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KİMTEKS POLYURETHANE

2022 ANNUAL REPORT

PERIOD BETWEEN 01.01.2022 and 31.12.2022

KİMTEKS POLİÜRETAN SAN. VE TİC. A.Ş.

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1. BACKGROUND

Trade Name	:	KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş.
Period of the Report	:	01.01.2022-31.12.2022
Authorized Share Capital	:	550.000.000
Paid-in Capital	:	121.550.000
Market Traded in BIST	:	Yıldız Pazar
Trade Registry Number	:	988994-0
Registered Office	:	Emniyet Evleri Mahallesi Eski Büyükdere Caddesi Sapphire Plaza No:1/4 Kat:19 Daire:1 34415 Kağıthane - İstanbul / TÜRKİYE
Production Facilities	:	Gebze Plastikçiler Organize Sanayi Bölgesi İnönü Mah. Cumhuriyet Caddesi Balçık Yolu Üzeri 7. cadde No: 43 Gebze - Kocaeli / TÜRKİYE
Contact information		
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1.1 Board of Directors, Company Executives and Employees

1.1.1 Board of Directors

The members of the Board of Directors were appointed at the ordinary general assembly meeting held on 22.01.2021, and the independent board members were appointed at the extraordinary general assembly meeting held on 05.10.2021.

NAME & SURNAME	DUTY	TERM OF DUTY
Yuda Leon Mizrahi	Chairman of the Board	22.01.2021 - 22.01.2024
Cavidan Karaca	Vice President of the Board	22.01.2021 - 22.01.2024
İsak izi Mizrahi	Board Member	22.01.2021 - 22.01.2024
Ömer Bakır	Independent Board Member	05.10.2021 - 22.01.2024
Mehmet Mete Başol	Independent Board Member	05.10.2021 - 22.01.2024

Yuda Leon Mizrahi – Chairman of the Board

Yuda Leon Mizrahi (born in 1957) graduated from the Department of Chemical Engineering, Bogazici University in 1980. After graduation, he worked in family companies, belonging to his father, in the production of plastic soles, and established, together with Salvo Özsarfati, a company that trades and

distributes artificial leather, rubber, coating and additives in 1983 (Kimteks Kimya). In 1985, he founded another company in the paint industry (Renkim) together with Salvo Özsarfati and Lauren Margulies. In 2007, he became the founding partner of a real estate company (Ortak Gayrimenkul) and accomplished several real estate development projects.

In 2011, he established another real estate company (Dörtgen) as a family company. Apart from its own real estates, this was an umbrella company that owned shares of Kimteks Kimya, Renkim and Ortak Gayrimenkul. As a result of the demerger in 2015, Kimteks Kimya was replaced by Kimpur.

Yuda Leon Mizrahi runs his business life as the main partner of the issuer and one of the partners of Dörtgen, Kimteks Kimya and Ortak Gayrimenkul.

Cavidan Karaca – Vice President of the Board

Cavidan Karaca was born on 12.09.1970 in Konya-Akşehir. She graduated from the Department of Mechanical Engineering at the Middle East Technical University in 1992 and began her business life.

She worked as a production and planning engineer at Erkunt Sanayi A.S between 1992-1996, as a plastic tool production engineer at the refrigerator plant of Arçelik A.S. between 1996-1997, and as a purchasing manager at General Directorate of Arçelik A.S. between 1997-2001. She worked as a purchasing director at Omsan Lojistik A.S between 2001 and 2002. She became the founding partner of a consultancy company (Innovis Ticaret ve Danışmanlık A.S.) and provided management consultancy services to more than a hundred companies, mainly in production, tourism and other service industries between 2002 and 2014. During this period, she also worked as the general manager of Işık Plastik between 2002-2007.

She began to work as a consultant at Kimteks Kimya Tekstil Ürünleri A.S. in 2014 and assigned as the CEO in 2015. Following the demerger of the issuer from Kimteks Kimya, she has been serving as the CEO and Vice President of the Board since the end of 2015.

İsak İzi Mizrahi – Board Member

He was born in 1984 in Istanbul. He studied Electrical and Computer Engineering at Carnegie Mellon University, Pittsburg, USA between 2002-2004. He completed the Industrial Engineering Department at Koc University between 2005-2008.

He began his career as a purchasing specialist at the American Hospital in 2008. In 2011, he continued to work as a production engineer at Kimteks Kimya.

Between 2012 and 2015, he worked as a business development manager at Dörtgen Gayrimenkul Yatırım ve Turizm A.S., which is also a family corporation. He has completed works and investments in the renovation and utilization of some real estates in the tourism industry.

From November 2015 until 05.10.2021, he was a member of the board of directors in charge of purchasing and foreign trade at the Issuer, which is also a family company. He got involved in the management of the procurement of all chemical raw materials and service items, new supplier and product research processes in international markets, and fair participation, market research and supplier relationship management processes. He has been currently serving as a non-executive Board Member since 05.10.2021.

Ömer Bakır – Independent Board Member

He was born on 1951 in Malatya. He started his high school education in 1965. After graduating from high school in 1968, he gained his bachelor's degree in chemical engineering at Ege University in 1972.

He continued his chemistry education at Kiel University, Germany, in 1973. Afterwards, he worked as a lecturer at the same university for 3 years.

He began his professional career in 1985 at Bayer AG Leverkusen in the sales and marketing processes in the rubber and plastics departments.

In 1988, he returned to Turkey and began to work as a board member and department director at Bayer Türk. During the 24-year period of duty at Bayer Türk, he had the opportunity to get to know all sectors in the industry.

In 2012, he quit Bayer Türk Industrial Products General Management, and he started his duty as the general manager of a newly established chemical company (Lanxess Kimya Tic. Ltd. Şti).

He retired in 2017 and is not currently working anywhere.

During his professional career, he served on the boards of the Turkish Chemical Manufacturers Association (TKSD), the Association of Paint Industry (BOSAD) and Association Rubber Industry.

Mehmet Mete Başol – Independent Board Member

Mehmet Mete Basol (Born in 1957) graduated from Arizona State University, BSc Economics, and started his career in 1984 at INTERBANK, in the Medium-Term Loans Department, in various investment projects. He performed economic evaluations in these projects and prepared industry reports. He was assigned as the Treasury, Fund Management and Foreign Relations Manager at the investment bank, Türk Merchant Bank, which was established in 1988 as a partnership of Bankers Tust Co. Newyork and T. İş Bankası. In 1992, he assumed the responsibility of the capital markets group as Assistant General Manager. In 1995, following the acquisition of the bank by the Bankers Trust, he was elected as a member of the board of directors and credit committee. He assumed the position of chairman of the board of directors and general manager of the bank (operating by the name of Bankers Trust A.S. between 1997 and 1999 and Deutsche Bank A.S. between 1999 and 2001). Between 2001 and 2003, he joined the public banks joint board of directors (T.C. Ziraat Bankasi A.S., Türkiye Halk Bankasi A.S., T. Emlak Bankasi A.S.). Following

this duty, he established a financial concultancy company (Tridea Finansal Danışmanlık Hizmetleri Ltd. Şti.) with two partners and provided financial and administrative consultancy services to SMEs. After 2009, he continued his consultancy services under his own private company. He served as a member of the board of directors of Galatasaray Sportif A.Ş (2011-2012), Türkiye İş Bankası A.Ş (2011-2014), Dedeman Holding A.Ş. (2008-2014) and Dedeman Turizm Otelcilik Yatırım A.Ş. (2012-2014). He served as the independent board member, chairman of the audit committee and a member of the corporate management committee at Coca-Cola İçecek A.Ş. (2012-2018) and Anadolu Efes Biracılık ve Malt Sanayii A.Ş. (2012-2018). He also served as a member of the board of directors and chairman of the risk committee, representing the minority shareholder Partners Group of Enerji Yatırım Holding A.Ş (2014-2021), Enerya Gaz Dağıtım A.Ş (2014-2021), Enerya Gaz Ticaret A.Ş. (2014-2021). He was an independent member of the Board of Directors of Sabancı Holding A.S. (2018-2021), and chaired the audit and risk committee. Currently, he is a board member of Nurol Yatırım Bankası A.S. (2014), an independent board member of Enka İnşaat ve Sanayii A.S. (2018) and the chairman of the early risk detection committee and a member of the audit committee.

1.1.2. Duties of the Members of the Board of Directors and Managers Outside the Company

The duties performed by the members of the board of directors and managers outside the company are given in the table below.

