

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş.  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 31 DECEMBER 2022 AND  
INDEPENDENT AUDITOR'S REPORT**

**(CONVENIENCE TRANSLATION OF  
THE REPORT AND THE CONSOLIDATED  
FINANCIAL STATEMENTS ORIGINALLY  
ISSUED IN TURKISH)**

(CONVENIENCE TRANSLATION OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of  
Kimteks Poliüretan Sanayi ve Ticaret A.Ş.

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the accompanying consolidated financial statements of Kimteks Poliüretan Sanayi ve Ticaret A.Ş. ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRSs).

2) Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by Capital Markets Board and the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) published by the POA, together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### 3) Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
<p><i>Revenue recognition</i></p> <p>While conducting its assessments, the Group management takes into account the detailed conditions set out in TFRS 15 regarding the fulfilment of performance obligations and recognition of the transaction costs allocated to them as revenue, in particular whether the control of goods and services have passed to the customer.</p> <p>The Group recognizes revenue by analyzing whether the significant risks and rewards are transferred to the buyer according to the delivery terms of export sales.</p> <p>In this context, revenue recognition has been determined as key audit matters since determining whether the revenue recognition criteria are met as well as determining whether the revenue is recorded in the financial statements in the correct period requires significant judgment of management.</p> <p>Please refer to notes 2.3 and 16 to the consolidated financial statements for the Group's disclosures on revenue recognition, including the related accounting policy.</p>	<p>We performed the following procedures in relation to the revenue recognition:</p> <ul style="list-style-type: none"> <li>• The design and implementation of the controls on the revenue process have been evaluated. The Group's sales and delivery procedures have been analyzed.</li> <li>• Terms of trade and delivery with respect to contracts made with customers have been examined and the timing of revenue recognition in the financial statements for the different shipment arrangements has been assessed.</li> <li>• For substantive procedures, special emphasis is given for transactions where the goods billed but revenue has not been earned. Customers with the longest delivery period have been identified among the existing customers of the Group and a date range has been determined and sales lists have been provided from the relevant departments. The control of the completeness and accuracy of these lists have been tested.</li> </ul> <p>In addition, we assessed the adequacy of the disclosures in Note 16 under TFRS.</p>

### 4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

## 5) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Group's set of accounts and consolidated financial statements prepared for the period 1 January - 31 December 2022 does not comply with the TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of the TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is Volkan Becerik.

### Additional paragraph for convenience translation to English

*In the accompanying consolidated financial statements, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) differ from International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board with respect to the application of inflation accounting. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with IFRS.*

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**



Volkan Becerik  
Partner

İstanbul, 6 March 2023

<b>INDEX</b>	<b>PAGE</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>1-2</b>
<b>STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>	<b>3</b>
<b>STATEMENT OF CHANGES IN EQUITY</b>	<b>4</b>
<b>STATEMENT OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO THE FINANCIAL STATEMENTS</b>	<b>6-58</b>
NOTE 1 ORGANIZATION AND OPERATION OF THE COMPANY	6
NOTE 2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS	6-26
NOTE 3 SHARES IN OTHER ENTITIES	27
NOTE 4 RELATED PARTY DISCLOSURES	27-29
NOTE 5 TRADE RECEIVABLES AND PAYABLES	29-30
NOTE 6 OTHER RECEIVABLES AND PAYABLES	30-31
NOTE 7 INVENTORIES	31
NOTE 8 PREPAID EXPENSES AND DEFERRED INCOME	31
NOTE 9 PROPERTY, PLANT AND EQUIPMENT	32-34
NOTE 10 INTANGIBLE ASSETS	34-35
NOTE 11 COMMITMENTS	35
NOTE 12 EMPLOYEE BENEFITS	36-37
NOTE 13 OTHER ASSETS AND LIABILITIES	38
NOTE 14 LEASES	38-39
NOTE 15 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	39-41
NOTE 16 REVENUE AND COST OF SALES	41
NOTE 17 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES	41-42
NOTE 18 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES	43
NOTE 19 FINANCE INCOME AND EXPENSES	43
NOTE 20 INCOME FROM INVESTING ACTIVITIES	44
NOTE 21 EXPENSES BY NATURE	44
NOTE 22 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	45-47
NOTE 23 EARNINGS PER SHARE	47
NOTE 24 FINANCIAL INSTRUMENTS	48-50
NOTE 25 NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS	50-57
NOTE 26 FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)	57-58
NOTE 27 EVENTS AFTER THE REPORTING PERIOD	58
NOTE 28 NOTES ON STATEMENT OF CASH FLOWS	58

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES****AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

		<b>Current Period</b>	<b>Prior Period</b>
		<b>31 December</b>	<b>31 December</b>
	<b>Notes</b>	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>			
<b>Current Assets</b>		<b>4,058,094,556</b>	<b>2,071,253,090</b>
Cash and Cash Equivalents	28	938,316,400	522,234,256
Financial Investments	24	503,155,906	31,337,870
Trade Receivables	5	1,906,203,118	1,065,391,205
<i>Trade Receivables from Related Parties</i>	4	7,108,151	5,094,156
<i>Trade Receivables from Third Parties</i>		1,899,094,967	1,060,297,049
Other Receivables	6	12,980,241	6,817,745
<i>Other Receivables from Related Parties</i>	4	10,484,678	3,895,777
<i>Other Receivables from Third Parties</i>		2,495,563	2,921,968
Derivative Instruments	24	32,422	3,749,135
Inventories	7	621,386,989	360,185,736
Prepaid Expenses	8	15,978,662	37,015,421
Current Tax Assets	22	6,866,149	-
Other Current Assets	14	53,174,669	44,521,722
<b>Non-current Assets</b>		<b>520,817,607</b>	<b>137,100,682</b>
Financial Investments	24	500,300	228,300
Trade Receivables	5	897,892	-
<i>Trade Receivables from Third parties</i>		897,892	-
Property, Plant and Equipment	9	433,526,443	108,016,454
Intangible Assets	10	53,693,593	26,010,293
Right-of-Use Assets	14	2,701,758	2,780,727
Prepaid Expenses	8	5,016	64,908
Deferred Tax Asset	22	29,492,605	-
<b>TOTAL ASSETS</b>		<b>4,578,912,163</b>	<b>2,208,353,772</b>

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

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 31 December 2022	Prior Period 31 December 2021
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Short-term Borrowings	24	1,629,971,378	1,033,274,121
Liabilities Arising from Leases	14	768,576	864,811
Other Financial Liabilities	24	24,251,530	-
Trade Payables	5	990,106,840	439,755,402
<i>Trade Payables to Related Parties</i>	4	-	971,339
<i>Trade Payables to Third Parties</i>		990,106,840	438,784,063
Payables Related to Employee Benefits	12	5,749,169	2,091,462
Other Payables	6	269,279	165,252
<i>Other Payables to Third Parties</i>		269,279	165,252
Derivative Instruments	24	26,752,656	5,725,030
Deferred Income	8	70,315,712	49,522,634
Period Profit Tax Liability	22	-	64,011,163
Short-term Provisions		18,907,457	31,225,682
<i>Short-Term Provisions</i>			
<i>Related to Employee Benefits</i>	12	18,907,457	31,225,682
Other Current Liabilities	13	4,035,148	3,469,860
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	24	365,000,000	-
Liabilities Arising from Leases	14	2,528,999	2,490,818
Trade Payables	5	473,320	1,380,608
Long-Term Provisions		12,273,281	3,605,524
<i>Long-Term Provisions</i>			
<i>Related to Employee Benefits</i>	12	12,273,281	3,605,524
Deferred Tax Liability	22	-	4,118,888
<b>EQUITY</b>			
<b>Equity of the Parent Company</b>			
Paid-in Capital	15	121,550,000	110,000,000
Restricted Reserves Appropriated from Profit	15	30,047,263	16,376,384
Premiums Related to Shares	15	312,271,742	-
Items to be Reclassified to			
Profit or Loss		2,919,372	-
<i>Foreign Currency Translation Differences</i>	15	2,919,372	-
Items Not to be Reclassified to			
Profit or Loss		138,844,687	55,206,621
- <i>Loss on Remeasurement of</i>			
<i>Defined Benefit Plans</i>	15	(6,183,129)	(86,089)
- <i>Revaluation and Measurement Gains</i>	15	145,027,816	55,292,710
Prior Years' Profit		218,203,921	66,103,083
Net Profit for the Period		597,361,454	316,423,046
<b>Non-Controlling Interests</b>		<b>6,310,379</b>	<b>2,543,383</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4,578,912,163</b>	<b>2,208,353,772</b>

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



**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 1 January - 31 December 2022	Prior Period 1 January - 31 December 2021
Revenue	16	4,890,048,530	2,172,688,464
Cost of Sales (-)	16	(4,121,326,807)	(1,793,241,157)
<b>GIROSS PROFIT</b>		<b>768,721,723</b>	<b>379,447,307</b>
General Administrative Expenses (-)	17	(48,090,840)	(37,520,092)
Marketing Expenses (-)	17	(138,220,140)	(53,136,879)
Other Operating Income	18	535,198,447	767,803,599
Other Operating Expenses (-)	18	(376,034,812)	(519,450,065)
<b>OPERATING PROFIT</b>		<b>741,574,378</b>	<b>537,143,870</b>
Income from Investing Activities	20	199,116,731	3,153,555
Shares of Profits/Losses of Investments Valued by Equity Method	3	-	1,115,290
<b>OPERATING PROFIT BEFORE FINANCE EXPENSES</b>		<b>940,691,109</b>	<b>541,412,715</b>
Finance Income	19	11,540,436	-
Finance Expenses (-)	19	(402,855,765)	(134,827,699)
<b>PROFIT BEFORE TAX</b>		<b>549,375,780</b>	<b>406,585,016</b>
Tax Income / (Expense)		48,673,969	(90,161,970)
Period Tax Income / (Expense)	22	2,980,460	(91,186,891)
Deferred Tax Income	22	45,693,509	1,024,921
<b>PROFIT FOR THE PERIOD</b>		<b>598,049,749</b>	<b>316,423,046</b>
Earnings per share	23	<b>5.065</b>	<b>2.877</b>
<b>Distribution of Net Period for the Profit</b>			
Non-Controlling Shares		688,295	-
Equity Holders of the Parent		597,361,454	316,423,046
		<b>598,049,749</b>	<b>316,423,046</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items Not to be Reclassified to Profit or Loss</b>		<b>83,638,066</b>	<b>22,227,109</b>
Revaluation and Measurement Gains	15	103,341,382	20,466,614
Gain / (Loss) on Remeasurement of Defined Benefit Plans	15	(7,621,300)	72,942
Tax Effect	15, 22	(12,082,016)	1,687,553
<b>Items to be Reclassified to Profit or Loss</b>		<b>2,919,372</b>	<b>-</b>
Foreign Currency Translation Differences		2,919,372	-
<b>OTHER COMPREHENSIVE INCOME</b>		<b>86,557,438</b>	<b>22,227,109</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>684,607,187</b>	<b>338,650,155</b>
<b>Distribution of Total Comprehensive Income</b>			
Non-Controlling Shares		688,295	-
Equity Holders of the Parent		683,918,892	338,650,155
		<b>684,607,187</b>	<b>338,650,155</b>

