



KALEKİM KİMYEVİ MADDELER SANAYİ VE TİCARET A.Ş.

Audit Committee Report

about the use of the funds obtained from the capital increase through rights issue

**Prepared Pursuant to Article 33 of the Communiqué on Shares Number VII-128.1 of the
Capital Markets Board**

January 19, 2024

1- SCOPE OF THE REPORT

Pursuant to Article 33 of the Capital Markets Board’s Communiqué on shares number VII-128.1 titled “Disclosure regarding the use of the funds obtained from the capital increase through rights issue”, it is obligatory for the Audit Committee to prepare a report within ten business days following the commencement of trading of the shares and the announcement of the first two financial statements containing the results of the capital increase made, regarding whether the funds obtained from the capital increase have been used as specified, and to publish the said report on the website of the corporation and Public Disclosure Platform.

The shares of Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş. (“Company” or “Kalekim”) were offered to the public on May 6-7, 2021 and have been traded on Borsa Istanbul since May 18, 2021. Following the announcement of the financial statements for the first two periods, containing the results of the capital increase, the reports regarding the uses of the funds obtained from the public offering were published on the Public Disclosure Platform.

In accordance with paragraph 33/(2) of the Communiqué; If the use of all the funds obtained from the capital increase occurs beyond the dates of the statements to be made within the framework of the first paragraph of this article, it is mandatory to make a material disclosure within ten business days following the date on which the entire fund is used.

As of the latest situation, all funds obtained from the capital increase have been used and this report has been prepared in this context.

2- AREAS OF USE OF THE FUNDS OBTAINED FROM THE PUBLIC OFFERING

By the public offering of new shares representing a capital with a nominal value of TL 15.000.000 issued due to the increase of the Company's issued capital of TL 100.000.000, within the registered capital ceiling of TL 300.000.000, to TL 115.000.000 by completely restricting the pre-emptive rights of the existing partners, a gross public offering revenue of TL 221.250.000 TL was obtained. A cost of TL 8.899.990 was incurred during the public offering, and the remaining net public offering income was TL 212.350.010.

Within the fund obtained from the public offering of company shares, 5%-15% was allocated for existing investments abroad, in Albania and Algeria according to the prospectus approved by the Capital Markets Board's decision dated 29.04.2021 and numbered 23/705. In line with the decision taken at the board of directors meeting dated 22.07.2022 to liquidate the company established under the title of Sarl HA Building Industry in Algeria, the Company decided to request from CMB to use the fund to be used in Algeria in new investments abroad.

Based on the Company's Material Disclose dated 04.01.2023, as a result of the Company's application discussed at the meeting of the Capital Markets Board dated 29.12.2022 and numbered 77/1860; it was decided to welcome the reallocation of the fund obtained from the public offering for new investments abroad and existing investments abroad as 30-35% and 1-2%, respectively.

Areas of Use of the Funds Obtained from Public Offering	Previous Allocation	New Allocation
a. Company Acquisitions and/or New Investments in Domestic Market	60-70%	60-70%
b. New Investments Abroad	25-35%	30-35%
c. Existing Investments Abroad	5-15%	1-2%
Total Fund Usage	100%	100%

a) Company Acquisitions and/or New Investments in Domestic Market

It was planned to use 60% - 70% of the company's IPO proceeds for new company acquisitions and/or new factory investments in the fields of concrete admixture, paint, polyurethane and epoxy, which would contribute to the existing product portfolio in the construction materials sector and support its domestic growth.

Following the Material Disclosure on February 12, 2022, the Company paid TL 139.135.012 for acquiring 75% shares of **Lyksor Kimya A.Ş.**, which has been operating in concrete admixtures.

b) New Investments Abroad

In order to meet the increasing demand in **Northern Iraq**, a total of TL 42.024.147 TL was paid in 2021-2023 period for the establishment of additional dry mortar line in the **Mardin Organized Industrial Zone** for the production of concentrated products requested by export markets.

In order to increase its activities in Eastern European market, the Company paid TL 1.018.947 for the capital needs of Kalekim **Romania S.A.**, which was established 50%-50% with a local partner in the Romanian market in 2022.

In order to expand its market position in Northern Iraq to the central and southern regions of the country and to meet possible demand from Syria in the medium term, the Company invested TL 26.988.625 TL until the date of publication of this report for an allocated land in **Duhok** and production-related machinery and equipment.

c) Existing Investments Abroad

In line with the reallocation, which was welcomed by the CMB, the Company was aiming to spend 1-2% of the IPO revenue on existing foreign investments.

Within the framework of the decision taken at the General Assembly meeting dated 12.07.2021 and the provisions of the articles of association of Kalekim Neon SHA, a former subsidiary of the Company, established in Tirana, Albania, in which the Company participated 51%; the Company participated in the capital increase to meet the working capital need due to growth, by paying TL 261.003 by using the entire right to purchase new shares.

Additionally, in order to support paint sales of the Company's existing subsidiaries and export markets, an investment of TL 2.922.339 was made for the color bank machines.

3- RESULT

As stated in the public offering prospectus approved by the Capital Markets Board as of 29.04.2021, within the framework of the commitment of the Company management regarding the fund usage locations of the net income obtained:

- In order to enter concrete and cement additive product groups in the domestic construction materials sector, 75% shares of Lyksor Kimya A.Ş. were acquired for a sum of TL 139.135.012, which constitutes 65.5% of the company's public offering revenue.
- For existing foreign investments and export markets, a sum of TL 3.183.342, corresponding to 1,5% of the public offering revenue, was spent for Kalekim Neon capital increase and color bank machines investment.
- For new foreign investments, a sum of TL 70.031.719 TL, amounting to 33% of the public offering revenue, was used to inject equity in a JV in Romania, build an additional dry mortar production line in Mardin for export markets and pay for land, machinery and equipment investments for local production in Iraq.

Areas of Use of the Funds Obtained from Public Offering	Planned	Realised
a. Company Acquisitions and/or New Investments in Domestic Market	%60-70	%65,5
b. New Investments Abroad	%30-35	%33,0
c. Existing Investments Abroad	%1-2	%1,5
Total Fund Usage	%100	%100,0

As a result, the Company used all funds it obtained within the scope of public offering through capital increase, in accordance with the stated purposes in the Public Offering Prospectus.

Regards,

Kalekim Kimyevi Maddeler Sanayi ve Ticaret A.Ş.

Audit Committee

Mustafa YILMAZ

Chairperson

Fevzi Tayfun KÜÇÜK

Member