Name & Surname	Title	Duty	Currently	Capital Share		
				Amount	PB	(%)
Yuda Leon Mizrahi	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Chairman of the Board	Continuing	45.433.241	TL	37,38%
	Dörtgen Gayrimenkul Yatırım ve Turizm A.Ş.	Chairman of the Board	Continuing	12.345.405	TL	58,00%
	Mipelle Deri Sanayi ve Ticaret A.Ş.	Vice President of the Board	Discontinued	5.500.000	TL	50,00%
	Kimteks Kimya Tekstil Ürünleri A.Ş.	Partner of Company	Continuing	625.000	TL	12,50%
	Mizrahi İstanbul Gayrimenkul A.Ş.	Chairman of the Board	Discontinued	21.823.263	TL	76,00%
	Mizrahi Investment Lda	Partner of Company	Continuing	3.700.000	TL	74,00%
	Mizrahi Greece	Manager	Continuing	2.100.000	TL	70,00%
	Mizrahi Investment Malta	Partner of Company	Continuing	604.000	TL	60,40%
	Renkim Dış Ticaret Anonim Şirketi	Chairman of the Board	Continuing	None	TL	None
	Ortak Gayrimenkul Ticaret Anonim Şirketi	Vice President of the Board	Continuing	None	TL	None

Cavidan Karaca	Kimteks Poliüretan Sanayi ve Ticaret A.Ş	Vice President of the Board	Continuing	None	TL	None
	İnnovis Ticaret ve Danışmanlık A.Ş.	Chairman of the Board	Continuing	50.000	TL	50,00%
	Kimplast Granül Sanayi ve Ticaret A.Ş.	Vice President of the Board	Continuing	None	TL	None
	Mizrahi One Uk	Partner of Company	Continuing	200.000	GBP	10,00%
	Mipelle Deri Sanayi ve Ticaret A.Ş.	Board Member	Discontinued	None	TL	None
	Dörtgen Uk Lımıted	Partner of Company	Continuing	200.000	GBP	10,00%
İsak İzi Mizrahi	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Board Member	Continuing	10.253.885	TL	8,44%
	Dörtgen Gayrimenkul Yatırım ve Turizm A.Ş.	Vice President of the Board	Continuing	3.192.777	TL	15,00%
	Oniki Han Gayrimenkul Kiralama Limited Şirketi	Company Owner	Continuing	120.000	TL	100,00%
	Mizrahi İstanbul Gayrimenkul A.Ş.	Vice President of the Board	Discontinued	1.722.889	TL	6,00%
	Mizrahi Greece	Partner of Company	Continuing	150.000	TL	5,00%
	Mizrahi Investment Malta	Partner of Company	Continuing	99.000	GBP	9,90%
	Mizrahi Investment Lda	Director	Continuing	650.000	TL	13,00%
Murat Kuzkan	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Business Development and Global Sustainability Director	Continuing	127.115	TL	0,10%
Yener Rakıcıoğlu	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	R&D Director	Continuing	951.195	TL	0,78%
Kadir Tuncay Halat	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Export Director	Continuing	None	TL	None
Mustafa Özyılmaz	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Business Director	Continuing	None	TL	None
Zafer Demirel	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	CFO	Continuing	None	TL	None
Türker Tuncer	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Human Resources Dırector	Continuing	None	TL	None
Mehmet Bürge Bilgin	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Purchasing and Foreign Trade	Continuing	None	TL	None

Ömer Bakır	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Independent Board Member	Continuing	None	TL	None
Mehmet Mete Başol	Kimteks Poliüretan Sanayi ve Ticaret A.Ş.	Independent Board Member	Continuing	None	TL	None
	Nurol Yatırım Bankası A.Ş.	Board Member	Continuing	None	TL	None
	Enka İnşaat ve Sanayii A.Ş	Independent Board Member	Continuing	None	TL	None
	Coca-Cola İçecek A.Ş.	Independent Member of the Board of Directors - Chairman of the Audit Committee and Member of the Corporate Management Committee	Discontinued	None	TL	None
	Anadolu Efes Biracılık ve Malt Sanayii A.Ş.					
	Enerya Gaz Dağıtım A.Ş.	Board Member	Discontinued	None	TL	None
	Enerya Gaz Ticaret A.Ş.	Board Member	Discontinued	None	TL	None
	Sabancı Holding A.Ş.	Independent Member of the Board of Directors - Head of Audit and Risk Committee	Discontinued	None	TL	None
	Enerji Yatırım Holding A.Ş.	Board Member	Discontinued	None	TL	None

1.1.3. Authorities and Limits of Board Members and Senior Executives

The Board Members and Senior Executives represent and manage the company with their authorities specified in the relevant articles of the Turkish Commercial Code and the Company's Articles of Association and with the internal directive of the Board of Directors No. 13 dated 03.08.2021.

1.1.4 Board of Directors Committees

With an aim to comply with the "Communiqué on Corporate Management" published by the Capital Markets Board, several committees were established with the Board of Directors Resolution No. 2021/19 dated 12.10.2021.

- **Audit Committee**

The Audit Committee oversees the company's accounting system, public disclosure of financial information, independent auditing, and the operation and effectiveness of the company's internal control and internal audit system. The audit committee supervises the selection of the independent audit company, the preparation of independent audit contracts, the initiation of the independent audit process, and the progress of the independent audit company at every stage. The meetings of audit committees are held at least four times a year, at least once every three months, and the results are recorded in the minutes and presented to the Board of Directors. The resolutions taken at the meetings are put into writing, signed and archived by the Committee members. The Audit Committee notifies the Board of Directors in writing about the findings and suggestions on their own duties and responsibilities.

The committee members convened 4 (four) times within the period of January 01, 2022 and December 12, 2022, notified the board of directors and took all the decisions unanimously.

NAME & SURNAME	DUTY	TERM OF DUTY
Mehmet Mete Başol	Head of the Audit Committee	Independent Member
Ömer Bakır	Member	Independent Member

- **Early Risk Detection Committee**

The Early Risk Detection Committee makes suggestions and recommendations to the Board of Directors on identifying, defining, prioritizing, monitoring and reviewing the strategic, financial, operational risks and opportunities that may affect the Company's activities by calculating their impact and possibilities, as well as managing, reporting and taking into account these risks and opportunities in line with the company's risk profile in decision mechanisms. The committee meetings are held at least 3 times a year and the decisions are taken unanimously by the participants. The resolutions taken at the meetings are put into writing, signed and archived by the Committee members.

The committee members convened 4 (four) times within the period of January 01, 2022 and December 12, 2022, notified the board of directors and took all the decisions unanimously.

NAME & SURNAME	DUTY	TERM OF DUTY
Mehmet Mete Başol	Head of Early Risk Detection Committee	Independent Member
İsak İzi Mizrahi	Member	Not Independent Member

- **Corporate Management Committee**

The corporate management committee determines whether the corporate management principles are applied in the company. If they are not applied, it determines the reasons and the conflicts of interest that occur due to lack of complying with these principles. The committee also makes recommendations to the Board of Directors to improve corporate management practices and oversees the work of the investor relations department. The Committee also undertakes the duties of the Nomination Committee and the Remuneration Committee, which are stipulated in the regulations of Capital Markets Board. The committee meets three times a year and when deemed necessary, without waiting for this period, and the decisions are taken unanimously by the participants. The resolutions taken at the meetings are put into writing, signed and archived by the Committee members.

Pursuant to the Capital Markets Board's Corporate Management Communiqué No. II-17.1, Article 11, the Company's Investor Relations Department has been established in order to fulfill the company's obligations arising from the Capital Markets legislation. An investor relations manager has been appointed to the investor relations department to work under the general manager of the company and to report to the company's board of directors at least once a year about his/her activities.

The committee members convened 4 (four) times within the period of January 01, 2022 and December 12, 2022, notified the board of directors and took all the decisions unanimously.

NAME & SURNAME	DUTY	TERM OF DUTY
Ömer Bakır	Head of Corporate Management Committee	Independent Member
İsak İzi Mizrahi	Member	Not Independent Member
Damla Mermeroğlu	Member	Investor Relations Manager

1.1.5 Personnel Information

As of 31.12.2022, the number of employees is 254.

1.1.6 Amendments in the Articles of Association during the Period

Amendments have been made in the Articles of Association of our company between January 01, 2022 and September 30, 2022. The application has been made to the Capital Markets Board ("Board") on 11.05.2022 for the approval of the draft amendment prepared in the 6th article of our Company's Articles of Association titled "Capital", required to be registered without seeking a general assembly resolution under the Capital Markets Law No. 6362, Article 18, paragraph 7 and the Share Communiqué No. VII-128.1, Articles 25/1 (c) and (ç), due to the increase of our issued capital from 110.000.000 TL to 121.550.000 TL after the public offering of our company's shares, and has been approved by the Board's Letter No E-29833736-105.01.01.01.-21643 (20.05.2022). Based on the permission letter by Capital Markets Board (CMB), the amendment text of the Company's Articles Of Association, Article 6, titled "Capital" was registered by the Istanbul Trade Registry Office on 30.05.2022 and announced in the Turkish Trade Registry Gazette No. 10587 (30.05.2022).