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

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2022**

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Paid-in Capital	Premiums Related to Shares	Restricted Reserves Appropriated from Profit	Defined Benefit Plans Remeasurement Losses / Gains	Revaluation Measurements and Gains	Foreign Currency Translation Differences	Prior Years' Profit	Retained earnings		Equity Attributable to the Parent	Non-controlling Interests	Total Equity
								Accumulated other comprehensive income or expenses not to be reclassified to profit or loss	Accumulated other comprehensive income or expenses to be reclassified to profit or loss			
<b>PRIOR PERIOD</b>												
Balances as of 1 January 2021	110,000,000	-	12,485,043	(144,442)	33,123,954	-	39,598,481	80,395,943	275,458,979	-	-	275,458,979
Transfers	-	-	3,891,341	-	-	-	76,504,602	(80,395,943)	-	-	-	-
Dividends paid	-	-	-	-	-	-	(50,000,000)	-	(50,000,000)	-	-	(50,000,000)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	2,543,383	2,543,383
Total comprehensive income	-	-	-	58,353	22,168,756	-	-	316,423,046	338,650,155	-	-	338,650,155
Balances as of 31 December 2021	110,000,000	-	16,376,384	(86,089)	55,292,710	-	66,103,083	316,423,046	564,109,134	-	2,543,383	566,652,517
<b>2022</b>												
Balances as of 1 January 2022	110,000,000	-	16,376,384	(86,089)	55,292,710	-	66,103,083	316,423,046	564,109,134	-	2,543,383	566,652,517
Capital increase	11,550,000	-	-	-	-	-	-	-	323,821,742	-	-	323,821,742
Transfers	-	-	13,670,879	-	-	-	303,375,968	(316,423,046)	623,801	-	(623,801)	-
Dividends paid	-	-	-	-	-	-	(151,275,130)	-	(151,275,130)	-	-	(151,275,130)
Transactions with non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	3,702,502	3,702,502
Total comprehensive income	-	-	-	(6,097,040)	89,733,106	2,919,372	-	597,361,454	683,918,892	-	688,295	684,607,187
Balances as of 31 December 2022	121,550,000	-	30,047,263	(6,183,129)	145,027,816	2,919,372	218,203,921	597,361,454	1,421,198,439	-	6,310,379	1,427,508,818

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

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS AS OF 31 DECEMBER 2022

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Current Period 1 January - 31 December 2022	Prior Period 1 January - 31 December 2021
<b>A. Cash Flows Generated from / (Used in) Operating Activities</b>			
<b>Profit for the Period</b>		<b>598,049,749</b>	<b>316,423,046</b>
<b>Adjustments Related to Reconciliation of Net Profit for the Period</b>			
Adjustments Related to Depreciation and Amortization Expenses	9, 10, 14	17,575,827	13,726,052
Adjustments Related to Impairment/Reversal of Inventories	7	(530,804)	175,791
Adjustments Related to Provision for Employee Benefits	12	19,071,566	20,445,721
Adjustments Related to Sale of Joint Venture Share	20	-	(3,153,555)
Adjustments Related to Interest Expenses	19	402,855,765	120,792,774
Adjustments Related to Unrealized Foreign Currency Translation Differences		865,539	14,034,925
Adjustments Related to Interest Income		(78,412,248)	(8,973,852)
Adjustments Related to Retained Profits from Investments Valued by the Equity Method	3	-	(1,115,290)
Adjustments Related to Other Items Causing Cash Flows from Investing or Financing Activities		(112,756,065)	-
Adjustments Related to Doubtful Trade Receivables	5	4,366,309	8,119,878
Adjustments Related to Fair Value Gains of Financial Assets		(56,036,976)	-
Adjustments Related to Tax Expense	22	(48,673,969)	90,161,970
Adjustments Related to Arising from the Disposal of Non-Current Assets	20	(1,838,990)	-
Adjustments Related to Derivative Instruments	18, 24	24,744,339	1,975,895
Adjustments Related to Maturity Difference Income	18	(26,689,342)	(14,522,714)
Adjustments Related to Increase/Decrease in Inventories		(260,670,449)	(236,551,489)
Adjustments Related to Increase/Decrease in Trade Receivables		(819,386,772)	(554,661,304)
Adjustments Related to Increase/Decrease in Other Receivables Related to Operations		6,281,208	(44,122,071)
Adjustments Related to Increase/Decrease in Trade Payables		549,444,150	218,975,200
Adjustments Related to Increase/Decrease in Other Payables Related to Operations		33,352,128	15,922,434
<b>Total Adjustments</b>		<b>(346,438,784)</b>	<b>(358,769,635)</b>
<b>Cash Flows Generated from / (Used in) from Operations</b>		<b>251,610,965</b>	<b>(42,346,589)</b>
Interest Received	18	49,927,548	8,973,852
Tax Payments	22	(72,426,378)	(33,512,973)
Payments Related to Provisions for Employee Benefits	12	(30,343,334)	(5,862,980)
		<b>198,768,801</b>	<b>(72,748,690)</b>
<b>B. Cash Flows Used in Investing Activities</b>			
Cash Outflows from Purchase for Control of Subsidiaries	9	(13,896,080)	-
Cash Inflows from the Sale of Joint Ventures	20	-	3,000,000
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets	9, 10, 20	3,120,495	71,924
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets	9, 10	(251,516,826)	(29,917,844)
Cash Outflows Related to Financial Investments		(418,906,230)	-
Cash Inflows Related to Financial Investments		103,975,917	14,872,796
Interest Received		40,118,018	-
		<b>(537,104,706)</b>	<b>(11,973,124)</b>
<b>C. Cash Flows Generated from Financing Activities</b>			
Cash Inflows from Borrowings	24	4,638,822,162	1,033,274,121
Cash Outflows Related to Payment of Borrowings	24	(3,653,016,721)	(538,530,541)
Cash Outflows for Debt Payments from Lease Agreements		(1,915,354)	(1,529,429)
Cash Inflows from Capital Increase		323,821,742	-
Dividends Paid	15	(151,275,130)	(50,000,000)
Interest Paid		(402,018,650)	(117,435,596)
		<b>754,418,049</b>	<b>325,778,555</b>
<b>Net Increase in Cash and Cash Equivalents (A+B+C)</b>		<b>416,082,144</b>	<b>241,056,741</b>
<b>D. Cash and Cash Equivalents at the Beginning of the Period</b>	28	<b>522,234,256</b>	<b>281,177,515</b>
<b>Cash and Cash Equivalents at the End of the Period (A+B+C+D)</b>	28	<b>938,316,400</b>	<b>522,234,256</b>

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

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 1. ORGANISATION AND OPERATIONS OF THE GROUP

Kimteks Poliüretan Sanayi ve Ticaret A.Ş. ("the Company") was established on 1 September 2015 with a capital of TL 100,000. On 31 December 2015, it was separated from Kimteks Kimya Tekstil Ürünleri Sanayi ve Ticaret A.Ş., which was established in 1983, through a partial division and took over its assets.

Kimteks Kimya Tekstil Ürünleri Sanayi ve Ticaret A.Ş., has been established since 1983 to supply chemical and plastic raw materials to different sectors such as artificial leather, shoe sole, rubber, adhesive and paint. With the investment of 'Poliüretan Sistem Evi' in 1999, the company started production, sales and distribution in main product groups including 'Shoe Sole Systems, Flexible Foam Systems, Rigid Foam Systems, Polyester Polyols and Case called Coating, Adhesive, Mastic and Elastomers. The production of polyurethane systems, which started in a rented facility in Hadımköy in 1999 as part of the activities of Kimteks Kimya, was moved to the Gebze Plastikçiler Organized Industrial Zone in 2008. After the division, Kimteks Poliüretan Sanayi ve Ticaret A.Ş. continues its activities as a polyurethane system manufacturer in Turkey.

The legal headquarter of the Group is located in Emniyet Evleri Mah. Eski Büyükdere Cad. Sapphire Plaza No:1/4, İstanbul, Turkey.

The Company is registered with the Capital Markets Board ("CMB") and started to be traded on Borsa İstanbul A.Ş. on 28 April 2022. The Company's share capital has been increased from TL 110,000,000 to TL 121,550,000 and 27.15% of its shares are traded on Borsa İstanbul A.Ş. as of 28 April.

As of 31 December 2022, the number of personnel of the Group is 254 (31 December 2021: 219).

The financial position statements and profit or loss statements of the Group's subsidiaries as of 31 December 2022 are consolidated using the full consolidation method. As of 31 December 2022, the subsidiaries of the Group, which are reflected in the financial statements with the full consolidation method, are Kimpur International Trading Limited and Kimplast Granül Sanayi ve Ticaret A.Ş. The Group's effective ownership interest and voting rights on Kimpur International Trading Limited is 100%, effective ownership interest and voting rights on Kimpur Europe is 74.9966%, effective ownership interest and voting rights on Kimplast Granül Sanayi ve Ticaret A.Ş. is 83.33%. Kimpur Rus and Cis Ltd Company, in which the Group has 100% voting rights and effective ownership interest as of 31 December 2022 and 31 December 2021, has been reflected as a long-term financial investment in the financial statements of the related periods using the cost method instead of the full consolidation method since its effect on the financial statements is immaterial.

#### *Approval of consolidated financial statements:*

Consolidated financial statements were approved by the Board of Directors on 6 March 2023 and authorized to be published. The General Assembly has the authority to change the consolidated financial statements.

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### **Compliance to TFRS**

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

In addition, the consolidated financial statements have been prepared in accordance with the "Announcement on TFRS Taxonomy" published by POA and the resolution of CMB about the Illustrations of Financial Statements and Application Guidance published on 4 October 2022.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### **Compliance to TFRS (cont'd)**

The Group maintains its books of account and prepares its consolidated financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkey ("Ministry of Finance"). Subsidiaries and associates operating in foreign countries prepare their statutory financial statements in accordance with the laws and regulations in force in the countries in which they operate. The consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with TFRS.

The financial statements are prepared on the historical cost basis except for the revaluation of certain non-current assets (land, land improvements, buildings, plant, machinery and equipment and derivative instruments). The determination of historical cost is generally based on the fair value of the consideration paid for the assets.

###### **Currency Used**

###### *Functional currency*

The financial statements of each entity of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial position and operating results of each entity are expressed in TL, which is the functional currency of the Company and the presentation currency for the financial statements.

###### **Comparative Information and Restatement of Prior Period Financial Statements**

The Group's financial statements are prepared comparatively with the previous period in order to enable the determination of the financial situation and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and material differences are disclosed.

###### **Going Concern**

The financial statements have been prepared on a going concern basis, with the assumption that the Group will benefit from its assets and fulfill its obligations in the next year and in the natural course of its activities.

###### **Change in Accounting Policies**

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. In case of a change in accounting policies compared to the previous period, it is disclosed in this note. The Group has not made any changes in its accounting policies in the current year.

###### **Change in Accounting Estimates and Errors**

If changes in accounting estimates relate to only one period, they are applied in the current period in which the change is made, and if it relates to future periods, it is applied prospectively both in the period in which the change is made and in future periods. Significant accounting errors identified are applied retrospectively and prior period financial statements are restated. In the current year, the Group has not been any significant changes in accounting estimates.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### Adjustment of financial statements in hyperinflationary periods

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 "Financial reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

On 20 January 2022, POA issued a statement on whether entities applying Turkish Financial Reporting Standards ("TFRS") will apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in the 2021 financial reporting period. According to this statement, it is stated that entities applying TFRS do not need to make any adjustments within the scope of TAS 29 in their financial statements for 2021. As of the report date, no new statement has been made by POA regarding the scope and application of TAS 29. In this framework, no inflation adjustment has been made in accordance with TAS 29 while preparing the consolidated financial statements dated 31 December 2022.

###### Basis of Consolidation

As of 31 December 2022 and 31 December 2021, the details of the Group's subsidiaries are as follows:

Subsidiaries	Place of Establishment and Activity	Currency	The Group's effective share in the capital and voting rights rate (%)	
			31 December 2022	31 December 2021
Kimpur International Trading Limited (*)	Malta	Euro	100%	100%
Kimpur Rus and Cis Ltd. Company(**)	Russia	Ruble	100%	100%
Kimplast Granül Sanayi ve Ticaret A.Ş. (***)	Turkey	Turkish Lira	83.33%	50%
Kimpur Europe (****)	Latvia	Euro	74.99%	-

(\*) Kimpur International was established on 8 April 2021 in Malta. The Company is fully consolidated as a subsidiary in 2021 and 2022.

(\*\*) As of 31 December 2022 and 31 December 2021, Kimpur Rus and Cis Ltd. Company is accounted as financial investment in 2021 and 2022 periods since it is inactive and has no significant financial impact.

