections (Note 29)	(193,907)	(567,135)
30 June	37,272,776	26,149,527

7. INVENTORIES

	30 June 2023	31 December 2022
Raw materials and supplies	138,856,687	108,188,489
Work-in process	7,212,017	8,313,863
Finished goods	54,536,808	32,976,720
Merchandises	35,106,146	29,204,048
Goods in transit	52,670,594	41,209,350
Less: provision for impairment	(5,376,829)	(4,135,444)
Total	283,005,423	215,757,026

As of 30 June 2023, inventory turnover day is 51 (31 December 2022: 39 days).

The movement of the provision for inventory impairment is as follows

	2023	2022
1 January	4,135,444	2,444,870
Provisions no longer required	1,241,385	(211,384)
31 June	5,376,829	2,233,486

Inventory impairment provisions are recognized at cost of sales.

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8. PREPAID EXPENSES

	30 June 2023	31 December 2022
Short term prepaid expenses:		
Prepaid expenses	22,917,703	10,812,979
Advance given to fixed assets	23,486,221	-
Total	46,403,924	10,812,979
	30 June 2023	31 December 2022
Long term prepaid expenses:		
Prepaid expenses	1,466,981	371,030
Total	1,466,981	371,030

9. OTHER CURRENT ASSETS

	30 June 2023	31 December 2022
Other VAT	6,483,127	12,325,261
VAT to be transferred	21,443,352	11,297,719
Accrued Income (*)	-	36,323
Advances given to personnel	-	2,700
Other	4,986,055	232,632
Total	32,912,534	23,894,635

(*) The Group receives incentive income within the scope of Turquality Support Program. These revenues are recognized at fair value on an accrual basis when approved by the authorities regarding the Group's incentive requests.

10. RIGHT OF USE ASSETS

The Group, as a lessee, has included the right-of-use asset, which represents the right to use the underlying asset, and the lease payable, which represents the lease payments, to its consolidated financial statements.

	Vehicles	Buildings	Forklifts	Total
1 January 2023	7,097,539	8,945,749	661,565	16,704,853
Additions	1,788,244	5,735,987	-	7,524,231
Depreciation	(2,519,673)	(1,742,510)	(161,851)	(4,424,034)
30 June 2023	6,366,110	12,939,226	499,714	19,805,050

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10. RIGHT OF USE ASSETS (Continued)

	Vehicles	Buildings	Forklifts	Total
1 January 2022	2,877,801	10,071,576	66,524	13,015,901
Additions	7,526,157	532,957	985,267	9,044,381
Depreciation	(1,854,204)	(829,384)	(198,136)	(2,881,724)
30 June 2022	8,549,754	9,775,149	853,655	19,178,558

As of June 2023, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 30 June 2023 is TRY 2,599,084 , TRY 1,057,791 and TRY 767,159 , respectively (30 June 2022: respectively, TRY 2,195,053, TRY 367,832 and TRY 318,839).

11. INVESTMENT PROPERTIES

	1 January 2023	Change in Fair Value	30 June 2023
Kalekim-Russia	81,736,200	37,262,565	118,998,765
	81,736,200	37,262,565	118,998,765
	1 January 2022	Change in Fair Value	31 December 2022
Kalekim-Russia	51,147,668	(221,700)	50,925,968
	51,147,668	(221,700)	50,925,968

The Company uses independent valuation companies to determine the fair value of its investment property. Market approach and cost approach models have been applied in determining the fair value, and in case of any change in usage the asset, the Company can change between the fair value levels and determine the fair value with a different model.

As of 30 June 2023, the details of the investment properties owned by the company are as follows:

Country	Nature	Share ratio	Area per share (square meters)	Valuation Method	Fair value level	Fair Value
Russia	Land	Full	152,332	Market approach	Level 2	44,901,042
Russia	Building	Full	6,471.6	Cost approach	Level 2	74,097,723
						118,998,765

As of 31 December 2022, the details of the investment properties owned by the company are as follows:

Country	Nature	Share ratio	Area per share (square meters)	Valuation Method	Fair value level	Fair Value
Russia	Land	Full	152,332	Market approach	Level 2	15,005,588
Russia	Building	Full	6,471.6	Cost approach	Level 2	35,920,380
						50,925,968

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12. PROPERTY, PLANT AND EQUIPMENT

	1 January 2023	Additions	Disposals	Transfers (*)	30 June 2023
Cost:					
Land	4,954,618	13,539,503	-	-	18,494,121
Land Improvements	3,579,505	-	-	-	3,579,505
Buildings	102,740,072	418,095	-	617,732	103,775,899
Machinery	89,480,235	4,767,922	(221,439)	129,556	94,156,274
Vehicles	7,656,293	339,452	-	-	7,995,745
Furniture & fixture	55,335,053	7,980,496	(8,056)	40,852	63,348,345
Other tangible assets	5,055,417	41,910	-	-	5,097,327
Construction in progress	77,116,327	15,961,289	-	(3,863,024)	89,214,592
	345,917,520	43,048,667	(229,495)	(3,074,884)	385,661,808
Accumulated amortization:					
Land improvements	2,034,159	86,057	-	-	2,120,216
Buildings	15,986,461	1,391,342	-	-	17,377,802
Machinery	51,201,409	3,036,912	(126,131)	-	54,112,191
Vehicles	3,730,826	843,687	-	-	4,574,513
Furniture & fixture	28,056,128	5,221,681	(8,056)	-	33,269,753
Other tangible assets	2,799,674	235,343	-	-	3,035,018
	103,808,657	10,815,022	(134,187)	-	114,489,492
Net book value	242,108,863				271,172,316

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

As of June 2023, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 30 June 2023 is TRY 3,053,504, TRY1,249,398, TRY 304,760 and TRY 6,073,173. (30 June 2022: respectively TRY 2,075,642, TRY 542,979, TRY 255,663 and TRY 3,969,727).