1.1.7 Number of Meetings of the Board of Directors and Participation of Members during the Period

The Company's Board of Directors held 28 meetings between January 01, 2022 and December 12, 2022. The Board of Directors' meeting was held with the participation of the majority of members.

1.2 Company's Capital, Shareholding Structure and Privileged Shares

1.2.1 Capital

Company's Paid/ Issued Capital is 121,550,000 TL.

1.2.2 Shareholding Structure

Partner's Name-Surname/Trade Title	Share in the Capital (TL)	Share in the Capital (%)	Voting Rate (%)
Yuda Leon Mizrahi	45.433.241	37,38	55,14
Etel Sason	13.272.633	10,92	5,23
Beti Mizrahi	10.253.885	8,44	4,04
İsak İzi Mizrahi	10.253.885	8,44	12,80
Salvo Özsarfati	9.511.952	7,83	3,75
İnnovis Ticaret ve Danışmanlık A.Ş.	7.133.966	5,87	8,90
Other	25.690.438	21,12	10,14
Total	**121.550.000**	**100**	**100**

1.2.3 Privileged Shares

A) Privileged Share Amount: 33.000.000-TL

B) Voting Rights of Privileged Shares: Group A Privileged Shareholders have the privilege to nominate candidates in the Board of Directors and to exercise their right to vote in the General Assembly. Each share has 5 voting rights.

1.3 Direct or Indirect Subsidiaries and Share Ratios

Title	Country of Establisment	Activity	Participation Type	Affiliate / Subsidiary	Effective partnership share	Participation share	Capital
Kimplast Granül Sanayi ve Ticaret A.Ş.	Türkiye	Wholesale of Rubbers and Plastics in Primary Forms (Ethylene, Styrene, Vinyl Chloride, Acrylic, etc.) Synthetic and Reclaimed Rubbers in Primary Form with Polymers)	Directly	Subsidiary	100%	83,33%	7.500.000 TL
Kimpur Rus ve Cıs Limited Company	Russia	Chemicals Trade and Agency Activities	Directly	Subsidiary	100%	100%	3.000.000 RUB
Kimpur International Trading Limited	Malta	Chemicals Trade and Agency Activities	Directly	Subsidiary	100%	100%	100.000 EUR
SIA Kimpur Europe	Latvia	Chemicals Trade and Agency Activities	Directly	Subsidiary	100%	74,99%	802.800 EURO

2. FINANCIAL RIGHTS OF MEMBERS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

The total wage paid to the Members of the Board of Directors and Senior Executives between the period 01.01.2022 and 31.12.2022 is 34.935.884 TL.

3. COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS REGARDING ACTIVITIES

3.1 Main Areas of Activities

Being of the manufacturers of polyurethane systems in Turkey, the company continues to provide uncommon solutions for customers thanks to its investments on R&D and technology.

The products produced by the company are defined as “polyurethane systems”. It supplies raw materials in “liquid form” to the following industries. Polyurethane systems consisting of 3 or more components are shipped to customers as liquids in drums, tankers or IBC packages. The customer mixes the liquid raw materials during the process, and the process using blowing gases gives polyurethane foam in different forms.

Polyurethanes are polymers formed by the reaction of polyols containing OH group and isocyanates containing NCO group. However, polyurethane systems are commonly considered as special solutions shaped as a result of customer demands and expectations together with know-how, experience and simulation techniques. These customer demands may vary with each other such as densities that provide cost advantage, different hardness demands, demolding at a certain speed, cell structure, very good adhesion to surfaces or not, hydrolysis resistance, dimensional stability, antistatic properties, flexibility, different colors and appearances. These systems are recommended and produced for the polyurethane industry, from single-component products to 4-5-component products, as follows.

- **Polyurethane systems for the Footwear and Slippers industry**

These are 3-component polyester systems.

1. The primary component is Polyester Polyol and/or Polyester Polyol blends.
2. The secondary component is the physical mixtures of glycols (called Crosslinker), catalyst, surfactant, performance additives and water.
3. The third component is the prepolymers formed due to the reaction of Polyester Polyols and MDIs.

- **Flexible foam systems**

For the automotive and office furniture industries;

1. The primary component is a physical mixture of polyether polyols, called Polymix, catalyst, surfactant, water and/or blowing agents.
2. The secondary component is the prepolymers formed due to the reaction of polyether polyols and MDIs called Prepolymers.

- **Rigid foam systems**

Two-component rigid foam systems for insulation for panels and white appliances;

1. The primary component is a physical mixture of polyether polyols, called Polymix, catalyst, surfactant, water and/or blowing agents.
2. The secondary component is Polymeric MDI, supplied from global suppliers and offered to customers as a component of the system.

Rigid foam systems with 4-5 components for the insulation panels.

1. The primary component is a physical mixture of polyether polyols, called Polymix, catalyst, surfactant, water and/or blowing agents.
2. The secondary component is a mixture of performance additives called additives. They are processed in the same process as polymix.
3. The third component is a mixture of special catalysts and processed in the same process as the polymix.
4. The forth component is Polymeric MDI, supplied from global suppliers and offered to customers as a component of the system.
5. Other

- **Case -Adhesive, Binders - Moisture-curing one-component prepolymers**

1. They are prepolymers formed due to the reaction of Polyester Polyols and MDIs.

3.2 Research and Development Activities

Kimpur attaches importance to R&D activities with its investments in its technological infrastructure and human resources. It focuses on R&D, new product development, price performance improvement of existing products, and the development of new products and applications that will provide guidance on the unmet needs of our customers.

The company is one of the companies with advanced laboratory infrastructure in the polyurethane industry and employs 27 researchers, each of whom is specialized in their own field. 5, 5, 11 and 6 of researchers have doctor's degree, master degree, bachelor's degree and college degree, respectively.

The main principle of our company is to ensure customer satisfaction, support its customers with its products, and to increase their competitiveness in the domestic and especially abroad markets. For this purpose, it designs the most suitable products for its customers by simulating the production of its customers through its technological investments in its own laboratories.

The R&D team is basically divided into 3 main groups based on the product groups. In the group where product studies are carried out for the footwear industry, raw materials are developed for all kinds of products such as soles, slippers, boots etc. All products are developed by the Rigid division for insulation in the construction and refrigerator industries. There are Flexible and Case divisions for many various industries, especially automotive and furniture.

The products are chemically divided into three main groups: polyester, polymix and prepolymer. Kimpur is one of the companies with the largest polyester production capacity in Turkey in the industry. In addition to the polyester polyols it has developed as semi-finished products in its products, it sells directly to domestic and foreign markets. Polimix products consist of a mixture of different raw materials, taking into account the needs of its customers in all kinds of industries. Regarding the isocyanate required for the formation of the polyurethane material, the mixture or reaction processes produce the prepolymers.

The R&D team performs all critical product tests, which are required to be done at the customer's facilities, in accordance with the standards. In line with the needs and demands of the customer, the company's laboratories have the necessary equipment infrastructure. All mechanical and physical properties of the materials are measured and the required criteria are presented for customer satisfaction.

Due to the importance given to the environment and human health, which is one of the most significant principles, the company always gives priority to environmentally friendly raw materials in the products. Several projects have been successfully implemented for this purpose. For example, with the aim of developing a halogen-free product, the project named "170106 - Development of Alternative Blowing Agent Systems to Replace Halogen-Containing Blowing Agents such as 141b, 365/227 and 245fa for Polyurethane Systems" has been carried out successfully and these products have been added to the product range.

Another project named “Obtaining Polymeric Polyester by Styrene Polymerization”, was awarded with an investment incentive by the Ministry of Industry and Technology as an import substitute product (since it is not produced in Turkey).

Polymeric Polyester Polyols are very significant performance-enhancing raw materials with an intense area of application in footwear systems.

The investment related to the project was brought to completion in 2019, which was supported by 80% within the scope of the “strategic investment incentives” of the Ministry of Industry and Technology. This raw material, 100% of which is imported, has began to be used in our own production and sold to other system houses both at home and abroad, which has made a great contribution to our country’s economy.

One of the important strategies of R&D is to develop its own products with sustainable and domestic resources. The aim is to always utilize the domestic resources at the maximum level in all the projects. In addition, the suppliers are always closely followed in order to reduce its dependence on raw materials and to create alternative sources.

Thanks to all these competencies and successful works, the R&D Center was awarded the Ministry of Industry and Technology in 2017. The company keeps presenting its projects with its own resources and the support of the Ministry of Industry and Technology, which results in increased number of products and customers every year. With its strength in this field, it increases its potential and share in domestic and foreign markets.

As of 31.12.2022, the Kimpur R&D Center has 27 employees with an average of 12 years of industry experience.

The R&D Center Certificate was obtained and 7 projects of TEYDEB (Technology and Innovation Funding Programs Directorate) were completed. One of these projects was awarded with an investment incentive by the Ministry of Industry and Technology. Fourty eight R&D Center Projects have
been completed since the time it was awarded with the title of R&D Center. Four projects are still in progress and seven projects are planned.