(\*\*\*) Kimplast Granül Sanayi ve Ticaret A.Ş. was established on 9 February 2021 in Turkey, with the contract signed between the parties on 31 December 2021, it has been included in the full consolidation as a subsidiary for the years 2022 and 2021 after the control of the Company passed to Kimteks Poliüretan Sanayi ve Ticaret A.Ş. Kimplast Granül Sanayi ve Ticaret A.Ş.'s capital was increased from TL 2,500,000 to TL 7,500,000 in 2022 and Kimteks Poliüretan Sanayi ve Ticaret A.Ş.'s shareholding rate became 83.33%.

(\*\*\*\*) With the decision of the Board of Directors dated 31 January 2022, it has been decided to purchase 74.99% shares of Kimpur Europe with a nominal value of EUR 1 per share for a total of EUR 602,073. The Company has been fully consolidated as a subsidiary.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the ability to use its power to affect its returns
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL.") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.1 Basis of Presentation (cont'd)

###### **Basis of Consolidation (cont'd)**

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, (including voting patterns at previous shareholders' meetings.)

Consolidation of a subsidiary begins when the Company has control over the subsidiary and ends when it loses control. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

###### **Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Group.

When the Group loses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Company had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 Financial Instruments, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.1 Basis of Presentation (cont'd)

##### Basis of Consolidation (cont'd)

##### Shares in associates

A subsidiary is an entity over which the Group has significant influence. Significant influence is the power to participate in the decisions of an entity's financial and operational policies without being solely or jointly controlled.

A joint venture is a joint venture in which the parties that have joint control of an arrangement have rights to the net assets in the joint arrangement. Joint control is the contractual sharing of control over an economic activity. This control is considered to exist when the decisions regarding the relevant activities require the unanimous consent of the parties sharing the control.

The 27% shares of Mipelle Deri Sanayi ve Ticaret A.Ş. owned by the Group have been transferred as of 24 June 2021.

#### 2.2 New and Amended Turkish Financial Reporting Standards

##### a) Amendments that are mandatorily effective from 2022

Amendments to TFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to TAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to TAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to TFRS Standards 2018-2020	<i>Amendments to TFRS 1, TFRS 9 and TAS 41</i>
Amendments to TFRS 16	<i>COVID-19 Related Rent Concessions beyond 30 June 2021</i>

##### **Amendments to TFRS 3 *Reference to the Conceptual Framework***

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

##### **Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use***

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.



## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.2 New and Amended Turkish Financial Reporting Standards (cont'd)

###### a) Amendments that are mandatorily effective from 2022 (cont'd)

###### **Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract**

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### **Annual Improvements to TFRS Standards 2018-2020 Cycle**

###### *Amendments to TFRS 1 First time adoption of Turkish Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

###### *Amendments to TFRS 9 Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

###### *Amendments to TAS 41 Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

###### **Amendments to TFRS 16 COVID-19 Related Rent Concessions**

Public Oversight Accounting and Auditing Standards Authority ("POA") has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

The Group management has evaluated that these amendments and comments, which are effective from 2022, do not have any impact on the consolidated financial statements of the Group.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.2 New and Amended Turkish Financial Reporting Standards (cont'd)

###### b) New and amended TFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	<i>Insurance Contracts</i>
Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 4	<i>Extension of the Temporary Exemption from Applying TFRS 9</i>
Amendments to TAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to TAS 8	<i>Definition of Accounting Estimates</i>
Amendments to TAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 – Comparative Information</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>

###### **TFRS 17 Insurance Contracts**

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

###### **Amendments to TAS 1 Classification of Liabilities as Current or Non-Current**

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### **Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9**

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

###### **Amendments to TAS 1 Disclosure of Accounting Policies**

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### **Amendments to TAS 8 Definition of Accounting Estimates**

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.2 New and Amended Turkish Financial Reporting Standards (cont'd)

###### b) New and amended TFRSs in issue but not yet effective (cont'd)

###### ***Amendments to TAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

###### ***Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 – Comparative Information***

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Changes will be applied when TFRS 17 is first applied.

###### ***Amendments to TFRS 16 Lease Liability in a Sale and Leaseback***

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

###### ***Amendments to TAS 1 Non-current Liabilities with Covenants***

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

#### 2.3 Summary of Significant Accounting Policies

##### **Related Parties**

A related party is a person or entity that is related to the entity that is preparing its financial statements (reporting entity).

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity,
  - (ii) has significant influence over the reporting entity, or
  - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Related Parties (cont'd)

- b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

###### Revenue

The Group's revenue consists of income from the production and sales of product groups, including the supply of raw materials such as artificial leather, shoe sole, rubber, adhesive and paint, shoe sole systems, flexible foam systems, rigid foam systems, polyester polyols and coating adhesives, sealants and elastomers called cases. The revenue is reflected in the financial statements over the transaction price. The transaction price is the amount the entity expects to be entitled in exchange for transferring promised goods or services to the customer, excluding amounts collected on behalf of third parties.

The Group records revenue in its financial statements in line with the following basic principles:

- a) Identifying contracts with customers
- b) Identifying the performance obligations
- c) Determining the transaction price
- d) Allocating the transaction price to performance obligations
- e) Recognition of revenue when each performance obligation is satisfied

###### Inventories

Inventories are stated at the lower of cost and net realizable value. Costs including some of the fixed and variable general production expenses are valued according to the method appropriate to the class of the inventories and mostly according to the weighted average cost method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Property, Plant and Equipment

Land, buildings and facilities, machinery and devices held for use for production or the delivery of goods or services or for administrative purposes are expressed with their revalued amounts. The revalued amount is determined by deducting the accumulated depreciation and accumulated impairment losses in subsequent periods from the fair value determined at the revaluation date. Revaluations are made at regular intervals so as not to differ materially from the book value of the fair value to be determined at the balance sheet date.

Any revaluation increase arising on the revaluation of such lands, plants, machinery and equipment is recognized in revaluation fund in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the property's revaluation reserve relating to a previous revaluation of that asset.

The depreciation of revalued buildings and machinery is included in the profit or loss statement. When the revalued property is sold or withdrawn from service, the remaining balance in the revaluation fund is transferred directly to retained earnings. No transfers from the revaluation fund to retained earnings are made unless the asset is derecognized.

Except for land and ongoing investments, the cost amounts of property, plant and equipment are depreciated over their expected useful lives using the straight-line method. The expected useful life, residual value and depreciation method are reviewed annually for the possible effects of changes in estimates, and any changes in estimates are accounted for prospectively.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

The estimated useful lives of property, plant and equipment are as follows:

Buildings	50 years
Land improvements	8-50 years
Plant, machinery and equipment	2-25 years
Vehicles	3-15 years
Fixtures	3-15 years
Other property, plant and equipment	1-5 years

###### Leases

###### The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Leases (cont'd)

###### The Group as lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under TAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Leases (cont'd)

###### The Group as lessee (cont'd)

Right-of-use assets are presented in a separate line item in the statement of financial position (Note 14).

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and included in 'Other expenses' in profit or loss.

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient.

###### **Intangible Assets**

###### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

###### Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-5 years).

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads.

Computer software considered as non-current assets are amortized over their useful lives (not to exceed 5 years).

###### Development costs

Project costs related to the development of new products, or the testing and design of developed products are considered intangible assets if the project is commercially and technologically viable and the costs can be determined reliably. Other development and research costs are recognized as expense when incurred. Development expense recorded as expense in the previous period cannot be capitalized in the next period. Capitalized development costs are amortized using the straight-line method within 5 years from the start of commercial production of the product. Period amortization expenses are recognized in cost of sales and operating expenses when incurred.

###### Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### **Impairment of Property, Plant and Equipment and Intangible Assets**

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the present value of the expected future cash flows from an asset or cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### **Borrowing Costs**

In the case of assets (qualified assets) that take significant time to get ready for use and sale, borrowing costs directly attributable to their acquisition, construction or production are included in the cost of the asset until it is ready for use or sale.

All other borrowing costs are recorded in the profit or loss statement in the period in which they are incurred.

##### **Financial Instruments**

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.



## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Financial Instruments (cont'd)

###### *Financial assets*

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) Financial assets subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Group reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

###### Classification of financial assets

Financial assets that meet the following conditions are measured subsequently at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are measured at FVTPL if they are not measured at amortized cost or FVTOCI.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

###### (i) Amortized cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

- (a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Group applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
- (b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Group applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Financial Instruments (cont'd)

###### *Financial assets (cont'd)*

###### Classification of financial assets (cont'd)

###### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria to be measured at amortized cost or at fair value through other comprehensive income (see (i)) are measured at fair value through profit or loss.

Financial assets at fair value through profit or loss are measured at fair value at each period's end and all fair value changes are recognized in profit or loss unless the financial assets are part of hedges (see hedge accounting policy).

###### Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognized in profit or loss. Other exchange differences are recognized in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income.

###### Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guaranteed contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### **Financial Instruments (cont'd)**

###### *Financial assets (cont'd)*

###### Impairment of financial assets (cont'd)

###### Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows (all cash-deficiencies) that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate (or credit-based adjusted effective interest rate for financial assets with credit-value impairment when purchased or incurred).

###### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset and substantially all of the risks and rewards of ownership of the financial asset to another entity.

When derecognising a financial asset measured at amortized cost, the difference between the carrying amount of the asset and the consideration received and receivable is recognized in profit or loss. In addition, when derecognising a debt instrument at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the revaluation fund for that instrument is reclassified to profit or loss. If an equity instrument that the Group chooses to measure at fair value through other comprehensive income at initial recognition is derecognised, the cumulative gain or loss in the revaluation fund is not recognized in profit or loss, but is transferred directly to retained earnings.

###### **Derivative financial instruments**

In order to keep the risks associated with foreign exchange and interest rates under control, the Group uses various derivative financial instruments, including foreign exchange forward contracts and interest rate swap contracts. Detailed information on derivative financial instruments is given in Note 25.

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### Financial Instruments (cont'd)

###### Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Group continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Group continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The entity does not reclassify any financial liability.

###### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

###### Effects of Exchange Differences

###### Foreign currency transactions and balances

The financial statements of each entity of the Group are presented in the currency of the main economic environment in which they operate (the functional currency). The financial position and operating results of each entity are expressed in TL, which is the functional currency of the Group and the presentation unit for the financial statements.

During the preparation of the financial statements of each entity, transactions in foreign currencies (currencies other than TL) are recorded based on the exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies in the balance sheet are translated into Turkish Lira using the exchange rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences arising from transactions carried out to provide financial hedging against foreign currency risks (accounting policies for financial hedging are explained below),

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### Effects of Exchange Differences (cont'd)

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

##### Financial Statements of Subsidiaries Operating in Foreign Countries

Assets and liabilities of the Group's foreign operations, are presented in TL considering exchange rates valid at the reporting date. Income and expenses are translated by using the average rate calculated for the year when the transaction occurred, unless significant fluctuation has happened in exchange rates (in case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date). The translation difference is accounted under comprehensive income as a component of equity.

##### **Earnings per Share**

Earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding. In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

##### **Events After the Reporting Period**

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Group adjusts the amounts recognized in its financial statements if adjusting events occur after the reporting date.

##### **Provisions, Contingent Assets and Liabilities**

A provision is made in the financial statements if there is a present obligation as a result of past events, it is probable that the obligation will be settled and the amount of the obligation can be estimated reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### **Segment Reporting of Financial Information**

Revenue from the Group's operating segments is determined on the basis of activities for which separate financial information is available. When the activities of the Group are taken into account, since there is only one operating unit, there is no reporting score according to the segments.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.3 Summary of Significant Accounting Policies (cont'd)

###### **Taxation**

Turkish Tax Legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Income tax expense represents the sum of the tax currently payable and deferred tax.

###### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

###### Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, as of the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

###### Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized directly in equity, in which case, the current and deferred tax are also recognized directly in equity.

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

#### 2.3 Summary of Significant Accounting Policies (cont'd)

##### Employee Benefits

###### Termination and retirement benefits:

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per revised TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

###### Dividend and bonus payments

The Group records the profit share and bonus calculated on the basis of a method that takes into account the profit of the company's shareholders, after some adjustments, as liabilities and expenses. The Group makes provisions when there is a contractual obligation or a past practice that creates a constructive obligation.

##### Statement of Cash Flow

In the cash flow statement, cash flows for the period are classified and reported based on operating, investing and financing activities.