As of 30 June 2023, there is no collateral, pledge, or mortgage on tangible assets (30 June 2022: None).

As of 30 June 2023, there are no capitalized borrowing costs in tangible assets (30 June 2022: None).

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12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2022	Acquisition	Additions	Disposals	Transfers (*)	30 June 2022
Cost:						
Land	4,954,618	-	-	-	-	4,954,618
Land Improvements	2,705,760	4,000	339,745	-	-	3,049,505
Buildings	56,256,971	4,557,017	-	(11,522)	-	60,802,466
Machinery	73,176,822	7,437,324	2,149,647	(125,999)	-	82,637,794
Vehicles	2,086,153	2,117,955	719,917	-	-	4,924,025
Furniture & fixture	43,123,133	916,576	3,570,302	(12,906)	-	47,597,105
Other tangible assets	4,770,977	-	51,410	-	-	4,822,387
Construction in progress	36,704,539	-	24,169,281	-	(1,971,669)	58,902,151
	223,778,973	15,032,872	31,000,302	(150,427)	(1,971,669)	267,690,051
Accumulated amortization:						
Land improvements	1,897,932	-	69,027	-	-	1,966,959
Buildings	13,728,268	311	601,477	(576)	-	14,329,480
Machinery	45,295,866	257,505	2,451,401	(74,707)	-	47,930,065
Vehicles	563,319	2,397,439	364,585	-	-	3,155,353
Furniture & fixture	20,092,315	483,715	3,202,820	(4,521)	-	23,944,319
Other tangible assets	1,903,591	402,116	245,236	-	-	2,550,943
	83,481,291	3,541,086	6,934,546	(79,804)	-	93,877,119
Net book value	140,297,682					173,812,932

(*) Classified to intangible assets (Note 13).

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13. INTANGIBLE ASSETS

	1 January 2023	Additions	Disposals	Transfers(*)	30 June 2023
Cost:					
Rights	47,743,867	66,703	-	1,628,671	49,439,241
Development expenses	23,246,269	-	-	1,446,213	24,692,482
	70,990,136	66,703	-	3,074,884	74,131,723
Accumulated depreciation:					
Rights	9,704,762	2,786,724	-	-	12,491,486
Development expenses	8,972,410	2,372,781	-	-	11,345,191
	18,677,172	5,159,505	-	-	23,836,676
Net book value	52,312,964				50,295,047

	1 January 2022	Acquisition	Additions	Disposals	Transfers(*)	30 June 2022
Cost:						
Rights	11,219,031	98,459	271,501	-	-	11,588,991
Development expenses	14,590,261	-	698,473	-	1,971,669	17,260,403
	25,809,292	98,459	969,974	-	1,971,669	28,849,394
Accumulated depreciation:						
Rights	5,673,728	90,536	1,382,048	-	-	7,146,312
Development expenses	5,454,739	-	1,491,271	-	-	6,946,010
	11,128,467	90,536	2,873,319	-	-	14,092,322
Net book value	14,680,825					14,757,072

(*) Classified from tangible assets (Note 11).

As of June 2023, the amount of amortization accounted in marketing, sales and distribution expenses, general administrative expenses and general production expenses for the year ended 30 June 2023 is TRY 58,416, TRY 2,553,991 , TRY 2,492,415 and TRY 54,683 (30 June 2022: TRY 50,608, TRY 1,352,446 , TRY 1,506,117 and TRY 54,683).

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14. FINANCIAL PAYABLES

	30 June 2023	31 December 2022
Short term financial payables		
Short term payables from operating leases	4,796,034	5,864,772
Short term bank credits	86,104,402	62,673,715
Short-term portion of long-term bank borrowings and interest accruals	1,430,459	3,363,763
Other financial liabilities	20,613	-
	92,351,508	71,902,250
Long term financial payables		
Long term payables from operating leases	13,984,328	10,640,710
Bank credits	429,870	1,056,172
	14,414,198	11,696,882
Total financial payables	106,765,706	83,599,131

The Group has started to apply TFRS 16 standard as of 1 January 2020 and the discounted values of the lease fees to be paid for the right-of-use assets that it has accounted for are classified as operating lease payables.

The movements of the lease assets during the period of 30 June 2023 and 2022 are as follows:

	2023	2022
Operating lease assets as of the beginning of the period	16,498,169	14,254,715
Additions during period	7,524,231	8,774,145
Interest Expense	2,069,880	1,560,698
Foreign Exchange expense	298,755	85,089
Acquisitions	-	244,646
Repayments	(7,610,672)	(4,420,006)
	18,780,363	20,499,287

The movements of bank loans as of 30 June 2023 and 2022 accounting period are as follows:

	2023	2022
1 January	67,093,650	-
Borrowings	86,323,100	41,416,362
Principal paid	(65,764,213)	(24,689,260)
Acquisitions	-	48,101,463
Accruals	5,053,107	2,644,195
Interest payment	(4,740,913)	(2,644,526)
30 June	87,964,731	64,828,234

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14. FINANCIAL PAYABLES (Continued)

As of 30 June 2023, and 31 December 2022, the financial payables are as follows:

	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TRY	Maturity	Annual weighted average effective interest rate	Original Currency Amount	TRY
	30 June 2023	30 June 2023	30 June 2023	30 June 2023	31 December 2022	31 December 2022	31 December 2022	31 December 2022
Short term loans:								
- TRY loans	2023	13,97%	59,690,850	59,690,850	2023	17,10%	62,365,082	62,365,082
Loan interest accruals			542,037	542,037	-	-	308,633	308,633
-USD loans	2024	9,75%	1,000,000	25,823,100			-	-
Loan interest accruals			1,875	1,875			-	-
Total				86,057,862				62,673,715
Short-term portion of long-term loans:								
- TRY loans	2023	13,33%	1,430,459	1,430,459	2023	14,23%	3,303,877	3,303,877
Loan interest accruals			-	-			59,886	59,886
Total				1,430,459				3,363,763
Long term loans:								
- TRY loans	2025	13,33%	340,121	340,121	2023	14,23%	1,056,172	1,056,172
Loan interest accruals			89,749	89,749			-	-
Total				429,870				1,056,172