Two patents developed in these projects are currently pending.

Under the R&D activities, studies are carried out with various universities and private companies. In addition, European Union Projects were included in the strategies, and we concentrated our attention on studies in this regard.

In 2019, based on the number of projects carried out in the R&D center and among the top 50 companies according to the number of brands, Kimpur was among the first 100 companies in Turkey. *

In 2019, 2020 and 2021, Kimpur was among the 250 companies with the highest R&D expenditures in Turkey.

*(https://turkishtimedergi.com/ar-ge-250/)

R&D Strategies;

- To increase the number and quality of R&D Center personnel,
- To increase university-industry cooperation and to follow basic researches in our field,
- To carry out joint R&D projects with customers and suppliers,
- To benefit more effectively from national and international R&D support programs and to increase the number of our projects,
- To strengthen qualified personnel and infrastructure for application and simulation processes,
- To develop new and innovative products in the international market,
- To develop joint projects with companies and institutes abroad,
- To develop alternative domestic products to all imported products in the domestic market,
- To develop environmentally friendly and economical products that will increase our competitiveness with global players,
- To develop products that not only meet the needs of the market, but also shape the market, in order to be one of the global players among polyurethane system manufacturers.

3.3 Important Developments on Company Activities

√ With the reassignment on 07.01.2022, "Mr. Murat Kuzkan, who was the Business Director, has been appointed as the Business Development and Global Sustainability Director, and Mr. Mustafa Özyılmaz, who was the Raw Material and Polyester Business Unit Director, has been appointed as the Business Director."

√ On February 01, 2022, JCR AVRASYA DERECELENDİRME A.Ş., (credit rating company) rated our company's Long-term national credit rating as "AA-"(Trk) and short-term national credit rating as "A-1+" (Trk), and our company was considered to be "stable". JCR AVRASYA DERECELENDİRME A.S., determined our Company's long-term international foreign and local currency credit rating as "BB", and short-term international foreign and local currency credit rating as "B", and our company was considered to be "stable".

√ An agreement has been made on 04.02.2022 with Schmid Pekintaş Güneş Enerji Sistemleri San. Ve Tic. A.S. to invest in a rooftop solar power plant in our factory building located on the address of Gebze Plastikçiler Organize Sanayi Bölgesi 7. Cadde N 43 Gebze/Kocaeli.

√ On 08.02.2022, "Dividend Policy, Information Policy, Remuneration Policy, Donation and Aid Policy" were published.

√ On 15.02.2022, the company participated in the capital increase of Kimplast Granül Sanayi ve Ticaret Anonim Şirketi (Kimplast), of which our company has a 50% sharing. Upon the capital increase, our sharing rate in the capital of the said company was 83.33%.

√ On 22.02.2022, It was decided that the proposal on the selection of the audit company (DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.S), for the audit of our company's 3-month and 9-month interim financial reports and 12-month and 6-month operational period of 2022, will be included in the agenda of the ordinary general assembly to be proposed at the ordinary general assembly meeting for 2021.

√ On 24.02.2022, our company has decided to participate in the foreign currency-protected deposit for its deposits in various banks..

√ On 28.02.2022, it was decided to continue the planned public offering of our company's shares and an application was made to the Capital Markets Board on February 25, 2022, with the prospectus prepared.

√ On 17.03.2022, As stated in the public offering prospectus, Kimpur has cooperated with the 'Adamantan SA' with a capacity of 25 K tons, operating in the chemical industry in Latvia. The company has made a partnership in the new company named SIA Kimpur Europe, established in Latvia, to which the existing building and fixed asset investments have been transferred. The registration process of the company, established by the partnership of Kimpur and Adamantan (75% belongs to Kimpur and 25% belongs to Adamantan), has been completed. The company titled SIA Kimpur Europe will start its activities as a subsidiary of Kimpur.

√ It was stated in the draft public offering prospectus that an agreement has been made for the allocation of land in the Gümüşova Organized Industrial Zone to establish a facility in Düzce on 28.03.2022, the building project of the facility is in progress for the production of 50 K tons of polyurethane, in the first phase, on a land of 17,015 m^2. The company aims to initiate the construction works. Besides, in addition to polyurethane production, it plans to activate a "PET recycling facility with a capacity of 5 K tons and a production capacity of 10 K tons of "EVA granule raw materials". The building and infrastructure design of the facility, to be established in Düzce, has been completed, and a contract has been made with " Pekintas A.S" for the construction of the building.

Under our sustainability policies, which are among the fundamental values of our company, it has been decided to invest in a rooftop solar power plant in our new factory building located in the Gumusova Organized Industrial Zone, in order to use solar energy (a renewable and clean energy source) in the production, to produce environmentally friendly solutions, to contribute to the company policies with aim to reduce foreign dependency on energy and to strengthen our company's competitive structure in exports and domestic markets by reducing energy costs in production. Our company will save on electricity expenses that it will generate with this investment. In line with the scheduled production capacity, we aim to meet approximately 55% of the total electricity consumption and to reduce approximately 679 tons/year of CO2. For the solar energy power plant investment, an agreement has been made with 'Schmid Pekintaş Güneş Enerji Sistemleri San. ve Tic. A.S.

√ Our company has fulfilled the criteria of the Great Place to Work Institute, which provides services on a global scale in terms of workplace culture and employee satisfaction, in 2021 with a positive employee experience and high trust culture, and the company was awarded the "Great Place to Work" certificate on 31.03.2022. Our company was ranked the 23rd place in the category of "Companies with 100-249 Employees" in the "2022 Turkey's Best Employers Awards".

√ On 07.04.2022, our company ranks 8th among 1211 companies in the "Plastic Raw Materials Export" category in 2021 at the IKMIB Stars of Export Awards organized by the Istanbul Chemicals and Products Exporters' Association (IKMIB). It also ranks 28th in the "Organic Chemicals Export" category and 41st in the "Miscellaneous Chemicals Export" category.

√ On 12.05.2022, in addition to the Investment Incentive Certificate No 530864, amounting to 93.130.000 TL in line with PET Recycling Facility Factory Building and Machinery Equipment Investment, for "high-tech product production", which is among the priority investment subjects approved by the Turkish Ministry of Industry and Technology - Incentive Implementation and Foreign Capital General Directorate, for the first phase of our company's production facility, which will be built on a 17,015 m^2 land in Düzce Gümüşova Organized Industrial Zone, the Company received an Investment Incentive Certificate No 534146, amounting to TL 96,053,020 and accordingly can benefit from the support elements of VAT Exemption, Customs Duty Exemption, Insurance Premium Employer's Share Support, Interest Support and Tax Deduction for Polyurethane System House Building, Machinery Equipment investments for "medium-high technology" investment subjects by the Ministry of Industry and Technology - Incentive Implementation and Foreign Capital General Directorate. Besides, the Ministry has approved the plastic injection line, all parts and accessories of 50.000 Dollars added to the import list of medium-high technology investment incentive certificate no 523696 and dated 15/05/2021 in Gebze Plastikçiler Organized Industrial Zone.

√ On 24.05.2022, it was stated in the draft public offering prospectus that an agreement has been made for the allocation of land in the Gümüşova Organized Industrial Zone to establish a facility in Düzce on 28.03.2022, the building project of the facility is in progress for the production of 50 K tons of polyurethane, in the first phase, on a land of 17,015 m^2 The company aims to initiate the construction works. Besides, in addition to polyurethane production, it plans to activate a "PET recycling facility with a capacity of 5 K tons and a production capacity of 10 K tons of "EVA granule raw materials". An agreement has been made with Pekintaş A.Ş. for the building construction, where the building and infrastructure design of the said production facility to be established in Düzce has been completed. It was also stated that it was decided to invest in a rooftop Solar Power Plant in our new factory building in Gümüşova Organized Industrial Zone and an agreement was made with "Schmid Pekintaş Güneş Enerji Sistemleri San. Ve Tic. A.Ş." for the investment. A groundbreaking ceremony will be held today (24.05.2022) for the construction of the production facility to be established in the said Düzce Gümüşova Organized Industrial Zone with the participation of Düzce Governor Mr. Cevdet Atay and Duzce Mayor Dr. Faruk Ozlu."

√ On 30.05.2022, "Our company has signed a Corporate Governance Compliance Rating Service Agreement with "SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş." (effective as of 30 May 2022). The term of the agreement is one year from the date of signature."

√ On 31.05.2022, our company ranked 221st among the ISO "500 Largest Industrial Enterprises of Turkey" in 2021 (314th in 2020).

√ Our company has risen 71 places and ranked 568th in the general ranking and 55th in the Chemicals and Products Sector - "Top 1000 Exporters" list announced by TIM (Turkish Exporters Assembly) compared to 2020.