##### Share Capital and Dividends

Common shares are classified as equity. Dividends distributed over common shares are recorded by deducting from the accumulated profit in the period when the dividend decision is taken.

##### Significant changes in the current period

The Company is registered with the Capital Markets Board ("CMB") and started to be traded on Borsa Istanbul A.Ş. on 28 April 2022. The Company's share capital has been increased from TL 110,000,000 to TL 121,550,000 and 27.15% of its shares are traded on Borsa Istanbul A.Ş. as of 28 April.

#### 2.4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

##### Critical judgments in applying the Group's accounting policies

In the process of applying the accounting policies stated in Note 2.3, the Group Management made the following comments that have a significant impact on the amounts recognized in the financial statements:

##### Key sources of estimation uncertainty

Significant future assumptions with significant risks that will cause major adjustments to the carrying value of the next period's assets and liabilities and other main sources of calculation uncertainty at the reporting date are set out below.

##### Calculation of loss provision

When measuring expected loss allowances, the Group uses reasonable and supportable forward-looking information based on assumptions about different future economic conditions and how these conditions will affect each other.

Loss on default is an estimate of loss on default. It is based on the difference between the receivables the lender expects to collect and the contractual cash flows, taking into account cash flows from collateral and loan enhancements.

The probability of default is an important input in measuring expected credit losses. The probability of default is an estimate of the probability of default in a given time period; The calculation includes past data, assumptions, and expectations of future conditions.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

##### 2.4 Critical Accounting Judgments and Key Sources of Estimation Uncertainty (cont'd)

###### Key sources of estimation uncertainty (cont'd)

###### Severance pay and premium provisions

Severance pay liability and severance incentive premium provision are determined using actuarial assumptions (discount rates, future salary increases and employee turnover rates) (Note 12).

###### Revaluation of land, building, machinery, plant and equipment

The Group values its land, buildings, machinery and equipment at their fair value in their financial statements within the scope of TAS 16 revaluation model. The said fair values are determined by methods such as arm's length price, discounted cash flow and replacement cost. Fair values in the financial statements as of 31 December 2022, based on the appraisal report prepared by Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş. for the land and building, and the fair values reflected in the financial statements for plant and equipment based on appraisal report prepared by Eva Gayrimenkul Değerleme Danışmanlık A.Ş. The initial book values of the related assets were brought to their revalued amounts and the resulting value was recorded in the revaluation fund in equity, netting off the deferred tax effect.

###### Impairment of inventory

Inventories are valued at the lower of cost or net realizable value. When the net realizable value of inventories is less than its cost, the inventories are reduced to their net realizable value.

###### Useful lives of property, plant and equipment and intangible assets

The Group allocates depreciation and amortization from property, plant and equipment and intangible assets, taking into account their useful lives as stated in Note 2.3. The expected useful life, residual value and depreciation method are reviewed annually for the possible effects of changes in estimates, and if there is a change in estimates, they are accounted for prospectively.

###### Deferred tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base legal financial statements and the financial statements prepared in accordance with TFRS. The partially or wholly recoverable amount of deferred tax assets has been estimated under current conditions. During the evaluation, future profit projections, losses in current periods, expiry dates of unused losses and other tax assets, and tax planning strategies that can be used when necessary are taken into consideration. In the light of the data obtained, if the future taxable profit of the Group is not sufficient to cover all of the deferred tax assets, a provision is made for all and part of the deferred tax asset. If future operating results exceed the Group's current expectations, it may be necessary to recognize an unrecognized deferred tax asset.

###### Fair values of derivative instruments, Currency Hedged Deposits ("CHD") and other financial instruments

The Group calculates the fair values of financial instruments that do not have an active market using market data, using similar transactions without collusion, using the fair values of similar instruments as reference, and discounted cash flow analysis.



## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 3. SHARES IN OTHER ENTITIES

##### Associates

##### Kimplast Granül Sanayi ve Ticaret A.Ş.

Kimplast Granül Sanayi ve Ticaret A.Ş. was established on 9 February 2021 in Turkey and has been fully consolidated as a subsidiary as a result of the transfer of control of the Company to Kimteks Poliüretan Sanayi ve Ticaret A.Ş. with the agreement between the parties on 31 December 2021.

As at 31 December 2022 and 31 December 2021, summary financial information of the Group's associate is as follows. Summary financial information includes the net profit for the period of Kimplast Granül Sanayi ve Ticaret A.Ş., a subsidiary of the Group, as of 31 December 2022 and 31 December 2022.

<u>Kimplast Granül Sanayi ve Ticaret A.Ş.</u>	<u>1 January- 31 December 2022</u>	<u>1 January- 31 December 2021</u>
Net profit / (loss) for the period	-	2,586,766
Group's share in associates / joint ventures	-	50.00%
Book value of the Group's shares in associates / joint ventures	-	<b>1,293,383</b>

##### Mipelle Deri Sanayi ve Ticaret A.Ş.

As of 24 June 2021, the shares of Mipelle Deri Sanayi ve Ticaret A.Ş., which was an associate of the Group in previous periods and accounted for using the equity method, were transferred for TL 3,000,000 and the net loss for the period amounting to TL 178,093, which was obtained in line with the Group's ownership interest until this date, was accounted for as loss from investments accounted for using the equity method.

#### 4. RELATED PARTY DISCLOSURES

Trade receivables from related parties generally arise from sales of trade goods and their approximate maturity is 3 months. The receivables are unsecured by nature and interest is not charged. Trade payables to related parties generally arise from purchase transactions and their approximate maturity is 3 months.

The details of the transactions between the Group and other related parties are explained below.

	<u>31 December 2022</u>		
	<u>Receivables</u>		<u>Payables</u>
	<u>Short-term</u>		<u>Short-term</u>
<u>Balances with related parties</u>	<u>Trade receivables</u>	<u>Other receivables</u>	<u>Trade payables</u>
<u>Shareholders</u>			
Yuda Leon Mizrahi	-	8,160,717	-
<u>Other companies managed by shareholders</u>			
Dörtgen Gayrimenkul Yatırım ve Turizm A.Ş.	13,375	-	-
Kimpur Rus and Cis Ltd Company	7,094,776	2,323,961	-
	<b>7,108,151</b>	<b>10,484,678</b>	-

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 4. RELATED PARTY DISCLOSURES (cont'd)

	31 December 2021		
	Receivables		Payables
	Short-term		Short-term
Balances with related parties	Trade receivables	Other receivables	Trade payables
<b>Shareholders</b>			
Yuda Leon Mizrahi	-	1,100,019	-
Etel Sason	-	334,765	-
Salvo Özsarfati	-	239,906	-
İsak İzi Mizrahi	-	258,619	-
Beti Mizrahi	-	258,619	-
Yener Rakıcioğlu	-	23,991	-
Murat Kuzkan	-	3,215	-
Innovis Ticaret ve Danışmanlık A.Ş.	-	179,931	-
<b>Other companies managed by shareholders</b>			
Kimteks Kimya Tekstil Ürünleri Tic. A.Ş.	-	-	971,339
Kımpur Rus and Cis Ltd Company	5,094,156	1,496,712	-
	<b>5,094,156</b>	<b>3,895,777</b>	<b>971,339</b>

Transactions with related parties	1 January - 31 December 2022					
	Goods sales	Goods purchases	Maturity Difference	Interest income	Other income	Other expenses
Yuda Leon Mizrahi (*)	-	-	-	51,383	12,216,262	-
İzi Mizrahi	-	-	-	12,080	156,691	-
Beti Mizrahi	-	-	-	12,080	156,691	-
Etel Sason	-	-	-	15,637	202,826	-
Salvo Özsarfati	-	-	-	11,206	145,353	-
Yener Rakıcioğlu	-	-	-	1,121	14,535	-
Murat Kuzkan	-	-	-	150	1,948	-
Kimteks Kimya Tekstil Ürünleri A.Ş.	-	828,140	-	-	-	-
Kımpur Rus and Cis Ltd Company	-	-	328,222	167,173	-	-
Dörtgen Gayrimenkul Yatırım ve Turizm A.Ş.	-	-	-	-	1,485,149	35,150
Innovis Ticaret ve Danışmanlık A.Ş.	-	-	-	8,405	110,097	1,082
	-	<b>828,140</b>	<b>328,222</b>	<b>279,235</b>	<b>14,489,552</b>	<b>36,232</b>

(\*) Profits from the share sales made by the Group's shareholder Yuda Leon Mizrahi have been transferred to the Group by Yuda Leon Mizrahi in accordance with the CMB legislation. In this context, financial income amounting to TL 11,540,436 has been recognised (Note 19).

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 4. RELATED PARTY DISCLOSURES (cont'd)

Transactions with related parties	1 January - 31 December 2021					
	Goods sales	Goods purchases	Maturity Difference	Interest income	Other income	Other expenses
Dusel Eva Kauçuk ve Polüretan Taban A.Ş.	2,036,910	-	30,625	-	-	-
Mipelle Deri ve Sanayi Ticaret A.Ş.	-	-	-	130,102	-	5,191
Yuda Leon Mizrahi (*)	-	-	-	36,952	3,930,221	-
İzi Mizrahi	-	-	-	8,688	218,699	-
Beti Mizrahi	-	-	-	8,688	218,699	-
Etel Sason	-	-	-	11,245	283,091	-
Salvo Özserfati	-	-	-	8,059	202,875	-
Yener Rakıcioğlu	-	-	-	806	20,287	-
Murat Kuzkan	-	-	-	108	2,719	-
Kimteks Kimya Tekstil Ürünleri A.Ş.	-	2,068,940	-	-	-	-
Kımpur Rus and Cis Ltd Company	369,681	-	347,840	352	-	-
Dörtgen Gayrimenkul Yatırım ve Turizm A.Ş.	-	-	-	-	20,867	105,890
Innovis Ticaret ve Danışmanlık A.Ş.	-	-	-	12,037	158,200	169,374
Kimplast Granül San. ve Tic. A.Ş.	25,172,319	-	1,838,727	-	1,083,777	237,820
	<u>27,578,910</u>	<u>2,068,940</u>	<u>2,217,192</u>	<u>217,037</u>	<u>6,139,435</u>	<u>518,275</u>

(\*) The shares of Mipelle Deri Sanayi ve Ticaret AŞ, the joint venture of the Group, were transferred as of 24 June 2021 for a price of TL 3,000,000.

#### **Benefits Provided to Key Management**

The Group's key management team consists of members of the Board of Directors and directors. Benefits provided to key management include benefits such as salaries, premiums, attendance fees and bonuses. Benefits provided to key management during the period are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Benefits for board members	22,239,861	14,151,660
Benefits for directors	12,696,023	6,178,718
	<u>34,935,884</u>	<u>20,330,378</u>

#### 5. TRADE RECEIVABLES AND PAYABLES

##### a) Trade Receivables

As of 31 December 2022 and 31 December 2021, the details of the Group's trade receivables are as follows:

	31 December 2022	31 December 2021
Short-term trade receivables		
Trade receivables	957,284,355	527,853,868
Notes receivable	967,517,493	553,783,753
Trade receivables from related parties (Note 3)	7,108,151	5,094,156
Expected credit loss provision (-)	(25,706,881)	(21,340,572)
	<u>1,906,203,118</u>	<u>1,065,391,205</u>

As of 31 December 2022, the maturity of the Group's trade receivables is 141 days (31 December 2021: 176 days). In 2022, the Company has transferred and assigned its trade receivables amounting to TL 241,999,638 to factoring companies irrevocably and therefore the related receivables are excluded from the balance sheet.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 5. TRADE RECEIVABLES AND PAYABLES (cont'd)

##### a) Trade Receivables (cont'd)

As of 31 December 2022 and 31 December 2021, the movement of the Group's expected provision for credit losses during the period is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
<u>Expected credit loss provision</u>		
Opening balance	(21,340,572)	(13,220,694)
Period expense, collections, net	<u>(4,366,309)</u>	<u>(8,119,878)</u>
Closing balance	<u>(25,706,881)</u>	<u>(21,340,572)</u>
	31 December 2022	31 December 2021
<u>Long-term trade receivables</u>		
Notes receivable	<u>897,892</u>	-
	<u>897,892</u>	-

Explanations on the nature and level of risks in trade receivables are given in note 25.