15. FINANCIAL INVESTMENTS

As of 30 June 2023 and 31 December 2022, the Group's financial investments are as follows:

Financial Investments	30 June 2023	31 December 2022
Currency Protected Deposit (*)	114,963,184	48,760,539
Other	94,999	94,999
Total	115,058,183	48,855,538

Financial Investments	30 June 2023		
	Nominal Value	Interest Accrual	Currency Differences
Foreign Currency Linked to Deposit	88,569,455	3,825,585	22,568,143
			Fair Value
			114,963,183

(*) The maturity of Currency Protected Deposit (“CPD”) is August 2023 and the interest rate is 33%.

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16. TRADE PAYABLES TO THIRD PARTIES

	30 June 2023	31 December 2022
Short term trade payables	565,427,617	389,231,461
Less: Unrealized financing expense from forward purchases	(6,504,776)	(3,988,032)
Total	558,922,841	385,243,429

The average maturity of trade payables is 99 days (31 December 2022: 84 days). Discounted using annual average rates of 17% (31 December 2022: 16.35%) (TRY), 10% (31 December 2022: 9.32%) (USD) and 9% (EUR) on 30 June 2023.

17. DEFERRED REVENUE

	30 June 2023	31 December 2022
Advances taken (*)	73,011,656	79,901,910
	73,011,656	79,901,910

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

18. OTHER LIABILITIES

Other Short-term liabilities

	30 June 2023	31 December 2022
Taxes and funds payable	14,245,565	7,802,255
Other liabilities	27,235,515	8,191,235
Total	41,481,080	15,993,490

19. COMMITMENTS AND CONTINGENT LIABILITIES

The details of the commitments given by the Group as of 31 December 2022 and 30 June 2023 are as follows:

	30 June 2023	31 December 2022
Letter of guarantees given	42,811,668	37,534,795
Total	42,811,668	37,534,795

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19. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

The Group's letters of guarantee mainly include the guarantees given to the suppliers, customs and enforcement guarantees, and letters of guarantee given to the administration regarding the use of electric.

Guarantee notes, letters and mortgages received for short term trade receivables are as follows:

	30 June 2023	31 December 2022
Guarantee cheques received (*)	272,074,337	214,631,675
Mortgages	117,267,162	62,244,662
Guarantee letters received	66,425,770	46,219,000
Total	455,767,269	323,095,337

(*) In order to reduce the risk of receivables, the Group received personal guarantees amounting to TRY 257,741,337 from its dealers and Other customers in 2022 (31 December 2022: TRY 201.153.675).

As of 30 June 2023 and 31 December 2022, the table regarding the Group's collateral, pledge, and mortgage (“CPM”) position is as follows:

30 June 2023	Original Currency				
	TRY equivalent	TRY	USD	Euro	Other
A. Total amount of CPMB’s given in the name of its own legal personality	42,811,668	42,811,668	-	-	-
B. Total amount of CPMB’s given on behalf of the fully consolidated companies (1)	-	-	-	-	-
Total amount of CPMB’s given on behalf of the majority shareholder	-	-	-	-	-
C. Total amount of CPMB’s given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM’s given	-	-	-	-	-
Total	42,811,668	42,811,668	-	-	-

31 December 2022	Original Currency				
	TRY equivalent	TRY	USD	Euro	Other
A, Total amount of CPMB’s given in the name of its own legal personality	37,534,795	37,534,795	-	-	-
B, Total amount of CPMB’s given on behalf of the fully consolidated companies (1)	-	-	-	-	-
- Total amount of CPMB’s given on behalf of the majority shareholder	-	-	-	-	-
C, Total amount of CPMB’s given on behalf of third parties for ordinary course of business	-	-	-	-	-
D, Total amount of other CPM’s given	-	-	-	-	-
Total	37,534,795	37,534,795	-	-	-

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21. PROVISIONS FOR EMPLOYEE BENEFITS

a) Short term payables for employee benefits

	30 June 2023	31 December 2022
Social security deductions payable	10,708,774	6,070,361
Payables to personnel	1,383,562	6,955,330
Total	12,092,336	13,025,691

b) Short term provisions for employee benefits

	30 June 2023	31 December 2022
Provision for personnel premium	11,620,818	19,778,647
Provision for unused vacation	5,616,359	4,691,365
Total	17,237,177	24,470,012

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

	2023	2022
1 January	19,778,647	12,696,254
Provision paid during period	(19,778,647)	(12,696,254)
Current year provision	11,620,818	6,898,772
30 June	11,620,818	6,898,772

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

	2023	2022
1 January	4,691,365	2,187,012
Acquisitions	-	265,980
Period provision expense / (cancellation), net	924,995	1,368,528
30 June	5,616,360	3,821,520

c) Long term provisions for employee benefits

	30 June 2023	31 December 2022
Provision for employee termination benefits	35,132,186	46,572,148
Total	35,132,186	46,572,148

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21. PROVISIONS FOR EMPLOYEE BENEFITS

According to the Turkish Labour Law, the Group is obliged to pay employee termination pay for those who have completed one year and have been terminated or retired due to compulsory reasons, who have completed 25 years of service (20 for women) and who are entitled to retirement (58 years old for women, 60 years old for men), are called up for military service or have passed away. The compensation to be paid is equal to one month's salary for each year of service and this amount is limited to TRY 23,489,83 (31 December 2022: TRY19,982,83) as of 30 June 2023. Employee termination pay provision is recorded by calculating the present value of the probable obligation that the Group registered in Turkey will have to pay in case of retirement of the employees. The Group has no termination pay obligations to its employees regarding its activities in Russia and Albania. In order to calculate the provision for termination pay of the Group, an actuarial study is required. The assumptions used for the actuarial calculation are as follows:

	30 June 2023	31 December 2022
Discount rate	10.62%	19.00%
Turnover rate related the probability of retirement(rate of employees to remain to retirement)	97.22%	96.57%

The basic assumption is that the maximum liability for each year of service will increase in line with inflation. The discount rate applied represents the expected real rate after adjusting for the expected effects of inflation.