√ Our company has cooperated with China-based Wanhua Chemical Group, which is among the global suppliers of chemical products. It has become the authorized distributor in Turkey for the sale of thermoplastic polyurethane (TPU) products in order to complete the entire product range of our company for the footwear industry.

√ The company ranked 272nd among the "Fortune 500 Largest Enterprises of Turkey" in 2021 (08.07.2022).

√ The company signed a cooperation agreement with our partner in England on 16.08.2022. Based on the elastomer project specially developed for the customer, a turnover of approximately 2.5 million Euros is targeted for 1.5 years.

√ In the material disclosure made on 12.05.2022, the amount of the investment incentive certificate received for the PET Recycling Facility Factory Building investment (No. 530864) has been updated as 148.750.000 TL by the Turkish Ministry of Industry and Technology. In addition to the investment incentive certificate no 523696, previously obtained for our Gebze plant as well as our other documents no 530864 and 534146, the total investment incentive size of the Company has reached 271,064,378 TL.

√ On 24.08.2022, "Manager Liability Insurance" has been issued for a period of 1 year based on a price exceeding 25% of the company's capital in accordance with Article 4 of the Capital Markets Board's Communiqué on Corporate Governance No. II-17.1.

√ On 24.08.2022, based on the study conducted by the SAHA (SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş.), with an license to make ratings in accordance with the Capital Markets Board (CMB) Corporate Governance Principles, the Corporate Governance Rating of Company has been determined to be 9.25 (92.50%) as of 24.08.2022.

The Corporate Governance Rating has been determined based on the evaluation under four main headings (Shareholders, Public Disclosure and Transparency, Stakeholders, Board of Directors) in accordance with the CMB's Corporate Governance Principles. Our company has been included in the Corporate Governance Index as of 26.08.2022.

√ On 29.08.2022, the company signed a Land Allocation Agreement for the purchase of the land of 12,188 m^2, located next to our new factory building, which is under construction in the Düzce Gümüşova Organized Industrial Zone, based on a price of 16,454,137 TL. The land allocation has been decided in order to be used in our Company's potential investment projects and to ensure investment efficiency.

√ On 19.09.2022, based on the intensive projects by the R&D center, a final product has been obtained, which does not compromise its physical and mechanical properties compared to existing standard systems due to the synthesis reaction of polyester polyol from pet bottle waste. The industrial trials of the product have been completed. The company has succeeded in obtaining approximately 20% of the 'polyester polyol' used in the manufacture of slippers from PET waste and approximately 17% from bio-based raw materials, and has developed one of the first examples of nature-friendly product ranges in its sector based on the sustainability goals.

√ On 06.10.2022, it was decided by our company to issue bonds for sale to qualified investors or to be sold on a private basis, up to a maximum of 1,000,000,000 TL (One Billion Turkish Lira) in various schemes and maturities, and to apply to the Capital Markets Board for the approval of the issuance document in accordance with the Capital Markets Board's Communiqué on Debt Instruments No. VII-128.8 based on the resolution taken by the Board of Directors on October 06, 2022 in order to

diversify the borrowing structure. Within the context of this resolution, the required permission application has been made to the Capital Markets Board.

√ On 14.10.2022, based on the projects carried out by our company in the field of Defense Industry, the membership application made to the Defense and Aviation Industry Manufacturers Association (SASAD), which is the representative of the Turkish Defense and Aviation Industry in domestic and international platforms, was approved at the Board of Directors meeting of SASAD on October 12, 2022 and the resolution was communicated to our company on 14.10.2022.

√ On 25.11.2022, as announced in the material disclosure dated October 06, 2022, our application to the Capital Markets Board ("CMB") for the approval of the issuance document(s), based on the application for permission regarding the debt instrument issuance, was approved at the CMB meeting dated 24.11.2022 (69/1674)

√ "ISO 14001:2015 Environmental Management System certificate was obtained by our company on 28.11.2022."

√ On 30.11.2022, the company added two new graphene-based products to its product portfolio using the carbon-based recycling material graphene obtained from automotive tire wastes for the production of sound insulation systems used in the automotive industry and flexible foam systems used in the office and automotive seat industry. The studies have demonstrated that graphene-based sound insulation systems ensure 65% improvement in sound absorption compared to traditional systems, and that graphene-based polyurethane foams improve the mechanical properties of foam systems with almost no effect on the total weight of the automobile, due to their lightness feature. Thanks to these two new systems, the company can achieve a high performance without the need for the use of extra materials and aim to prevent material consumption and reduce carbon dioxide emissions in the production process.

√ As stated in the PDP statement on 04.02.2022, the company commissioned the entire solar power plant (SPP) on the roof of the factory building, located at the Gebze Organized Industrial Zone and initiated electricity generation. Approximately 20% of total electrical energy needs will be met by SPP. The company aims to prevent approximately 250-300 tons of carbon emissions on an annual basis.

√ On 12.12.2022, the company ranked first in with the project of "Performance Improvement in Commercial Polyurethane Sound Insulation System with Waste Source Graphene" in the Plastic and Rubber Category at the 11th R&D Project Market Competition organized by the Istanbul Chemicals and Products Exporters' Association (IKMIB) and with the support of TUBITAK, and ranked third with the project of "Development and Recycling of Bio-Based Polyurethane Gel System"

√ On 27.12.2022, JCR AVRASYA DERECELENDİRME A.Ş., (a Credit Rating Company) rated the company's long-term national credit rating as "AA-"(Tr) and short-term national credit rating as "J1+" (tr), and the company was considered to be "stable". JCR has determined our company's long-term international foreign currency and long-term international local currency institution credit rating as "BB" and its outlook as "negative".

3.4 Key Information on the Industry

The company operates in the chemical industry. The chemical industry mainly produces raw materials and intermediate products for industry. The industry has a wide product range and steers only one third of its sales directly to consumers. The chemical industry market, which is aimed directly at consumers, mostly consists of the pharmaceutical industry.

The chemical industry has a great importance in the economy since it provides services to different production industries.

The chemical industry produces structurally high value-added products, which causes the structure of the industry to be capital-intensive and technology-oriented.

The Chemistry industry report published in 2021 by the Ministry of Industry and Technology shows that scientific developments in the world's chemical industry are in the fields of nanotechnology, biochemistry, catalyst, genetics, organic chemistry and polymer chemistry. It has been stated that China is the world's largest chemical producer, contributing 40.6% of global chemical sales in 2019 (€ 1.488 billion in 2019). Europe is the second largest chemical producer in the world. The rate of sales of chemicals worldwide in 2019 was € 3.669 billion. The export figures in the report indicate that 10.94% of the total exports are in the chemical industry (US$ 1.9 trillion). China, America, Germany, Japan and the Republic of Korea are the top five countries to export chemicals in the world. The report also shows that the chemical industry exports in Turkey increased by 4.3% in 2020 - compared to the previous year - and amounted to US$ 19.6 billion.

3.5 Position of the Company in the Industry

Polyurethane systems constitute a part of the chemical industries within the GTIP code. In addition, there are many different subgroups.

It is considered that the polyurethane market size in Turkey is around 538 K tons. The market size for the industries in which the Company develops products (excluding the polyurethane systems and coating sectors used for the polyether foam-slabstock industry) is around 400 K tons.

The position of the Company in the market is as follows:

- **Footwear Industry**

  - Systems for shoe sole or slipper manufacturers,
  - Systems for safety shoe manufacturers and
  - Systems for boot manufacturers

It is considered that the companies producing in this industry receive approximately 70 K tons of raw materials per year (IAL Consultants Report - PU EMEA_Elastomers_Jun21 s. 122). Turkey is an active production center in the production of shoes and slippers and is a significant exporter.

The total sales volume of Kimpur's footwear systems were approximately 33 K tons, and the domestic footwear systems sales were approximately 20 K tons in 2021. In 2022, the total sales of footwear

systems were approximately 40 thousand tons, and the domestic sales of footwear systems were approximately 25 thousand tons.

The domestic sales of polyurethane systems for the footwear industry are approximately 20 K tons in 2021.

The total sales of shoes in 2020 are approximately 30 K tons, and the domestic sales are approximately 18 K tons.

The data on elastomer shoes in the IAL Consultants report show that the Company has a high share of 25% in the Turkish market based on the sales volumes.

In this industry, the competition with global manufacturers is less than in other industries, as in other polyurethane systems in the Turkish market.

- **It consists of rigid-foam Systems used in building, construction, refrigeration, furniture and other industries,**

  - Refrigerator systems,
  - Sandwich panel systems (Continuous -Discontinuous),
  - Cold room systems,
  - Pipe insulation systems,
  - Solar panel systems and
  - Wooden equivalent systems.

It is considered that the companies producing in these industries use 217 K tons of raw materials per year (IAL Consultants Report - PU EMEA_ Rigid Foam_Jun21 s. 188) .