##### b) Trade Payables

As of 31 December 2022 and 31 December 2021, the details of the Group's trade payables are as follows:

	31 December 2022	31 December 2021
<u>Short-term trade payables</u>		
Trade payables	989,199,352	437,876,375
Trade payables to related parties (Note 4)	-	971,339
Notes payables	<u>907,488</u>	<u>907,688</u>
	<u>990,106,840</u>	<u>439,755,402</u>
	31 December 2022	31 December 2021
<u>Long-term trade payables</u>		
Notes receivable	<u>473,320</u>	<u>1,380,608</u>
	<u>473,320</u>	<u>1,380,608</u>

As of 31 December 2022, the Group's payment term for the purchase of goods is 88 days (31 December 2021: 89 days).

#### 6. OTHER RECEIVABLES AND PAYABLES

##### a) Other Receivables

	31 December 2022	31 December 2021
<u>Other short-term receivables</u>		
Other receivables from related parties (Note 4)	10,484,678	3,895,777
Deposits and guarantees given	105,570	100,320
Other miscellaneous receivables (*)	<u>2,389,993</u>	<u>2,821,648</u>
	<u>12,980,241</u>	<u>6,817,745</u>

(\*) As at 31 December 2022, other receivables consist of receivables from tax office.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 6. OTHER RECEIVABLES AND PAYABLES (cont'd)

##### b) Other Payables

	31 December 2022	31 December 2021
<u>Other short-term payables</u>		
Other miscellaneous payables	269,279	165,252
	<u>269,279</u>	<u>165,252</u>

#### 7. INVENTORIES

	31 December 2022	31 December 2021
Raw materials	351,789,243	233,885,681
Work-in-process	21,614,845	17,042,599
Finished goods	177,601,119	55,525,408
Trade goods	6,932,768	828,425
Provision for impairment in inventory (-)	-	(530,804)
Goods in transit	63,449,014	53,434,427
	<u>621,386,989</u>	<u>360,185,736</u>

As of 31 December 2022, there is no provision for inventory impairment (31 December 2021: TL 530,804).

#### 8. PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2022	31 December 2021
<u>Short-term prepaid expenses</u>		
Order advances given for inventory purchase	12,719,468	34,678,993
Prepaid expenses	3,259,194	2,336,428
	<u>15,978,662</u>	<u>37,015,421</u>

	31 December 2022	31 December 2021
<u>Long-term prepaid expenses</u>		
Prepaid expenses	5,016	64,908
	<u>5,016</u>	<u>64,908</u>

	31 December 2022	31 December 2021
<u>Short-term deferred income</u>		
Order advances received	70,315,712	49,522,634
	<u>70,315,712</u>	<u>49,522,634</u>

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 31 DECEMBER 2022**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

**9. PROPERTY, PLANT AND EQUIPMENT**

<u>Cost</u>	Lands	Buildings	Plant, machinery and devices	Vehicles	Furniture and fixtures	Leasehold improvements	Investments in progress	Total
Opening balance as of 1 January 2022	48,829,928	15,143,888	34,010,318	8,300,454	4,202,314	477,157	18,791,963	129,756,022
Additions	16,454,138	1,544,114	7,571,956	8,618,494	3,230,673	200,492	213,272,636	250,892,503
Disposals	-	-	(22,168)	(1,301,240)	-	-	-	(1,323,408)
Revaluation	70,620,000	32,106,998	-	-	-	-	-	102,726,998
Transfers from ongoing investments (*)	-	-	-	-	-	-	(35,443,504)	(35,443,504)
Assets acquired from subsidiary control gain	-	11,794,298	2,044,461	57,321	-	-	-	13,896,080
Foreign currency translation differences	-	1,741,499	303,870	8,464	-	-	-	2,053,833
Closing balance as of 31 December 2022	135,904,066	62,330,797	43,908,437	15,683,493	7,432,987	677,649	196,621,095	462,558,524
<u>Accumulated depreciation</u>								
Opening balance as of 1 January 2022	-	(198,787)	(14,808,557)	(3,608,141)	(2,729,209)	(394,874)	-	(21,739,568)
Charge for the period	-	(415,597)	(4,707,203)	(2,393,700)	(856,231)	(36,371)	-	(8,409,302)
Revaluation	-	614,384	-	-	-	-	-	614,384
Disposals	-	157	-	502,248	-	-	-	502,405
Closing balance as of 31 December 2022	-	157	(19,515,760)	(5,499,593)	(3,585,440)	(431,445)	-	(29,032,081)
Net book value as of 31 December 2022	135,904,066	62,330,954	24,392,677	10,183,900	3,847,547	246,204	196,621,095	433,526,443

(\*) Investments in progress amounting to TL 35,443,504 have been transferred to intangible assets (31 December 2021: TL 14,323,791).

TL 6,244,204 (31 December 2021: TL 6,203,887) of depreciation expenses is included in cost of sales, TL 1,187,101 (31 December 2021: TL 784,423) is included in general administrative expenses, TL 977,997 (31 December 2021: TL 358,287) is included in marketing expenses.

As at 31 December 2022 and 31 December 2021, there are no mortgages and pledges on property, plant and equipment.

As of 31 December 2022, the Group has no property, plant and equipment acquired under finance lease (31 December 2021: None).

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 31 DECEMBER 2022**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

**9. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

	Lands	Buildings	Plant, machinery and devices	Vehicles	Furniture and fixtures	Leasehold improvements	Investments in progress	Total
<b>Cost</b>								
Opening balance as of 1 January 2021	26,698,940	12,025,280	30,455,525	5,972,886	3,503,403	407,571	4,903,894	83,967,499
Additions	5,444,928	86,884	3,629,123	2,327,568	698,911	69,586	28,223,248	40,480,248
Disposals	-	-	(107,886)	-	-	-	-	(107,886)
Revaluation	16,686,060	3,031,724	-	-	-	-	-	19,717,784
Transfers from ongoing investments (*)	-	-	11,388	-	-	-	(14,335,179)	(14,323,791)
Assets acquired from subsidiary control gain	-	-	22,168	-	-	-	-	22,168
Closing balance as of 31 December 2021	48,829,928	15,143,888	34,010,318	8,300,454	4,202,314	477,157	18,791,963	129,756,022
<b>Accumulated depreciation</b>								
Opening balance as of 1 January 2021	-	(593,083)	(9,840,425)	(2,278,232)	(2,088,095)	(372,386)	-	(15,172,221)
Charge for the period	-	(354,534)	(4,998,552)	(1,329,909)	(641,114)	(22,488)	-	(7,346,597)
Revaluation	-	748,830	-	-	-	-	-	748,830
Disposals	-	-	35,962	-	-	-	-	35,962
Assets acquired from subsidiary control gain	-	-	(5,542)	-	-	-	-	(5,542)
Closing balance as of 31 December 2021	-	(198,787)	(14,808,557)	(3,608,141)	(2,729,209)	(394,874)	-	(21,739,568)
Net book value as of 31 December 2021	48,829,928	14,945,101	19,201,761	4,692,313	1,473,105	82,283	18,791,963	108,016,454

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

##### Fair value measurements

The land, buildings, machinery and equipment owned by the Group are shown with their revaluation amounts, which is their fair value at the revaluation date, less accumulated depreciation and accumulated impairment losses. The fair value of the land and buildings owned by the Group was determined on 26 December 2022 by Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş., a valuation company independent from the Group. Aden Gayrimenkul Değerleme ve Danışmanlık A.Ş. was authorized by the CMB on 22 March 2018 and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in the fair value measurement of real estates in the relevant regions. In addition, the fair value of the plants, machinery and equipment owned by the Group as of 31 December 2018 was realized by Eva Gayrimenkul Değerleme ve Danışmanlık A.Ş., a valuation company independent from the Group. Eva Gayrimenkul Değerleme ve Danışmanlık A.Ş. was authorized by the CMB on 27 March 2009 and provides real estate valuation services in accordance with the capital market legislation and has sufficient experience and qualifications in the fair value measurement of real estates in the relevant regions.

As of 31 December 2022 and 31 December 2021, the information on the land and buildings owned by the Group and the fair value hierarchy of the said assets are shown in the table below:

	31 December 2021	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	48,829,928	-	48,829,928	-
Buildings	14,945,101	-	14,945,101	-
Plant, Machinery and Equipment	19,201,761	-	19,201,761	-

	31 December 2022	Fair value level as of reporting date		
		Level 1	Level 2	Level 3
		TL	TL	TL
Land	135,904,066	-	135,904,066	-
Buildings	62,330,954	-	62,330,954	-
Plant, Machinery and Equipment	24,392,677	-	24,392,677	-

#### 10. INTANGIBLE ASSETS

Cost	Rights	Development	Total
		Costs	
Opening balance as of 1 January 2022	3,751,815	33,436,256	37,188,071
Additions	624,323	-	624,323
Transfers from ongoing investments	-	35,443,504	35,443,504
Disposals	-	(460,502)	(460,502)
Closing balance as of 31 December 2022	4,376,138	68,419,258	72,795,396
<b>Accumulated amortization</b>			
Opening balance as of 1 January 2022	(2,774,491)	(8,403,287)	(11,177,778)
Charge for the period	(424,450)	(7,499,575)	(7,924,025)
Closing balance as of 31 December 2022	(3,198,941)	(15,902,862)	(19,101,803)
Net book value as of 31 December 2022	1,177,197	52,516,396	53,693,593



# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 10. INTANGIBLE ASSETS (cont'd)

Cost	Development		Total
	Rights	Costs	
Opening balance as of 1 January 2021	3,314,219	19,112,465	22,426,684
Additions	437,596	-	437,596
Transfers from ongoing investments	-	14,323,791	14,323,791
Closing balance as of 31 December 2021	3,751,815	33,436,256	37,188,071
<b>Accumulated amortization</b>			
Opening balance as of 1 January 2021	(1,787,766)	(3,983,655)	(5,771,421)
Charge for the period	(986,725)	(4,419,632)	(5,406,357)
Closing balance as of 31 December 2021	(2,774,491)	(8,403,287)	(11,177,778)
Net book value as of 31 December 2021	977,324	25,032,969	26,010,293

TL 7,656,798 (31 December 2021: TL 4,565,437) of amortization is included in cost of sales, TL 267,227 (31 December 2021: TL 529,800) in general administrative expenses and TL 0 (31 December 2021: TL 311,120) in marketing expenses.

### 11. COMMITMENTS

#### Collateral - Pledge - Mortgage ("CPM")

As of 31 December 2022 and 31 December 2021, the tables regarding the collateral position of the Group are as follows:

CPMs Given by the Company	31 December 2022			
	TL equivalent	TL	Euro	USD
A. Total Amount of GPMs Given on behalf of Its Own Legal Entity				
	92,129,429	1,026,609	1,760,000	2,995,855
-Collateral	92,129,429	1,026,609	1,760,000	2,995,855
B. Total Amount of CPMs Given in Favor of Partnerships Included in the Full Consolidation Scope	-	-	-	-
C. Total Amount of CPMs Given by Other 3rd Persons for the Purpose of Ordinary Commercial Activities	-	-	-	-
D. Total Amount of Other CPMs Given	-	-	-	-
<b>Total</b>	<b>92,129,429</b>	<b>1,026,609</b>	<b>1,760,000</b>	<b>2,995,855</b>

CPMs Given by the Company	31 December 2021			
	TL equivalent	TL	Euro	USD
A. Total Amount of GPMs Given on behalf of Its Own Legal Entity				
	43,387,245	1,265,379	1,985,000	1,000,000
-Collateral	43,387,245	1,265,379	1,985,000	1,000,000
B. Total Amount of CPMs Given in Favor of Partnerships Included in the Full Consolidation Scope	-	-	-	-
C. Total Amount of CPMs Given by Other 3rd Persons for the Purpose of Ordinary Commercial Activities	-	-	-	-
D. Total Amount of Other CPMs Given	-	-	-	-
<b>Total</b>	<b>43,387,245</b>	<b>1,265,379</b>	<b>1,985,000</b>	<b>1,000,000</b>

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 12. EMPLOYEE BENEFITS

#### Payables within the scope of employee benefits

As of 31 December 2022 and 31 December 2021, payables within the scope of employee benefits are as follows:

	31 December 2022	31 December 2021
Payables to personnel	1,290,713	549,911
Social security premiums payable	4,458,456	1,541,551
	<u>5,749,169</u>	<u>2,091,462</u>

#### Short-term provisions for employee benefits

##### Provision for unused vacation

Short-term employee benefits and liabilities are measured without discounting and expensed as the related service is rendered. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. According to the current Labor Law in Turkey is obliged to pay for any reason claimed by the employee if the ending, but unused annual leave belonging fee gross salary at the date when the contract expires and contractual other interests him or rights to their owners over the total.