Movements in the provision for employee termination pay during the period are as follows:

	2023	2022
1 January	46,572,148	15,093,264
Service Cost	3,208,123	1,322,471
Interest Cost	1,894,713	1,368,409
Actuarial loss / (gain)	11,557,995	6,438,379
Acquisitions	-	86,931
Employee termination paid	(28,100,793)	(432,610)
30 June	35,132,186	23,876,844

22. OTHER SHORT-TERM PROVISIONS

	30 June 2023	31 December 2022
Vendor premium provision	50,014,268	-
Loyalty program provision	711,156	840,066
Total	50,725,424	840,066

- (*) The company applies a turnover premium to the sales targets given to its dealers, based on its sales during the year. In the interim periods, the target and turnover realizations of the dealers are evaluated and the dealer premium reserve is set aside.

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22. OTHER SHORT-TERM PROVISIONS (Continued)

Movements of loyalty program provisions during the period are as follows:

	2023	2022
1 January	840,066	581,811
Provisions for current period	(128,910)	174,244
Provisions used (Note 31)	-	(313,183)
31 December	711,156	442,872

23. GOVERNMENT GRANTS

The Group has investment incentive certificates that it has completed and started investing in. Due to these documents, reduced corporate tax is calculated as much as the tax reduction rate included in the document in Corporate tax calculations.

For the Balıkesir factory expansion/modernization investment, which it started to invest in in 2021, it will benefit from a tax reduction of 100%, including the income from Other expenses, from this discount rate, provided that it does not exceed the expenses within the scope of the document from the expenses realized in 2023 to be applied to Other earnings. The change regarding the Tax discount rate is at the disposal of the Council of Ministers, and the rate has changed from 70% to 100% in order to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers.

For the Mardin factory expansion/modernization investment, which it started to invest in in 2022, it will benefit from a tax reduction of 100% from this discount rate, including the income from Other expenses, if it does not exceed the expenses within the scope of the document from the expenses realized in 2022 to be applied to the Other earnings. The change regarding the tax reduction rate is at the disposal of the Council of Ministers, and the rate has changed from 90% to 100% to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers.

In addition, the Group applied the 70% tax reduction rate it had due to its investments in Balıkesir in 2022 as 100% with the decision of the Council of Ministers. The change regarding the tax reduction rate is at the disposal of the Council of Ministers and has changed from 70% to 100% to encourage and support investments. The relevant rate is not fixed and will be updated in the future with the decision of the Council of Ministers. As of 30 June 2023, the deferred tax asset related to this document has not been recorded, since the entire amount of the investment contribution earned has been used. (31 December 2022: None).

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23. GOVERNMENT GRANTS (Continued)

The Group has discounted corporate tax incentives, which is used in the calculations of the corporate tax due to its completed investments. Yozgat factory expansion investment has a 90% discount for the taxes calculated within the scope of the relevant documents at the 23% corporate tax rate due to the Mardin factor complete investments. Yozgat factory expansion investment; As of 30 June 2023, deferred tax asset amounting to TRY 1,819,324 has been recorded. Mardin factory complete; As of 30 June 2023, the deferred tax asset related to this document has not been recorded, since the entire amount of the investment contribution earned has been used.

The Group also receives incentive income within the scope of the Turquality Support Program. Incentive income amounting to TRY 3,870,417 as of 30 June 2023 was accounted for in incentive income under income from main activities (31 December 2022 – TRY 1,033,436).

24. TAX

Current tax expense and deferred tax

Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement unless it relates to a transaction accounted for directly under equity. Otherwise, the tax is accounted for under equity together with the related transaction.

Period tax expense is calculated considering the tax laws in force in the countries where the Group's subsidiaries and investments valued using the equity method operate as of the date of the financial statements. According to Turkish tax legislation, corporations who's legal or business centers are in Turkey are subject to corporate tax.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

As of 30 June 2023 and 31 December 2022, tax provision has been reserved within the framework of the current tax legislation.

Founder shares held in the Group's assets for the same period as the participation shares held for more than two years, 75% of the profits arising from the sale of usufruct shares and preference rights, and 50% of the profits from the sale of immovables that are in its assets for the same period is exempt from tax on the condition that it is added to the capital or kept in a special fund account for 5 years as stipulated in the Corporate Tax Law.

Deferred tax is calculated over the temporary differences between the recorded values of assets and assets in the financial statements and their tax values, using the liability method. In the calculation of deferred tax, the tax rates valid as of the date of the financial statement are used in accordance with the current tax legislation.

With the change in the Corporate Tax Law, which was published in the Official Gazette dated April 22, 2022 and numbered 31462, the corporate tax rate in Turkey is 20%, effective from March 31, 2022, 25% for corporate earnings for 2022, and 20% for corporate earnings for 2023. will be applied at a rate of 23%. The application has started to be valid as of 1 January 2022 in the deferred tax calculation, 18% tax rate is used for the temporary differences expected to be realized/closed in the financial statements dated 30 June 2023.

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24. TAX (Continued)

Subject to the tax laws of the same country, deferred tax assets and liabilities are mutually offset if there is a legally enforceable right to deduct current tax assets from current tax liabilities.

Tax assets and liabilities

Corporate Tax

The Company and its subsidiaries, affiliates and joint ventures established in Turkey and other countries within the scope of consolidation are subject to the applicable tax legislation and practices of the countries in which they operate.