Turkey is one of the major production centers for refrigerators due to the operations of global manufacturers as well as large local manufacturers such as Arcelik and Vestel.

Kimpur is the main supplier of the major companies in the Turkish market that make production for the rigid sector, based on the IAL Consultant report. In this sector, our company competes with global competitors such as Basf, Dow Chemicals, Huntsman, Covestro, Wanhua.

Turkey is also a major production center for continuous insulation panels, called sandwich panels. Kimpur is the main supplier of 70% of approximately 20 panel manufacturers in Turkey, based on the IAL Consultant report.

In addition to these two main fields of activity, more rigid foam systems are used in many sub-sectors.

The sales volume of rigid systems were approximately 41 K tons in 2021, and the domestic sales were approximately 34 K tons. In 2022, the total sales of rigid systems were approximately 46 thousand tons, and the domestic sales of rigid systems were approximately 33 thousand tons.

The total sales of rigid system in 2020 are approximately 31 K tons, and the domestic sales are approximately 23 K tons. The data on rigid systems in the IAL Consultants report show that the Company has a share of 11% in the Turkish market based on the sales volumes.

- **It consists of flexible-foam systems used in automotive and furniture sector,**

  - Systems for office furniture and office chairs,
  - Systems for the automotive industry*,
  - HR foam systems,
  - Viscoelastic systems,
  - Integral systems and
  - Filter systems.

***Production of passenger cars, buses, trucks, tractors**

It is considered that the companies producing in this industry use approximately 138 K tons of raw materials per year. The "polyether foam" used by Slabstock mattress manufacturers is not included in the Company's product range. Excluding this one, the size of the total Turkish flexible foam systems market is approximately 50 K tons as of 2020. (PU EMEA_Flexible Foam_Jun21 s. 138)

Turkey is also a production center in automotive production, however the dominance in raw material supply is in the licensed productions or the production in domestic facilities of international manufacturers. When making projects on a model basis, particularly in the automotive sector, "approved suppliers" are utilized, and local manufacturers such as Kimpur may take a long time to get approval.

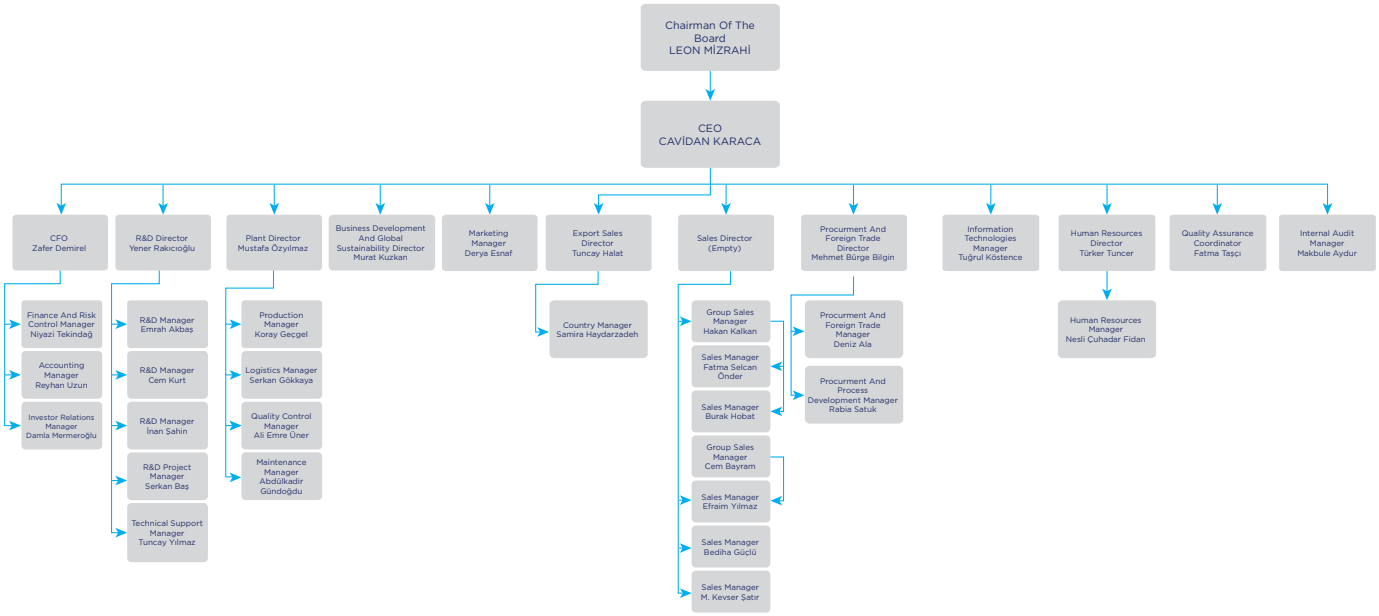
Despite this, relative approvals were obtained on the production of buses and trucks. Approval processes for passenger cars are still in progress too.

Total sales of flexible foam systems were approximately 5 thousand tons in 2021, and the domestic sales of flexible foam systems were approximately 3 thousand tons. In 2022, the total sales of flexible foam systems were approximately 6 thousand tons, and the domestic sales of flexible foam systems were approximately 4 thousand tons.

Kimpur comes after global manufacturers with a 6% market share in flexible foam systems.

In addition to these sectors, it is considered that Kimpur has a share of 15% with a domestic sales amount of 65 K tons in 2021, except for the slabstock pu systems used by mattress manufacturers.

3.6 Organizational Structure of the Company



4. INCENTIVES

The company has an R&D Center registered by the Ministry of Industry and Technology and benefits from incentives in this regard. The Company gains the advantage of deduction support for income tax withholding, SSI discount and tax advantage from the amount deducted from the corporate tax base within the scope of the exemptions and deductions, in case the it has a profit as per Article 10/1-a of the Law on the Protection of Personal Data in the determination of corporate tax. The company carries out TEYDEB (Technology and Innovation Funding Programs Directorate) projects within the scope of supporting R&D projects and TEYDEB provides cash supports. The company has the "Middle and High Technology Investments" certificate and the 4th Region incentive certificate for its investments to expand its existing production facility. In this context, the company is provided with corporate tax reduction, VAT and SSI tax reduction advantages.

Tax Incentives

Since the company meets the conditions stipulated for the "5% Tax Reduction for Tax Compliant Taxpayers", it is considered as a compliant taxpayer and received a tax support between 2019-2020. The company benefited from tax incentives for 2022 and 2021.

5. QUALIFICATION, CERTIFICATION AND REGISTRATION DOCUMENTS

Qualification and Certification:

- TS EN ISO/IEC 27001: 2017 Information Security Management System
- ISO 9001: 2015 Management System
- TS EN ISO 50001: 2018 Energy Management System
- ISO 14001:2015 Environmental Management System
- CE Certificate and Reach Certificate

- Economic Operator Authorized by the Ministry of Customs and Trade Certificate
- Polyurethane Manufacturers Association Certificate
- Polyurea Development Association Europe Certificate
- Turkish Chemical Manufacturers Association
- TUYID- Investor Relations Association
- SKD Turkey - World Business Association for Sustainable Development
- IMMIB (Minerals and Metals Exporters' Association in Istanbul)
- TKYD (Turkish Corporate Executives Association)
- PANELDER (Insulated Panel Manufacturers Association)
- Chamber of Industry of Kocaeli

Trademark Registration Documents

The Company has 19 registered trademarks. Two patents developed in these projects are currently pending.

6. OTHER IMPORTANT INFORMATION

6.1 Related Party Transactions

Trade receivables from related parties generally arise from sales of merchandise with an approximately 3-month maturity. The receivables are inherently unsecured and no interest is charged. Trade payables to related parties generally arise from purchase transactions with an approximately 3-month maturity.

Information on our company's transactions with related parties is included in in the company's Independent Audit Report, Footnote 4, dated December 31, 2022.

6.2 Policy on Profit Distribution

The purpose of the profit distribution policy is to determine the profit distribution principles of the Company and to enable the shareholders to foresee procedures and principles of distribution of the profit to be obtained by the Company in the future periods, in accordance with the regulations to which the Company is subject and the provisions of the Articles of Association. The Company takes the utmost care to establish a balance between the interests of the shareholders and the interests of the Company in terms of dividend distribution. The Board of Directors is has the authority and responsibility to monitor, develop and update the Company's Profit Distribution Policy.

The Company decides on profit distribution by taking into account market expectations, long-term strategies, capital requirements of the Company, and subsidiaries, investment and financing policies, profitability and cash statement, to the extent that it is allowed by the relevant regulations and financial facilities. Dividend can be distributed to the shareholders free of charge by adding cash or profit to the capital, and a certain amount of cash can also be distributed as bonus shares. The company aims to distribute at least 50% of the distributable period profit, calculated within the framework of the capital market legislation, to the shareholders.