As of 31 December 2022 and 31 December 2021, the breakdown of short-term provisions for employee benefits is as follows:

	31 December 2022	31 December 2021
Provision for unused vacation	2,785,509	1,225,682
Premium provisions	16,121,948	30,000,000
	<u>18,907,457</u>	<u>31,225,682</u>

The movement table of unused vacation and premium provisions for the accounting periods ending on 31 December 2022 and 31 December 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Provision as of 1 January	31,225,682	6,510,298
Provision appropriated / (used) during the period, net Paid in the period	17,681,775 (30,000,000)	30,524,327 (5,808,943)
Provision as of the end of the period	<u>18,907,457</u>	<u>31,225,682</u>

# KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

## NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

### 12. EMPLOYEE BENEFITS (cont'd)

#### Long-term provisions for employee benefits

##### Provisions for employment termination benefit

Under Turkish Labor Law, the Group is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men).

Retirement pay to be paid as of 31 December 2022 is subject to a monthly ceiling of TL 15,371.40 (31 December 2021: TL 8,284.51).

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of the Group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2022, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Provisions at the relevant balance sheet dates are calculated using the real discount rate, which is approximately 2.53% based on the assumptions of 18.50% annual inflation and 21.50% interest rate (31 December 2021: 17.50% and 21.50%). Voluntary leaves are also taken into consideration as 9.30% for 0-15 years employees and 0% for those who work 15 and over. The maximum amount of TL 19,982.83 effective from 1 January 2023 has been taken into account in the calculation of the severance pay provision of the Company (1 January 2022: TL 10,849.59).

As of 31 December 2022 and 31 December 2021, the breakdown of long-term employee benefits is as follows:

	31 December 2022	31 December 2021
Provision for employment termination benefits	12,273,281	3,605,524
	<u>12,273,281</u>	<u>3,605,524</u>

The movement table of provisions for employment termination benefits for the accounting periods ending on 31 December 2022 and 31 December 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Provision as of 1 January	3,605,524	2,811,109
Service cost	596,576	836,676
Interest cost	793,215	84,718
Severance payments paid	(343,334)	(54,037)
Actuarial (gain)/loss	7,621,300	(72,942)
Provision as of the end of the period	<u>12,273,281</u>	<u>3,605,524</u>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 13. OTHER ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
<u>Other current assets</u>		
Transferred VAT	51,843,334	25,993,079
Income accruals	-	17,446,051
Personnel advances	1,331,335	1,082,592
	<u>53,174,669</u>	<u>44,521,722</u>
	31 December 2022	31 December 2021
<u>Other current liabilities</u>		
Tax and funds payable	4,035,148	3,469,860
	<u>4,035,148</u>	<u>3,469,860</u>

#### 14. LEASE TRANSACTIONS

Within the scope of its operations, the Group rents forklifts, lorries and trucks, office buildings and warehouses. Leasing periods vary between 3-10 years.

##### Right-of-Use Assets

	Machinery and equipment	Buildings and warehouse	Vehicles	Total
<u>Cost</u>				
As of 1 January 2021	566,552	3,830,424	948,884	5,345,860
Additions	-	91,971	-	91,971
Closing balance as of 31 December 2021	<u>566,552</u>	<u>3,922,395</u>	<u>948,884</u>	<u>5,437,831</u>
<u>Accumulated depreciation</u>				
As of 1 January 2021	(283,276)	(963,329)	(437,401)	(1,684,006)
Charge for the period	(141,638)	(575,719)	(255,741)	(973,098)
Closing balance as of 31 December 2021	<u>(424,914)</u>	<u>(1,539,048)</u>	<u>(693,142)</u>	<u>(2,657,104)</u>
Net book value as of 31 December 2021	<u>141,638</u>	<u>2,383,347</u>	<u>255,742</u>	<u>2,780,727</u>
	Machinery and equipment	Buildings and warehouse	Vehicles	Total
<u>Cost</u>				
As of 1 January 2022	566,552	3,922,395	948,884	5,437,831
Additions	-	1,163,531	-	1,163,531
Closing balance as of 31 December 2022	<u>566,552</u>	<u>5,085,926</u>	<u>948,884</u>	<u>6,601,362</u>
<u>Accumulated depreciation</u>				
As of 1 January 2022	(424,914)	(1,539,048)	(693,142)	(2,657,104)
Charge for the period	(141,638)	(845,120)	(255,742)	(1,242,500)
Closing balance as of 31 December 2022	<u>(566,552)</u>	<u>(2,384,168)</u>	<u>(948,884)</u>	<u>(3,899,604)</u>
Net book value as of 31 December 2022	<u>-</u>	<u>2,701,758</u>	<u>-</u>	<u>2,701,758</u>

Depreciation expenses amounting to TL 347,038 (31 December 2021: TL 821,740) are included in cost of sales, TL 753,821 (31 December 2021: TL 151,358) in general administrative expenses and TL 141,641 (31 December 2021: TL 0) in marketing expenses.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 14. LEASE TRANSACTIONS (cont'd)

##### Right-of-Use Assets (cont'd)

	31 December 2022	31 December 2021
Recognized in profit or loss		
Depreciation amount of right-of-use assets	1,242,500	973,098
Interest expense on lease liabilities	693,769	668,167
Lease expenses	(1,915,351)	(1,361,528)

##### Liabilities from Lease Transactions

	31 December 2022	31 December 2021
Distribution of lease liabilities		
Long-term	2,528,999	2,490,818
Short-term	768,576	864,811
	<u>3,297,575</u>	<u>3,355,629</u>

The maturity distribution of liabilities from leasing transactions is as follows:

	31 December 2022	31 December 2021
Maturity distribution		
Year 1	768,576	864,811
Year 2	989,624	695,795
3 years and beyond	1,539,375	1,795,023
	<u>3,297,575</u>	<u>3,355,629</u>

#### 15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

##### a) Share Capital

The paid-in capital structure at 31 December 2022 and 31 December 2021 is as follows:

Shareholders	%	31 December 2022	%	31 December 2021
Yuda Leon Mizrahi	37.38%	45,433,241	45.85%	50,438,000
Etel Sason	10.92%	13,272,633	13.96%	15,349,000
İsak İzi Mizrahi	8.44%	10,253,885	10.78%	11,858,000
Beti Mizrahi	8.44%	10,253,885	10.78%	11,858,000
Salvo Özsarfatı	7.83%	9,511,952	10.00%	11,000,000
Innovis Ticaret ve Danışmanlık A.Ş.	5.87%	7,133,966	7.50%	8,250,000
Yener Rakıcioğlu	0.78%	951,195	1.00%	1,100,000
Murat Kuzkan	0.10%	127,115	0.13%	147,000
Public	20.25%	24,612,128	0.00%	-
Nominal capital	100%	121,550,000	100%	110,000,000

As at 31 December 2022, the Group's share capital consists of 121,550,000 shares (31 December 2021: 110,000,000). The nominal value of the shares is TL 1 per share (31 December 2021: TL 1 per share). All issued shares were paid in cash.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

##### b) Restricted Reserves Appropriated from Profit

	31 December 2022	31 December 2021
Legal Reserves	30,047,263	16,376,384
	<u>30,047,263</u>	<u>16,376,384</u>

Retained earnings in the statutory books may be distributed, except for the legal reserves stated below.

According to Turkish Commercial Code, the Group reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to the Turkish Commercial Code, if the general legal reserve does not exceed half of the share capital or the issued capital, it can be used only to close the losses, to continue the business when business is not going well or to take measures to mitigate the results.

Dividend Distribution:

In 2022, the Group distributed dividend amounting to TL 151,275,130 from the profit of 2021 (In 2021, the Group distributed dividend amounting to TL 50,000,000 from the profit of 2020 within the scope of Law No: 6736).

##### c) Premiums Related to Shares

	31 December 2022	31 December 2021
Premiums Related to Shares (*)	312,271,742	-
	<u>312,271,742</u>	<u>-</u>

(\*) TL 11,128,258 of the TL 334,950,000 received for 11,550,000 shares of 9.50%, corresponding to the publicly traded portion of the Group's paid-in capital on 25 April 2022, was used for public offering expenses, then TL 11,550,000 of the remaining TL 323,821,742 was used in the capital increase and the remaining TL 312,271,742 was paid as share premium. Share premium represents the difference between the nominal amount of the shares offered to the public and the sales amount.

##### d) Other Comprehensive Income and Profits that will not be Reclassified to Profit or Loss

###### Accumulated remeasurement losses of defined benefit plans

	1 January- 31 December 2022	1 January- 31 December 2021
Beginning of the period	(86,089)	(144,442)
Total comprehensive expense	(7,621,300)	72,942
Deferred tax effect	1,524,260	(14,589)
End of the period	<u>(6,183,129)</u>	<u>(86,089)</u>

###### Revaluation increases

	1 January- 31 December 2022	1 January- 31 December 2021
Beginning of the period	55,292,710	33,123,954
Total comprehensive income	103,341,382	20,466,614
Deferred tax effect	(13,606,276)	1,702,142
End of the period	<u>145,027,816</u>	<u>55,292,710</u>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

##### e) Other Comprehensive Income and Profits that will be Reclassified to Profit or Loss

##### Foreign currency translation differences

	1 January- 31 December 2022	1 January- 31 December 2021
Beginning of the period	-	-
Total comprehensive expense	2,919,372	-
End of the period	2,919,372	-

#### 16. REVENUE AND COST OF SALES

The Group fulfills its performance obligations over time and at a certain time.

	1 January- 31 December 2022	1 January- 31 December 2021
<b>a) Sales</b>		
Domestic sales	3,605,446,024	1,769,742,623
Export sales	1,348,333,703	431,915,512
Sales returns (-)	(44,306,445)	(22,624,509)
Sales discounts (-)	(19,424,752)	(6,345,162)
	4,890,048,530	2,172,688,464
	1 January- 31 December 2022	1 January- 31 December 2021
<b>b) Cost of sales</b>		
Raw material expenses	(4,073,787,691)	(1,775,573,825)
Personnel expenses	(55,868,387)	(24,149,806)
Depreciation and amortization (Note 9, 10, 14)	(14,248,040)	(11,591,064)
General production expenses	(93,367,187)	(22,300,667)
Net change in product inventories	122,075,711	30,800,540
Net change in semi-finished product inventories	4,572,246	12,984,992
Cost of trade goods sold	(10,703,459)	(3,411,327)
	(4,121,326,807)	(1,793,241,157)

#### 17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
General administrative expenses (-)	(48,090,840)	(37,520,092)
Marketing expenses (-)	(138,220,140)	(53,136,879)
	(186,310,980)	(90,656,971)

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 17. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (cont'd)