The effective corporate tax rate applied in 2023 is 18%. The Communiqué (Serial No: 18) on the amendment to the Corporate Tax General Communiqué (Serial No: 1), which was published in the Official Gazette dated May 25, 2022 and numbered 31491, and the 6th article added to the 32nd article of the Corporate Tax Law with the Law No. 7256. In the first paragraph, it is stipulated that the corporate tax rate will be applied with a discount of 2 points to the corporate earnings of the 5 accounting periods, starting from the accounting period in which the shares of the institutions whose shares are offered to the public for the first time in Borsa Istanbul Equity Market at a rate of 21% are offered to the public for the first time. Corporate tax rates in Russia,Albania,Romania and Algeria are 20%, 15%, 16% and 26%, respectively.

The corporate tax rate is applied to the net corporate income to be found as a result of adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the institutions, and deducting the exceptions and deductions in the tax laws. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant year and is paid until the end of the relevant month.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, unless do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years.

Dividend Payments made to resident companies in Turkey, those who are not responsible for corporate tax and income tax and those who are exempted, as well as to real persons and non-resident legal entities in Turkey, are subject to 15% income tax.

Dividend Payments made from companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated.

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24. TAX (Continued)

Turkish tax legislation does not allow the parent company to file a tax return on the consolidated financial statements of its subsidiaries. For this reason, the tax assets reflected in the consolidated financial statements of the Group have been calculated separately for all companies included in the scope of consolidation. In the financial statements of 30 June 2023 and 31 December 2022, the tax amounts to be paid are netted for each Subsidiary and are classified separately in the consolidated financial statements.

	30 June 2023	31 December 2022
Corporate and income tax payable	(58,086,476)	(68,479,901)
Prepaid taxes	27,129,390	63,545,753
Current tax related (assets)/liabilities	(30,957,086)	(4,934,148)

Tax expenses included in the income statements for the periods ending as of 30 June 2023 and 31 December 2022 are summarized below:

	2023	2022
Current year tax	(58,086,476)	(43,728,039)
Deferred tax income / (expense)	(9,614,936)	14,738,016
Total tax income / (expense)	(67,701,412)	(28,990,023)

Deferred Tax

The Group calculates its deferred tax assets and liabilities by considering the effects of temporary differences that arise as a result of the different evaluations between the Turkish Financial Reporting Standards and the Tax Procedure Law in the balance sheet items.

The breakdown of accumulated temporary differences and deferred tax assets and liabilities as of 31 December 2022 and 30 June 2023, using the applicable tax rates, is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Income from investment incentives	(14,573,018)	(14,755,779)	2,623,143	2,656,040
Employee termination pay liability	(35,132,186)	(46,572,148)	6,323,793	8,382,987
Unaccrued finance income	(18,997,559)	(12,502,687)	3,419,561	2,250,484
Tangible and intangible fixed assets (*)	(408,887,541)	(439,213,663)	73,599,757	79,058,459
Accrued expense and provisions	(56,554,411)	(8,095,001)	10,179,794	1,457,100
Unused leave provisions	(5,616,360)	(4,691,365)	1,010,945	844,446
Other	(30,863,411)	(45,082,279)	5,555,414	8,114,810
Deferred tax assets			102,712,407	102,764,326
Revaluation effect on investment property	87,915,501	50,652,936	(15,824,790)	(9,117,528)
Unaccrued finance expense	6,504,776	3,988,032	(1,170,860)	(717,846)
Adjustments to operating leases	2,319,779	560,890	(417,560)	(100,960)
Acquisition of subsidiary	57,347,619	57,347,619	(12,043,000)	(12,043,000)
Deferred tax liabilities			(29,456,210)	(21,979,334)
Deferred tax assets, net			73,256,197	80,784,991

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24. TAX (Continued)

Movement of net deferred tax asset is as follows:

	2023	2022
1 January	80,784,991	1,994,662
Recognized in P&L	(9,614,936)	14,738,016
Acquisitions	-	872,584
Recognized in equity	2,086,142	1,352,060
30 June	73,256,197	18,957,322

The reconciliation between the corporate tax expense calculated by applying the pre-tax legal tax rate and the tax expense shown in the income statement as of 30 June 2023 and 31 December 2022 is as follows:

	2023	2022
Profit before tax	411,364,060	214,050,722
Effective tax rate	%18	%21
Tax calculated using effective tax rate	(74,045,531)	(44,950,652)
Exceptions and discounts	12,578,094	5,010,870
Effect of non-deductible expenses	(6,995,858)	(2,635,049)
Fixed asset indexation and revaluation	-	4,033,723
Investment incentives used without deferred tax	1,244,565	6,793,188
Tax effect of foreign losses	(952,035)	(593,459)
Other	469,353	3,351,356
Tax Expense	(67,701,412)	(28,990.023)

25. CAPITAL, RESERVES AND OTHER EQUITY

a) Paid-in Capital and capital adjustment differences

As of 31 December 2022, the capital of the Parent Company is TRY 100,000,000. The capital consists of 2,017,600,000 shares. This capital consists of 22,000,000 Group (A) registered shares with a nominal value of TRY 0.01 each and 1,995.6 million Group (B) bearer shares with a nominal value of TRY 0.05 each.

As of 30 June 2023, the registered capital ceiling of the Parent Company is TRY 300,000,000, and it is divided into 30,000,000,000 registered shares each with a nominal value of 1 penny.

As of 30 June 2023, the capital of the Parent Company is TRY 115,000,000. The capital consists of 11,500,000,000 shares. This capital consists of 22,000,000 group (A) registered shares with a nominal value of TRY 0.01 each and 11,478,000,000 group (B) bearer shares with a nominal value of TRY 0.01 each.