The dividend is distributed equally to all of the Existing Shares in proportion to their shares by the distribution date, regardless of their issuance and acquisition dates. The Company does not have any shares with dividend privileges.

Unless the reserves required to be set aside in accordance with the Turkish Commercial Code and the dividend determined for the shareholders in the Articles of Association or the Profit Distribution Policy are allocated; no decision may be taken to allocate other reserves, to transfer profits to the next year, and to distribute dividends from the profits to the members of the board of directors, employees of the partnership and persons other than the shareholders, unless the dividend determined for the shareholders is paid in cash, no dividends can be distributed to these persons. Dividends are distributed to the shareholders on the date determined by the General Assembly, following the approval of the assembly within the specified legal periods. The General Assembly decides on the date of profit distribution. The General Assembly or, if authorized, the Board of Directors may decide to distribute the dividend in installments in accordance with the Turkish Capital Market Legislation.

The Board of Directors may distribute advance dividends, provided that it is authorized by the General Assembly and complies with the Turkish Capital Market Legislation.

The General Assembly of the Company may decide to distribute advance dividends to the shareholders within the framework of the provisions of the Capital Markets Board (CMB) and other relevant legislations. The provisions of the relevant legislation are followed in the calculation and distribution of the amount of advance dividend. It is obligatory to authorize the Board of Directors to distribute advance dividends, limited to the relevant accounting period, upon the decision of the General Assembly.

6.3 Information on financial risk management policy

A reliable data provision infrastructure has been designed for all financial targets of the Company, and monitoring indicators have been defined based on the speed provided by the information security infrastructure and the SAP system. Monitoring indicators are reported to the senior management on a weekly, monthly and annual basis. Accordingly, the budget and realizations approved by the Board of Directors are reviewed with the same frequency of meetings along with the senior management. In case of deviations, the root causes are determined and the decisions are to be taken in this context. The performances of senior management and departments and all employees are evaluated in Kimpur PYS, and the parameters are considered based on these data.

For domestic customers, the reports of risk assessment institutions, the credit-collateral status, shareholding structure and financial risk of all new customers are examined, and if they comply with the criteria, the possible working limit is determined.
Financial risk reports of the critical customers are repeated quarterly and reported to the senior management.

The company applies working models in the form of cash, money order or customer check in line with the sales term and sales method defined to the customers, and receives a “letter of guarantee” from some customers in line with their risk status.

For export customers, the financial risk status is reviewed and the limit of Eximbank research is performed (if the country is a state covered by Eximbank insurance) If a limit is identified, we work within the relative limit and maturity. In addition, we apply export models such as cash payment, letter of credit, bank-certified policy, cash against documents and similar guaranteed payments.

The CEO, CFO and sales-marketing teams evaluate the budget compliance, risk and collateral status of all customers on a weekly basis.

The company makes the sales at the foreign currency price. For export, the sales are performed in foreign currency, and, in the domestic market, export registered sales are performed in foreign currency as well. The amount obtained from other sales are converted into Turkish Lira at the foreign exchange rate on the invoice day, invoiced in TL, and remain constant in TL throughout the term of the sale. There are also sales followed on a currency basis. Approximately the half of the company's sales in 2021 are based on foreign currency and other half based on Turkish Lira. These rates continued similarly at the end of the third quarter of 2022.

Since approximately 95% of the raw materials of the Company are imported or of imported origin, and due to foreign currency liabilities, the company applies a hedging policy for sales in TL to manage the risk of fluctuations in the exchange rate. It utilizes hedging instrument or uses credit in Turkish Lira as much as the sales in TL. Then, by making purchases in foreign currency, it pays off loan in Turkish Lira, which was collected on maturity.

The company monitors the compliance of the cash flow with the budget on a weekly basis. In the monthly "Financial Status Presentation" to the board of directors; monthly and cumulative annual financial statements, budget compliance, sales volumes, profitability by product-customer and country are evaluated. The risk status is reviewed to schedule the required activities.

Currency Risk

The Company's activities are exposed to exchange rate risk due to exchange rate fluctuations between TL and other currencies.

The company manages the exchange rate risk by applying a hedging policy in order not to have a deficit in foreign exchange transactions.

Interest Rate Risk

The Company is exposed to interest rate risk since the borrowing transactions are performed at fixed and variable interest rates. The company's interest rate risk is related to bank loans. The increase in interest rates may negatively affect the profitability of the company due to increased financial expenses.
The company determines its borrowing shares at fixed and variable interest rates, taking into account the interest rate changes in the market. Due to the credit limits in many banks, it can use loans at competitive interest rates.

Credit Risk

Credit risk is defined as the risk of loss for the company due to the failure of one of the financial intermediary parties to fulfill its contractual obligations. Financial instruments that potentially subject the Company to concentrationsof credit risk consist primarily of cash and cash equivalents and accounts receivable The Company constantly evaluates the reliability of financial institutions with cash or equivalent value. The Company manages the risk posed by trade receivables by working with customers with suitable credit worthiness, by limiting the amount of credit limits applied to customers, and by regularly evaluating the determined credit limits in accordance with the Company's risk policies, along with the board of directors and the risk department. Notwithstanding, the Company is exposed to the risk of financial loss due to credit risk.

6.4 Information on legislative changes that will significantly affect the company activitiesi

During the period of January 01, 2022 and December 31, 2022, legislative amendments were made that would significantly affect the Company's activities.

6.5 Events following the reporting period

While preparing its consolidated financial statements as of 31 December 2022, the Group evaluated the possible effects of the earthquake that took place in Kahramanmaraş on 6 February 2023 on the consolidated financial statements and reviewed the estimations and assumptions used in the preparation of the consolidated financial statements. The Group management is of the opinion that the earthquake in question did not have a significant impact on the consolidated financial statements as of 31 December 2022. This approach, which was preferred for the period of 31 December 2022, will be reviewed in the following reporting periods, taking into account the impact of the earthquake and future expectations.

6.6 Descriptions on the private and public audits during the fiscal period

There were no private audits and public audits conducted between 01.01.2022 and 31.12.2022 during the accounting period.

6.7 Information on lawsuits filed against the company, which may affect the company's financial status and activities, and their possible consequences

There are no lawsuits filed on behalf of our company that may affect the financial status and activities of the company, and there are no possible outcomes.

6.8 Administrative or judicial sanctions imposed on the company and the members of the management body due to practices contrary to the legal provisions

There are no administrative or judicial sanctions imposed on the company and the members of the management body due to practices contrary to the legal provisions

6.9 Information on the Extraordinary General Assembly Meeting, including the date of the meeting, the decisions made at the meeting and the related transactions (If the extraordinary general assembly meeting is held during the period)

No extraordinary general assembly meeting was held between January 01, 2022 and December 31, 2022.

6.10 Donations and aids by the company during the period and expenditures on social responsibility projects

The company has an expenditure of 387,548.46 TL for donations, aids and social responsibility projects within the period of January 01, 2022 and December 31, 2022.

6.11 Shares acquired by the company

There are no shares acquired by the company

6.12 Information about the company's internal control system and internal audit activities, and the opinion of the management body on this subject.

In order to create the internal audit plan of our company, we work with the departments in process analysis, drawings and determination of reporting tools.
Our company has reviewed the risk management and internal control system of the Board of Directors . In the activity period of 2022, the meetings held by the Early Detection of Risk Committee established within our company in accordance with the Capital Market Legislation to evaluate the risks that may arise from financial, administrative and operational risks, and the reports prepared for these meetings were evaluated by our board, and the reports given by the committee were taken into account in the decisions to be taken.

The effectiveness of the risk management and internal control systems was reviewed based on the reports received from the relevant committees and units during the period, and it was concluded that it was sufficient to determine the possible risks of the Company.

6.13 Determination of whether the company's capital is unrequited or whether it is in bankrupted and reviews of the board of directors.

The company's capital has not remained unrequited.

6.14 Conflicts of interest between the company and the institutions that provide services such as investment consultancy and rating, and measures taken by the company to prevent such conflicts of interest

There is no conflict of interest between the company and the institutions that provides services for it such as rating or investment consultancy.

6.15 Information on corporate social responsibility activities regarding employees' social rights, vocational training and activities that have other social and environmental consequences

We always support our human resources on the way to perfection with the best human resources processes designed by considering the strategic goals and priorities of Kimpur and evaluating the current and future organizational and individual needs.

The selection and placement processes are designed in accordance with Kimpur's priority strategies with an aim to identify high-quality candidates who are suitable for the company culture and values and the requirements of the job. The tools and facilities required to have an objective evaluation are included in the process and managed efficiently and fairly.

With our belief that the development of our employees can be achieved through continuous trainings, we primarily aimed to create a working environment where everyone can learn, experience and develop efficiently. We have developed project groups, mentorship processes and matrix management approach. Employee-specific training plans are implemented and followed on an annual basis, taking into account Kimpur's organizational goals and priorities, in order for the employees to improve themselves and their job and create value.