	1 January- 31 December 2022	1 January- 31 December 2021
<b><u>General Administrative Expenses</u></b>		
Personnel expenses	(30,208,645)	(30,312,131)
Consulting expenses	(7,500,020)	(2,204,880)
Taxes, duties and fees	(3,326,208)	(1,722,989)
Depreciation and amortization (Note 9,10,14)	(2,208,149)	(1,465,581)
Office expenses	(766,078)	(368,914)
Travel expenses	(798,201)	(311,524)
Contribution expenses	(809,461)	(208,938)
Donations and grants	(387,548)	(69,746)
Rental expenses	(474,275)	(195,676)
Maintenance and repair expenses	(457,788)	(163,600)
Insurance expenses	(434,366)	(104,715)
Other	(720,101)	(391,398)
	<b><u>(48,090,840)</u></b>	<b><u>(37,520,092)</u></b>
<b><u>Marketing Expenses</u></b>		
Transportation expenses	(53,622,663)	(14,527,693)
Export expenses	(42,759,188)	(13,015,347)
Personnel expenses	(20,020,033)	(15,665,251)
Storage expenses	(6,828,445)	(3,576,918)
Fair and organization expenses	(4,655,953)	(2,690,334)
Travel expenses	(3,196,907)	(964,679)
Insurance expenses	(2,899,882)	(1,342,543)
Depreciation and amortization (Note 9,10)	(1,119,638)	(669,407)
Representation and hospitality expenses	(448,410)	(143,845)
Taxes, duties and fees	(243,384)	(42,633)
Maintenance and repair expenses	(202,560)	(62,227)
Office expenses	(13,941)	(10,841)
Other	(2,209,136)	(425,161)
	<b><u>(138,220,140)</u></b>	<b><u>(53,136,879)</u></b>

#### Fees for services received from an independent audit firm

Based on the Board Decision of the Public Oversight, Accounting and Auditing Standards Authority "POA" published in the Official Gazette, the fees related to the services received by the Group from the independent auditor/independent audit firm as of the reporting period are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Independent audit fee for the reporting period	745,000	1,240,000
Fee for other assurance services	75,000	-
	<b><u>820,000</u></b>	<b><u>1,240,000</u></b>



## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 18. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other operating income for the periods ended 31 December 2022 and 31 December 2021 is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
<b><u>Other Income from Operating Activities</u></b>		
Foreign exchange income from operating activities	440,829,612	739,214,612
Interest income	49,927,548	8,973,852
Delay interest income	26,689,342	14,522,714
Scrap sales income	8,875,505	-
Compensation and penalty income	2,495,592	-
Provisions released	81,607	-
Income from derivative transactions	32,422	3,749,135
Other income	6,266,819	1,343,286
	<u>535,198,447</u>	<u>767,803,599</u>

Other operating expenses for the years ended 31 December 2022 and 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
<b><u>Other Expenses from Operating Activities</u></b>		
Foreign exchange expenses from operating activities	(302,395,647)	(492,643,699)
Provision expenses	(2,299,209)	(6,033,758)
Commission expenses	(41,109,557)	(11,553,850)
Expenses from derivative transactions	(24,776,761)	(5,725,030)
Other expenses	(5,453,638)	(3,493,728)
	<u>(376,034,812)</u>	<u>(519,450,065)</u>

#### 19. FINANCE INCOME AND EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
<b><u>Finance Income</u></b>		
Stock sales profits (*)	11,540,436	-
	<u>11,540,436</u>	<u>-</u>

(\*) Profits from the share sales made by the Group's shareholder Yuda Leon Mizrahi have been transferred to the Group by Yuda Leon Mizrahi in accordance with the CMB legislation. In this context, financial income amounting to TL 11,540,436 has been recognized.

	1 January - 31 December 2022	1 January - 31 December 2021
<b><u>Finance Expenses</u></b>		
Bank loan interest expenses	(353,136,674)	(120,124,607)
Factoring interest expenses	(30,694,986)	-
Interest expense from leasing	(693,769)	(668,167)
Foreign exchange gains / (expenses), net	-	(14,034,925)
Other financial expenses	(18,330,336)	-
	<u>(402,855,765)</u>	<u>(134,827,699)</u>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 20. INCOME FROM INVESTING ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
<b><u>Income from investing activities</u></b>		
Time deposit interest and foreign exchange profits (*)	197,277,741	-
Associate sales profit (**)	-	3,153,555
Fixed asset sales profit	1,838,990	-
	<u>199,116,731</u>	<u>3,153,555</u>

(\*) It consists of interest and foreign exchange difference income from currency hedged deposits.

(\*\*) On 24 June 2021, the shares of Mipelle Deri Sanayi ve Ticaret A.Ş. were sold for a price of TL 3,000,000.

#### 21. EXPENSES BY NATURE

	1 January- 31 December 2022	1 January- 31 December 2021
<b><u>Expenses by nature</u></b>		
Personnel expenses	(106,097,065)	(70,127,188)
Transportation expenses	(53,622,663)	(14,527,693)
Export expenses	(42,759,188)	(13,015,347)
Depreciation and amortization (Note 9,10,14)	(17,575,827)	(13,726,052)
Consulting expenses	(7,500,020)	(2,204,880)
Storage expenses	(6,828,445)	(3,576,918)
Fair and organization expenses	(4,655,953)	(2,690,334)
Taxes, duties and fees	(3,569,592)	(1,765,622)
Travel expenses	(3,995,108)	(1,276,203)
Insurance expenses	(3,334,248)	(1,447,258)
Contribution expenses	(809,461)	(208,938)
Office expenses	(780,019)	(379,755)
Maintenance and repair expenses	(660,348)	(225,827)
Rental expenses	(474,275)	(308,996)
Maintenance and repair expenses	(448,410)	(143,845)
Donations and grants	(387,548)	(69,746)
Other	(2,929,237)	(703,239)
	<u>(256,427,407)</u>	<u>(126,397,841)</u>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	31 December 2022	31 December 2021
<i>(Assets related to current tax)/</i>		
<i>Period profit tax liability:</i>		
Provision for current corporate tax	1,549,066	91,186,891
Less: Prepaid taxes and funds	<u>(8,415,215)</u>	<u>(27,175,728)</u>
	<u>(6,866,149)</u>	<u>64,011,163</u>
<i>Tax expense in profit or loss statement:</i>	1 January- 31 December 2022	1 January- 31 December 2021
<i>The tax expense consists of:</i>		
Current period tax expense	(1,549,066)	(91,186,891)
Tax income/(expense) related to tax incentives	4,529,526	-
Deferred tax income	<u>45,693,509</u>	<u>1,024,921</u>
	<u>48,673,969</u>	<u>(90,161,970)</u>

#### Corporate Tax

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting exempt income, non-deductible income and other reductions (accumulated losses, if any, and investment deductions utilized, if preferred).

In Turkey, the corporate tax rate is 20%. However, within the scope of the Law No. 7316 on the "Law on the Collection of Public Claims and Amendments to Some Laws" published in the Official Gazette dated 22 April 2021, this rate will be applied as 25% for the corporate earnings of the corporations for the 2021 taxation period, and as 23% for the corporate earnings of the 2022 taxation period (31 December 2021: 25%)

#### Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below.

The tax rate used in the calculation of deferred tax assets and liabilities is 23% (2021: 23%) over temporary timing differences expected to reverse in 2022, and 20% over temporary timing differences expected to reverse after 2022 (2021: 20%).

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

##### Deferred Tax (cont'd)

Movement tables of deferred tax assets / (liabilities) for the periods ending on 31 December 2022 and 31 December 2021 are given below:

	31 December 2022	31 December 2021
<u>Deferred tax assets / (liabilities):</u>		
Net difference between the book values of property, plant and equipment and intangible assets and their tax bases (*)	(19,788,370)	(4,174,089)
Adjustments related to derivative instruments	4,809,642	454,456
Provision for inventory impairment	-	122,085
Rediscount of bills receivable and payable	(6,398,693)	(4,341,701)
Expected credit loss provisions	1,735,506	1,688,773
Provisions for employment termination benefit	4,000,438	721,105
Provision for premium	-	4,577,000
Provision for vacation	501,392	281,907
Adjustments related to currency valuation differences	-	(4,093,377)
Unused tax incentives	43,719,866	-
Other	912,824	644,953
	<u>29,492,605</u>	<u>(4,118,888)</u>

(\*) The Company revalued its immovables and other property, plant and equipment subject to depreciation in its financial statements prepared in accordance with the Tax Procedure Law (TPL), and as a result of this transaction, a value increase fund amounting to TL 38,493,209 was recognized. This transaction has been adjusted in the financial statements prepared in accordance with Turkish Financial Reporting Standards (TFRS), and as a result, deferred tax assets amounting to TL 1,360,124 have been recognized.

Movement tables of deferred tax assets / (liabilities) for the periods ending on 31 December 2022 and 31 December 2021 are given below:

	1 January- 31 December 2022	1 January- 31 December 2021
<u>Movements of deferred tax asset / (liability) :</u>		
Opening balance as of 1 January	(4,118,888)	(6,831,362)
Recognized in the profit or loss statement	45,693,509	1,024,921
Recognized under equity	(12,082,016)	1,687,553
Closing balance as of the end of the period	<u>29,492,605</u>	<u>(4,118,888)</u>

As of 31 December 2022, the investment has been realized within the scope of investment incentive certificates obtained for the Group investments and the amount of tax advantage to be provided in the future is calculated as TL 43,719,866. As at 31 December 2022 and 2021, tax deductions reflected in the financial statements are TL 82,371,951 and TL 7,797,338, respectively.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 22. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

##### Deferred Tax (cont'd)

	1 January- 31 December 2022	1 January- 31 December 2021
<b>Reconciliation of tax provision:</b>		
Profit before tax from operations	549,375,780	406,585,016
Expected income tax 23% (2021: 25%)	(126,356,429)	(101,646,254)
Tax effect:		
- Non-deductible expenses	(11,080,934)	(7,996,387)
- Discounts and exceptions	60,535	6,849,104
- Investment discount used	82,371,951	7,797,338
- Tax deduction due to cash capital increase	235,215	462,998
- R&D discount	6,248,583	1,498,265
- Currency hedged deposit tax incentive effect	35,842,174	-
- Tax-exempt currency hedged deposit adjustment	12,888,504	7,797,338
- Unused investment incentive discount	43,719,866	-
- Tax rate change effect (*)	5,031,171	128,200
- Other	(286,667)	2,744,766
Tax provision expense in the profit or loss statement	<u>48,673,969</u>	<u>(90,161,970)</u>

(\*) Consists of 2% corporate tax effect due to tax advantages provided by Kimteks Poliüretan Sanayi ve Ticaret A.Ş. within the scope of public offering and other tax incentives.

#### 23. EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the year.

Companies can increase their capital by distributing shares ("Bonus Shares") from accumulated profits to current shareholders. When calculating earnings per share, the issuance of bonus shares is considered to be the same as shares issued. Therefore, the weighted average number of shares, which is used when calculating the earning per share, is gained by retrospectively counting the issuance of bonus shares.

Earnings per share are determined by dividing net income of the shareholders by the weighted average number of shares that have been outstanding during the related year.

	1 January - 31 December 2022	1 January - 31 December 2021
Net profit per share of parent company	597,361,454	316,423,046
Average number (full value) of shares outstanding during the period	117,942,603	110,000,000
(Earning per share corresponding to TL 1 nominal value share)	5.065	2.877

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 24. FINANCIAL INSTRUMENTS

##### Financial Liabilities

	31 December 2022	31 December 2021
<u>Financial Borrowings</u>		
Short-term bank loans	1,629,971,378	1,033,274,121
Long-term bank loans	365,000,000	-
Liabilities from lease transactions (Note 14)	3,297,575	3,355,629
Credit card and factoring borrowings	24,251,530	-
	<u>2,022,520,483</u>	<u>1,036,629,750</u>

##### a) Bank Loans

Currency	Weighted average effective interest rate	31 December 2022	
		Short-term	Long-term
TL	10.50%-19.50%	1,629,971,378	365,000,000
		<u>1,629,971,378</u>	<u>365,000,000</u>
		31 December 2021	
Currency	Weighted average effective interest rate	Short-term	Long-term
TL	15.75%-30.20%	1,033,274,121	-
		<u>1,033,274,121</u>	<u>--</u>

The interest rate for factoring payables is between 24%-27%.

The maturities of bank borrowings are as follows:

	31 December 2022	31 December 2021
<u>Payable within 1 year</u>	<u>1,629,971,378</u>	<u>1,033,274,121</u>
<u>Payable within 1-2 years</u>	<u>365,000,000</u>	<u>-</u>
	<u>1,994,971,378</u>	<u>1,033,274,121</u>

##### Reconciliation of liabilities arising from financing activities

Cash and non-cash changes in the Group's liabilities arising from financing activities are given in the table below.