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25. CAPITAL, RESERVES AND OTHER EQUITY (Continued)

The shareholders and share ratios of the Parent Company as of 30 June 2023 and 31 December 2022 are shown below:

Shareholders	30 June 2023		31 December 2022	
	Share %	TRY	Share %	TRY
H. İbrahim Bodur Holding A.Ş.	68.6723	78,973,158	68.6723	78,973,158
Dr. İbrahim Bodur KaleSeramik Eğitim, Sağlık ve Sosyal Yardım Vakfı	3.8223	4,395,688	3.8223	4,395,688
Bodur Menkul İş Geliştirme San. ve Tic. A.Ş.	1.1392	1,310,093	1.1392	1,310,093
Kalemaden Endüstriyel Hammaddeler Ticaret A.Ş.	0.0409	47,087	0.0409	47,087
Kale Holding A.Ş.	0.0002	174	0.0002	174
Other (*)	26.325	30,273,800	26.325	30,273,800
Total paid-in capital	100	115,000,000	100	115,000,000

(*) As of 30 June 2023 TRY 29.920.000 consists of shares offered to the public. The remaining TRY 353.800 is composed of Other partners.

b) Restricted Reserves

According to the Turkish Commercial Code, legal Reserves are divided into first and second legal Reserves. According to the Turkish Commercial Code, primary legal Reserves are set aside as 5% of the legal net profit until 20% of the Group's paid-in capital is reached. The second order legal Reserves are 10% of the distributed profit exceeding 5% of the paid-in capital. According to the Turkish Commercial Code, as long as the legal Reserves do not exceed 50% of the paid-in capital, they can only be used to net-off losses and cannot be used in any other way.

As of 30 June 2023 and 31 December 2022 the legal reserve amounts in Kalekim's legal records are as follows:

	30 June 2023	31 December 2022
Legal Reserves	408,732,379	151,711,426
	408,732,379	151,711,426

c) Treasury Shares

It is the founder's share certificate's amortization amount. Founder's share amounted TRY 7.535.226 according to the valuation report dated 14 January 2022, which do not give the owner a shareholding right, but a right to participate in the profit, were withdrawn from the main shareholder H.İbrahim Bodur Holding A.Ş. and the group's main partner from its subsidiary Kaleseramik.

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25. CAPITAL, RESERVES AND OTHER EQUITY (Continued)

d) Stock issue premium

With the decision of the Board of Directors dated April 21, 2022 and numbered 2022/23; The issued capital of TRY 100,000,000 is increased by 15% to TRY 115,000,000 as TRY 15,000,000 in cash (with value) by covering the entire issue in cash, and regarding the shares to be issued, the rights of all the shareholders of the Company to purchase new shares are on demand within the scope of the "public offering". It has been decided to completely restrict the right to buy new shares in favour of the investors. With the decision, it has been decided to sell the shares, which will be sold through public offering, at a premium price. In this context, cash resources will be provided to the Company with the premium amount above the nominal value of the shares, and it will be possible to sell the Company shares above their actual value. The said price and premium will be determined in accordance with the price determination report to be prepared by the investment firm during the public offering process. The share price determined in the price determination report; After the sale of 15,000,000 shares, TRY 14.75, a resource of TRY 221,250,000 was created, of which TRY 15,000,000 is a cash capital increase and the remaining TRY 206,250,000 is the issue premium amount provided after the public offering. The share issuance premium was accounted for under shareholders' equity as TRY 197,350,010, considering the expenses of TRY 8,899,990 incurred within the scope of the public offering.

26. SALES AND COST OF SALES

	1 January- 30 June 2023	1 January- 30 June 2022
Domestic sales	1,066,553,440	602,354,830
Foreign sales	470,525,773	314,644,453
Other sales	2,942,192	704,324
Gross sales	1,540,021,405	917,703,607
Less: returns and discounts	(89,688,462)	(59,775,814)
Net sales	1,450,332,943	857,927,793
Cost of sales	(884,939,347)	(526,657,884)
Gross Profit	565,393,596	331,269,909

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26. SALES AND COST OF SALES (Continued)

Cost of sales is detailed below based on cost attributes:

	1 January- 30 June 2023	1 January- 30 June 2022
Direct material	740,056,911	468,827,003
Personnel wages	45,338,423	20,610,253
Amortization	11,424,188	6,912,731
Energy	6,895,014	4,343,249
Repair and maintenance	5,012,818	3,040,126
Personnel expenses	4,982,599	2,418,529
Subcontractor	3,931,493	1,852,017
Other	26,704,499	10,271,365
Total cost of goods sold	844,345,945	518,275,273
Cost of merchandise sold	40,593,402	8,382,611
Total cost of sales	884,939,347	526,657,884

27. MARKETING, SALES AND DISTRIBUTION EXPENSE, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE

Marketing, sales and distribution expense:

	1 January- 30 June 2023	1 January- 30 June 2022
Personnel Wages	50,813,397	24,613,262
Transportation expenses	40,607,239	31,679,958
Storage expenses	10,813,570	7,069,564
Marketing and communication	10,132,497	8,647,532
Advertising and promotion	8,180,326	20,515,969
Amortization	5,711,004	4,321,303
Subcontractor	3,752,190	1,796,889
Travel expenses	3,670,516	2,269,162
Personnel expenses	2,284,612	948,056
Repair and maintenance expense	284,214	162,644
Consultancy expenses	146,670	135,796
Other	9,715,951	5,818,841
Total	146,112,186	107,978,976

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27. MARKETING, SALES AND DISTRIBUTION EXPENSE, GENERAL ADMINISTRATIVE EXPENSES, RESEARCH AND DEVELOPMENT EXPENSE
(Continued)

General administrative:

	1 January- 30 June 2023	1 January- 30 June 2022
Personnel wages	38,915,102	16,390,129
Holding expenses	31,349,102	13,079,539
IT expenses	10,101,530	5,550,884
Amortization	4,861,180	2,263,257
Consultancy expenses	4,288,192	2,778,400
Personnel expenses	1,457,941	613,589
Subcontractor expenses	1,418,156	547,255
Travel expenses	1,149,560	893,257
Learning	905,879	322,307
Energy	637,738	401,884
Repair and maintenance	123,651	56,067
Other	4,561,858	3,352,434
Total	99,769,889	46,249,002

Research and development expenses:

	1 January- 30 June 2023	1 January- 30 June 2022
Personnel wages	2,797,175	1,761,780
Amortization	1,517,800	469,003
	4,314,975	2,230,783

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28. EXPENSES BY NATURE

	1 January- 30 June 2023	1 January- 30 June 2022
Direct material	740,056,911	468,827,003
Personnel wages	136,584,720	62,082,647
Transportation expenses	40,607,239	31,679,958
Cost of goods sold	40,593,402	8,382,611
Holding expenses	31,349,102	13,079,539
Amortization	20,264,373	12,689,589
Energy	12,061,926	7,314,615
Storage expenses	10,813,570	7,069,564
Marketing and communication expenses	10,132,497	8,647,532
IT Expense	10,101,530	5,550,884
Subcontractor expense	9,101,839	4,196,161
Personnel expenses	8,725,153	3,980,174
Advertising and promotion	8,180,326	20,515,969
Repair and maintenance expense	5,420,682	3,258,837
Travel expenses	4,820,076	3,162,419
Consultancy expense	4,434,862	2,914,196
Learning	905,879	322,307
Other	40,982,309	19,442,640
	1,135,136,396	683,116,645

29. OTHER OPERATING INCOME AND (EXPENSES)

	1 January- 30 June 2023	1 January- 30 June 2022
Foreign exchange gain	77,677,337	80,870,075
Gain from maturity difference	33,849,751	25,558,461
Doubtful receivable provision no longer need (Note 6)	193,908	567,135
Incentives gains	3,870,417	294,192
Provisions released (Note 22)	-	313,183
Other	7,464,829	3,716,637
Total other operating income	123,056,241	111,319,683
Foreign exchange loss	(88,645,243)	(79,823,488)
Loss from maturity differences	(25,171,894)	(17,250,863)
Provision for doubtful receivables (Note 6)	(5,926,078)	(3,645,571)
Reflection expense	(2,200,732)	(2,120,076)
Donation and aid expense	(13,658,895)	(1,064,697)
Other	(9,200,732)	(4,846,526)
Total other operating expenses	(144,803,576)	(108,751,221)

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30. INCOME / (EXPENSE) FROM INVESTING ACTIVITIES

	1 January- 30 June 2023	1 January- 30 June 2023
CPD interest and foreign exchange gains	32,664,373	14,929,100
Invesment property	37,262,565	
Gain on fixed asset sales	-	290,868
Total	69,926,938	15,219,968
	1 January- 30 June 2023	1 January- 30 June 2022
Impairment of investment property (Note 14)	-	(221,700)
Sales loss of fixed asset	-	(5,503)
Total	-	(227,203)

31. FINANCIAL INCOME/(EXPENSES)

	1 January- 30 June 2023	1 January- 30 June 2022
Financial income		
Foreign Exchange income	34,136,016	20,930,771
Interest income	44,349,357	18,367,575
Total	78,485,373	39,298,346
Financial expenses		
Interest Expense	(22,971,966)	(10,186,584)
Foreign Exchange expense	(7,525,496)	(3,762,589)
Total financial expenses	(30,497,462)	(13,949,173)

32. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group is exposed to various financial risks due to its activities, These risks are market risk (includes interest rate risk and exchange rate risk), credit risk and liquidity risk, The Group's overall risk management program focuses on the volatility of financial markets and minimizing the effects of potential adverse effects on the Group's financial performance,

Risk management is centrally carried out within the framework of policies approved by Kale Group Management, Kale Group Management has determined the general risk management principles of the Group along with policies covering areas such as interest rate and credit risks, use of derivative and non-derivative financial instruments and investment decisions,

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32. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)

Market risk

Currency risk

The Group is exposed to foreign exchange risk arising from currency changes due to the conversion of foreign currency denominated debts or creditors into Turkish Lira, Currency risk arises due to future commercial transactions and recorded assets and liabilities, The exchange rate risk is monitored and limited by analysing the foreign exchange position,

As of 30 June 2023 31 December 2022 the values of foreign currency assets and liabilities in TRY held by the Group are as follows:

	30 June 2023	31 December 2022
Assets	310,095,691	173,726,297
Liabilities	(258,760,889)	(141,215,844)
Net foreign currency position	51,334,802	32,510,453

Currency risk management

The distribution of the monetary assets and monetary liabilities of the Group in foreign currency as of the date of financial position is as follows:

30 June 2023	Total TRY Equivalent	USD TRY Equivalent	Euro TRY Equivalent	Other
1, Trade Receivables	163,754,584	66,122,259	83,770,794	13,861,531
2,a Monetary financial assets	117,259,563	61,028,007	53,517,156	2,714,400
2,b Non-monetary financial assets				
3, Other	29,081,542	27,711,098	19,758	1,350,686
4, Current Assets	310,095,689	154,861,364	137,307,708	17,926,617
5, Trade receivables	-	-	-	-
6,a Monetary financial assets	-	-	-	-
6,b Non-monetary financial assets	-	-	-	-
7, Other	-	-	-	-
8, Current assets	-	-	-	-
9, Total assets	310.095.689	154.861,364	137,307,708	17,926,617
10, Trade payables	232,281,929	83,892,272	148,389,657	-
11, Financial liabilities	25,823,100	25,823,100	-	-
12,a Monetary Other liabilities	655,860	58,175	597.685	-
12,b Non-monetary Other liabilities	-	-	-	-
13, Short term liabilities	258,760,889	109,773,547	148,987,342	-
14, Trade payables	-	-	-	-
15, Financial liabilities	-	-	-	-
16,a Monetary Other liabilities	-	-	-	-
16,b Non-monetary Other liabilities	-	-	-	-
17, Long term liabilities	-	-	-	-
18, Total liabilities	258,760,889	109,773,547	148,987,342	-
Off-balance sheet derivative instruments				
19, net position (19a-19b)	-	-	-	-
19,a Derivative assets	-	-	-	-
19,b Derivative liabilities	-	-	-	-
20, Net foreign currency position (9-18+19)	51,334,800	45,087,817	(11,679,634)	17,926,617
21, Net foreign currency position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	22,253,258	17,376,719	(11,699,392)	16,575,931
22, Total fair value of financial instruments used for currency hedge	-	-	-	-
23, Hedged amount of foreign currency assets	-	-	-	-
24, Hedged amount of foreign currency liabilities	-	-	-	-
25, Export	459,512,097	386,169,157	49,026,360	24,316,580
26, Import	361,581,401	184,045,742	174,761,018	2,774,641

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32. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)

December 31, 2022		Total TRY Equivalent	USD TRY Equivalent	Euro TRY Equivalent	Other
1.	Trade Receivables	102,285,178	33,912,444	54,560,716	13,812,018
2.a	Monetary financial assets	71,049,719	28,730,369	41,715,599	603,751
2.b	Non-monetary financial assets	-	-	-	-
3.	Other	391,400	-	-	391,400
4.	Current Assets	173,726,297	62,642,813	96,276,315	14,807,169
5.	Trade receivables	-	-	-	-
6.a	Monetary financial assets	-	-	-	-
6.b	Non-monetary financial assets	-	-	-	-
7.	Other	-	-	-	-
8.	Current assets	-	-	-	-
9.	Total assets	173,726,297	62,642,813	96,276,315	14,807,169
10.	Trade payables	141,105,685	36,567,109	104,538,576	-
11.	Financial liabilities	-	-	-	-
12.a	Monetary Other liabilities	110,159	37,397	72,762	-
12.b	Non-monetary Other liabilities	-	-	-	-
13.	Short term liabilities	141,215,844	36,604,506	104,611,338	-
14.	Trade payables	-	-	-	-
15.	Financial liabilities	-	-	-	-
16.a	Monetary Other liabilities	-	-	-	-
16.b	Non-monetary Other liabilities	-	-	-	-
17.	Long term liabilities	-	-	-	-
18.	Total liabilities	141,215,844	36,604,506	104,611,338	-
	Off-balance sheet derivative instruments net position	-	-	-	-
19.	(19a-19b)	-	-	-	-
19.a	Derivative assets	-	-	-	-
19.b	Derivative liabilities	-	-	-	-
20.	Net foreign currency position (9-18+19)	32,510,453	26,038,307	(8,335,023)	14,807,169
21.	Net foreign currency position of monetary items	-	-	-	-
	(1+2a+5+6a-10-11-12a-14-15-16a)	-	-	-	-
22.	Total fair value of financial instruments used	32,119,053	26,038,307	(8,335,023)	14,415,769
	for currency hedge	-	-	-	-
23.	Hedged amount of foreign currency assets	-	-	-	-
24.	Hedged amount of foreign currency liabilities	-	-	-	-
25.	Export	732,916,882	634,353,430	67,669,373	30,894,079
26.	Import	610,177,801	279,436,189	327,580,043	3,161,569

Sensitivity analysis,

30 June 2023				
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TRY				
USD net asset/liability	1,737,672	(1,737,672)	1,737,672	(1,737,672)
USD hedged portion	-	-	-	-
USD net effect	1,737,672	(1,737,672)	1,737,672	(1,737,672)
The impact of 10% increase/decrease of Euro against TRY				
Euro net asset/liability	(1,169,939)	1,169,939	(1,169,939)	1,169,939
Euro hedged portion	-	-	-	-
Euro net effect	(1,169,939)	1,169,939	(1,169,939)	1,169,939
Total	567,733	(567,733)	567,733	(567,733)

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32. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS
(Continued)

	31 December 2022			
	Profit / Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
The impact of 10% increase/decrease of USD against TRY				
USD net asset/liability	2,603,831	(2,603,831)	2,603,831	(2,603,831)
USD hedged portion	-	-	-	-
USD net effect	2,603,831	(2,603,831)	2,603,831	(2,603,831)
The impact of 10% increase/decrease of Euro against TRY				
Euro net asset/liability	(833,503)	833,503	(833,503)	833,503
Euro hedged portion	-	-	-	-
Euro net effect	(833,503)	833,503	(833,503)	833,503
Total	1,770,328	(1,770,328)	1,770,328	(1,770,328)

33. GOODWILL

The Group purchased 75% of Lyksor Kimya San A,Ş, shares on April 4, 2022 and later changed its title to "Kalekim Lyksor Kimya San, A,Ş," ("Kalekim Lyksor"),

Kalekim Lyksor produces and sells concrete and cement chemicals, raw materials used in concrete and cement chemicals, architectural concrete products, concrete curing and protective materials, concrete waterproofing additives, mineral grinding aids, macrosynthetic micro and steel fibers to be used in concrete,

	30 June 2023	31 December 2022
Goodwil	20,394,861	20,394,861
Total	20,394,861	20,394,861

34. SUBSEQUENT EVENTS

The Corporate Tax rate has beenincreased by 5 points with the "Draft Law Regarding the Establishment of Additional Motor Vehicles Tax for the Compensation of Economic Losses Caused by the Earthquakes on 6 February 2023, and Amending Some Laws and the Decree Law No. As a result of the increase, the corporate tax rate was increased from 20% to 25% and it was proposed to end the regulation that exempts the income from the sale of real estate from corporate tax. The said bill was enacted on 15 July 2023.

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