The current Performance Management System of Kimpur, designed to manage the employee performance so that Kimpur can achieve its strategy and goals, is an effective management tool that enables the employee to be guided towards common goals and objectives, integrating the company goals with employees' goals, project objectives and competencies.

SOCIAL GENDER EQUALITY

We aim to achieve gender equality both in society and in professional life and offer equal rights to women and men in all employment processes from recruitment to retirement. We proceed with the approach of spreading gender equality among all employees and raising awareness, supporting women throughout their careers, increasing the employment rate of women, and increasing the role of women in decision-making mechanisms and ensuring gender equality in leadership.

EQUAL OPPORTUNITY AND DIVERSITY

Kimpur adopts the principle of equality of opportunity and diversity, and considers that people are different from each other in many ways. Based on the fact that in-house diversity is a wealth and plenitude, we strive to create a fair environment within the company, to find equal opportunities and egalitarian practices. We offer equal opportunities in recruitment processes, interviews, performance measurement and evaluation, career planning, promotion system, training and development programs and applied wage policy. Through this equal opportunity policy, we take care to provide a working environment based on the principle of Equal Opportunity and Diversity, without making any discrimination based on gender, age, religion, sect, race, marital status, philosophical belief and similar visible or invisible reasons.

EMPLOYEE TRAINING AND DEVELOPMENT

The training of our employees is one of the most significant elements of our improvement. Our Human Resources team designs programs for our employees that include annual personal development, job/position-specific expertise, and vocational training in order to improve business practices, balance the training development activities in all of company activities, to meet local requirements and needs, and to support employees in their career goals and conducting their jobs safely and effectively.

A total of 4251 hours of training was organized between January 01, 2022 and December 31, 2022.

7. CORPORATE MANAGEMENT

7.1 Declaration of Conformity with Corporate Management Principles

Pursuant to Article 5 of the Corporate Management Communiqué No. II-17.1 ("Communiqué") of the Capital Markets Board ("CMB"), published in the Official Gazette No 28871, dated January 3, 2014 and titled "Implementation of Corporate Management Principles", the Company has paid utmost attention to ensure the required compliance by date of the first general assembly. The company is aware of its responsibilities towards its stakeholders and has adopted the concepts of "equality", "transparency", "accountability" and "responsibility", which form the basis of corporate management.

In the accounting period of 1/1/2022 and 12/31/2022, The Company has shown the utmost effort and care in complying with the mandatory and voluntary principles contained in the Corporate Management Communiqué No II-17.1 ("Communiqué") of Capital Markets Board. In addition, the Company continues its efforts to ensure full compliance by completing of administrative, legal and technical infrastructure works and follows the developments including the newly issued CMB legislation.

There is no conflict of interest between our company and stakeholders.

The company was rated with a score of 9.25 based on the studies carried out by SAHA (SAHA Kurumsal Yönetim ve Kredi Derecelendirme A.Ş.) on 24.08.2022. The distribution of our corporate governance rating has been given below.

Main Titles	Weight	Note Received
Shareholders	%25	89,05
Public Disclosure Transparency	%25	95,53
Stakeholders	%15	99,51
Board of Directors	%35	89,75
Total	**%100**	**92,48**

In accordance with the Decision No 2/49 of the Capital Markets Board dated 10.01.2019, you may find the "Corporate Management Compliance Report (CMCR)", which shows the compliance of our company with the Corporate Management Principles, and the "Corporate Management Information Form (CMIF)", which gives information about our current corporate management practices on the website of the Company ["Investor Relations/Corporate Management/Corporate Management Compliance Report" (https://kimpur.com/tr/) and "Public Disclosure Platform" (https://www.kap.org.tr/tr/cgif/8acae2c47d3bee4e017da32a238f235f)].

7.2 Board of Directors' Declaration of Independence

DECLARATION OF INDEPENDENCE

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of KIMTEKS POLIÜRETAN SANAYI VE TICARET ANONIM ŞIRKETI (Company), I hereby agree, represent and undertake that I;

a) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

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

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

d) will not be serving as a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

e) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,

f) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

h) have not conducted membership of board of directors more than a term of six years in the last ten years,

i) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

j) have not been registered and announced as a board member representing a legal entity.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,
Mehmet Mete BASOL

DECLARATION OF INDEPENDENCE

With respect to the corporate governance principle numbered 4.3.6 of the Capital Markets Board's Communiqué on Corporate Governance numbered II-17.1, in order for me to be selected as an Independent Board Member of KIMTEKS POLIÜRETAN SANAYI VE TICARET ANONIM ŞIRKETI (Company), I hereby agree, represent and undertake that I;

a) do not have a relationship in terms of employment at an administrative level to take upon significant duty and responsibilities within the last five years, do not own more than 5% of the capital or voting rights or privileged shares either jointly or solely or do not have established a significant commercial relation between the corporation, companies on which the corporation hold control of management or significant effect and shareholders who hold control of management of the corporation or have significant effect in the corporation and legal entities on which these shareholders hold control of management and myself, my spouse and my relatives by blood or marriage up to second degree,

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

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

d) will not be serving as a full-time employee at public authorities and institutions after being elected, except being an academic member at university provided that is in compliance with the relevant legislation,

e) am residing in Turkey in accordance with the Income Tax Law (I.T.L) dated 31.12.1960 and numbered 193,

f) am capable to contribute positively to the operations of the corporation, to maintain my objectivity in conflicts of interests between the corporation and the shareholders, have strong ethical standards, professional reputation and experience to freely take decisions by considering the rights of the stakeholders,

g) am able to allocate time for the corporation's business in order to follow up the activities of the corporation and duly fulfill the allocated duties,

h) have not conducted membership of board of directors more than a term of six years in the last ten years,

i) am not the independent member of the board of directors in more than three of the corporations as such; the corporation or the controlling shareholders of the corporation who hold the control of management corporations and in more than five corporations in total which are admitted to the trading on the exchange,

j) have not been registered and announced as a board member representing a legal entity.

I hereby submit this to the knowledge of the Board of Directors, shareholders and all relevant parties.

Sincerely yours,
Name & Surname: Omer Bakır

8. INFORMATION ON COMPLIANCE WITH SUSTAINABILITY PRINCIPLES

The "Compliance with Sustainability Principles Framework" contains the basic principles that public companies are expected to disclose while carrying out their Environmental, Social and Corporate Management (ESM) processes. Although the implementation of these principles is on a voluntary basis, it is obligatory to report whether they are applied or not, with the principle of "Comply or Explain".

Some of the principles included in the Social Principles and Corporate Management Principles in the Sustainability Principles Compliance Framework are also found in the current Corporate Management Principles of the Capital Markets Board. Our company's compliance with these principles is currently disclosed in the Corporate Management Compliance Report (CMCR) and Corporate Management Information Form (CMIF) published on the KAP Platform.

The Sustainability Principles Compliance Framework has been prepared in accordance with the announcement of the Capital Markets Board ("CMB") within the context of the amendment in the Corporate Governance Communiqué No II-17.1 published in the Official Gazette on October 2, 2020 (31262), and in accordance with the template published in the Bulletin of the Capital Markets Board ("CMB") dated 23 June 2022 (2022/32). The framework is available at the "Investor Relations/Corporate Governance/Sustainability Principles Compliance Framework" section in the corporate website of the company (https://kimpur.com/tr/) and at the Public Disclosure Platform(www.kap.org.tr).

9. FINANCIAL STATEMENTS

Balance Sheet and Income Statement

Income Satement	**31.12.2022**	**31.12.2021**	**Change (%)**
Revenue	4.890.048.530	2.172.688.464	125%
Gross Income	768.721.723	379.447.307	103%
Core Operating Profit	741.574.378	537.143.870	38%
Net Profit for the Period	598.049.749	316.423.046	89%
Balance	**31.12.2022**	**31.12.2021**	**Change (%)**
Current Assets	4.058.094.556	2.071.253.090	96%
Fixed Assets	520.817.607	137.100.682	280%
Short-Term Liabilities	2.771.127.745	1.630.105.417	70%
Long-Term Liabilities	380.275.600	11.595.838	3179%
Equities	**1.427.508.818**	**566.652.517**	**152%**

This report has been issued in accordance with the provisions of the "Regulation on Determining the Sections and Minimum Content of the Annual Report" published in the Official Gazette No 28395, dated 28.08.2012, by the Ministry of Commerce. It has been signed and approved by the members of the Board of Directors of the company whose names are given below.

Best Regards,
06.06.2023

Chairman of the Board
Yuda Leon Mizrahi

Vice President of the Board
Cavidan Karaca

Board Member
İsak İzi Mizrahi

Independent Board Member
Ömer Bakır

Independent Board Member
Mehmet Mete Başol

kimpur

KİMTEKS POLYURETHANE

KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş.

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