	1 January 2022	Finance cash flows	Non-cash exchanges		31 December 2022
			Interest accrual	Foreign exchange movements	
Bank loans	1,033,274,121	985,805,441	(24,108,184)	-	1,994,971,378
	<u>1,033,274,121</u>	<u>985,805,441</u>	<u>(24,108,184)</u>	<u>-</u>	<u>1,994,971,378</u>
	1 January 2021	Finance cash flows	Non-cash exchanges		31 December 2021
			Interest accrual	Foreign exchange movements	
Bank loans	521,806,605	494,743,580	2,689,011	14,034,925	1,033,274,121
	<u>521,806,605</u>	<u>494,743,580</u>	<u>2,689,011</u>	<u>14,034,925</u>	<u>1,033,274,121</u>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 24. FINANCIAL INSTRUMENTS (cont'd)

##### Financial Investments

The details of the Group's financial investments as of 31 December 2022 and 31 December 2021 are as follows:

##### a) Short-term Financial Investments

###### *Financial Assets at Amortized Value*

	31 December 2022	31 December 2021
Investment funds	-	31,337,870
	-	31,337,870

###### *Financial Assets at Fair Value Through Profit or Loss*

	31 December 2022	31 December 2021
Currency hedged deposit account ("CHD")	503,155,906	-
	503,155,906	-

As of 31 December 2022, the annual interest rate of currency hedged deposits is 17%. Since the maturity of the currency hedged deposits is longer than 3 months, they are reclassified from cash and cash equivalents to financial investments in accordance with TAS 7 Statement of Cash Flows.

The breakdown of currency hedged deposits is as follows:

	31 December 2022			31 December 2021		
	Nominal value	Interest accrual	Fair value	Nominal value	Interest accrual	Fair value
CHD	418,634,230	28,484,700	503,155,906	-	-	-
	418,634,230	28,484,700	503,155,906	-	-	-

##### b) Long-term Financial Investments

	31 December 2022	31 December 2021
Investment funds	272,000	-
Kimpur Rus and Cis Ltd. Company	228,300	228,300
	500,300	228,300

##### Derivative Instruments

###### Classification of derivative instruments

Derivative instruments that are held for speculative purposes and that do not meet hedge accounting requirements are classified as "held for trading" and the fair value changes of these instruments are recognized in profit or loss. Assets related to derivative instruments that are expected to close within 12 months following the balance sheet date are presented as current assets and liabilities are presented as current liabilities.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 24. FINANCIAL INSTRUMENTS (cont'd)

##### Derivative Instruments (cont'd)

Derivative financial assets/liabilities, net	31 December 2022	31 December 2021
Presentation of derivative instruments held for trading at fair value:		
<i>Forward foreign exchange contracts</i>	<u>(26,720,234)</u>	<u>(1,975,895)</u>
	<u>(26,720,234)</u>	<u>(1,975,895)</u>

##### Amounts recognized in profit or loss

The following amounts are reflected in profit or loss regarding forward foreign currency purchase/sale contracts during the year:

	1 January- 31 December 2022	1 January- 31 December 2021
Net foreign exchange losses presented in other income/expenses	(26,720,234)	(1,975,895)

The Group did not detect any ineffectiveness regarding interest rate swap agreements in the years 31 December 2022 and 31 December 2021.

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Group's main financial instruments consist of bank loans, cash and short-term deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group also has other financial instruments, such as trade payables and trade receivables, arising directly from its operations.

##### a) Capital risk management

The Group's objectives when managing capital are to maintain the most appropriate capital structure and to ensure the continuity of the Group's operations in order to benefit its shareholders and reduce the cost of capital.

As of 31 December 2022 and 31 December 2021, net debt to total capital ratio calculated by deducting cash and cash equivalents and short-term financial investments from financial liabilities, divided by total capital is as follows:

	31 December 2022	31 December 2021
Financial Debts	2,022,520,483	1,036,629,750
Less: Cash and Cash Equivalents	(938,316,400)	(522,234,256)
Net Debt	1,084,204,083	514,395,494
Total Equity	1,421,198,439	564,109,134
Total Capital	<u>2,505,402,522</u>	<u>1,078,504,628</u>
Net Debt/Total Capital Ratio	<u>43%</u>	<u>48%</u>

##### b) Financial Risk Factors

The main risks posed by the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Group Management and Board of Directors examines and accepts the policies regarding the management of the following risks. The Group also considers the market value risk of all its financial instruments.



**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 31 DECEMBER 2022**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b) Financial Risk Factors (cont'd)**

***b.1) Credit risk management***

**Details of credit risk by class of financial instruments**

	Receivables					Deposits at Banks	Other Financial Investments
	Trade Receivables	Other Receivables					
	Related Party	Other	Related Party	Other			
<b>31 December 2022</b>							
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	7,108,151	1,899,992,859	10,484,678	2,495,563	938,188,461	503,427,906	
- Secured portion of the maximum credit risk by guarantees (**)	-	145,830,943	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	7,108,151	1,612,382,320	10,484,678	2,495,563	938,188,461	503,427,906	
B. Net book value of financial assets that are past due but not impaired	-	261,903,458	-	-	-	-	
- Secured portion of the maximum credit risk by guarantees (**)	-	12,048,134	-	-	-	-	
C. Net book value of the impaired assets	-	25,706,881	-	-	-	-	
- Past due (gross amount)	-	(25,706,881)	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	
- Not past due (gross amount)	-	-	-	-	-	-	
- Impairment (-)	-	-	-	-	-	-	
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	
D. Off-balance sheet items include credit risk	-	-	-	-	-	-	

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of guarantee letters, guarantee notes and guarantee checks obtained from the customers.

**KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES**

**NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE PERIOD 31 DECEMBER 2022**

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

**25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)**

**b) Financial Risk Factors (cont'd)**

**b.1) Credit risk management (cont'd)**

**Details of credit risk by class of financial instruments**

**31 December 2021**

	Receivables			Deposits at Banks	Other Financial Investments
	Trade Receivables	Other Receivables			
	Related Party	Other	Related Party	Other	
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	5,094,156	1,060,297,049	3,895,777	2,921,968	522,121,419
- Secured portion of the maximum credit risk by guarantees (**)	-	34,729,193	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	5,094,156	902,667,923	3,895,777	2,921,968	522,121,419
B. Net book value of financial assets that are past due but not impaired	-	136,288,554	-	-	-
- Secured portion of the maximum credit risk by guarantees (**)	-	3,669,563	-	-	-
C. Net book value of the impaired assets	-	21,340,572	-	-	-
- Past due (gross amount)	-	(21,340,572)	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-	-

(\*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

(\*\*) Guarantees consist of guarantee letters, guarantee notes and guarantee checks obtained from the customers.

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Factors (cont'd)

###### b.1) Credit risk management (cont'd)

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Financial instruments of the Group that may cause significant concentration of credit risk mainly consist of cash and cash equivalents and trade receivables. The maximum credit risk that the Group may be exposed to is the amounts reflected in the financial statements.

The Group has cash and cash equivalents in various financial institutions. The Group manages the said risk by constantly evaluating the reliability of the financial institutions it is in contact with.

The credit risk that may arise from trade receivables is limited due to the high customer volume and the Group Management's limited amount of credit applied to customers.

###### b.2) Liquidity risk management

Liquidity risk is the risk that a company will not be able to meet its funding needs. The Group aims to ensure the continuity and variability of cash inflows through long-term bank loans.

The table below shows the maturity distribution of the Group's non-derivative and derivative financial liabilities. The tables below have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

31 December 2022

Contract terms	Book value	Total Contracted Cash Outflows				
		(I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	1,994,971,378	2,054,685,513	512,965,513	1,176,720,000	365,000,000	-
Lease liabilities	3,297,575	4,927,924	287,142	861,426	3,779,356	-
Trade payables	990,580,160	991,053,480	990,580,160	-	473,320	-
Payables related to employee benefits	5,749,169	5,749,169	5,749,169	-	-	-
Other payables	269,279	269,279	269,279	-	-	-
<b>Total liability</b>	<b>2,994,867,561</b>	<b>3,056,685,365</b>	<b>1,509,851,263</b>	<b>1,177,581,426</b>	<b>369,252,676</b>	<b>-</b>

31 December 2021

Contract terms	Book value	Total Contracted Cash Outflows				
		(I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)	5 years + (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	1,033,274,121	1,188,265,240	484,918,257	703,346,983	-	-
Lease liabilities	3,355,629	5,031,189	355,838	1,175,513	3,163,838	336,000
Trade payables	440,164,671	440,164,671	438,784,063	-	1,380,608	-
Trade payables to related parties	971,339	971,339	971,339	-	-	-
Payables related to employee benefits	2,091,462	2,091,462	2,091,462	-	-	-
Other payables	165,252	165,252	165,252	-	-	-
<b>Total liability</b>	<b>1,480,022,474</b>	<b>1,636,689,153</b>	<b>927,286,211</b>	<b>704,522,496</b>	<b>4,544,446</b>	<b>336,000</b>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Factors (cont'd)

##### *b.3) Market risk management*

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis.

##### *b.3.1) Foreign currency risk management*

Transactions denominated in foreign currencies result in foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary / non-monetary assets and monetary / non-monetary liabilities at the reporting period are as follows:

	31 December 2022		
	TL Equivalent	US Dollar	Euro
1. Trade Receivable	741,269,346	5,648,208	31,886,664
2. Monetary Financial Assets	192,964,161	3,852,863	6,065,853
2b. Non-monetary Financial Assets	-	-	-
3. Other	124,114,377	242,465	5,998,560
<b>4. CURRENT ASSETS</b>	<b>1,058,347,884</b>	<b>9,743,536</b>	<b>43,951,077</b>
5. Other	-	-	-
<b>6. NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7. TOTAL ASSETS (4+6)</b>	<b>1,058,347,884</b>	<b>9,743,536</b>	<b>43,951,077</b>
8. Trade Payables	1,275,736,770	35,047,158	31,122,027
9. Monetary Other Liabilities	167,353	-	8,395
<b>10. CURRENT LIABILITIES</b>	<b>1,275,904,123</b>	<b>35,047,158</b>	<b>31,130,422</b>
<b>11. NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12. TOTAL LIABILITIES (10+11)</b>	<b>1,275,904,123</b>	<b>35,047,158</b>	<b>31,130,422</b>
<b>13. Net foreign currency asset liability position (7-12)</b>	<b>(217,556,239)</b>	<b>(25,303,622)</b>	<b>12,820,655</b>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Factors (cont'd)

##### b.3) Market risk management (cont'd)

##### b.3.1) Foreign currency risk management (cont'd)

	31 December 2021		
	TL Equivalent	US Dollar	Euro
1. Trade Receivable	437,547,273	6,742,352	23,045,362
2. Monetary Financial Assets	539,803,771	27,602,575	11,393,416
3. Other	19,527,365	634,419	733,838
<b>4. CURRENT ASSETS</b>	<b>996,878,409</b>	<b>34,979,346</b>	<b>35,172,616</b>
5. Other	-	-	-
<b>6. NON-CURRENT ASSETS</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>7. TOTAL ASSETS (4+6)</b>	<b>996,878,409</b>	<b>34,979,346</b>	<b>35,172,616</b>
8. Trade Payables	328,298,143	10,797,289	12,221,432
<b>10. CURRENT LIABILITIES</b>	<b>328,298,143</b>	<b>10,797,289</b>	<b>12,221,432</b>
<b>11. NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>12. TOTAL LIABILITIES (10+11)</b>	<b>328,298,143</b>	<b>10,797,289</b>	<b>12,221,432</b>
<b>13. Net foreign currency asset liability position (7-12)</b>	<b>668,580,266</b>	<b>24,182,057</b>	<b>22,951,184</b>

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US Dollar and EURO.

The following table details the Group's sensitivity to a 20% (2021: 20%) increase and decrease in US Dollar and EURO against TL. 20% (2021: 20%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% (2021: 20%) change in foreign currency rates. A positive value below indicates an increase in profit or loss and other equity items.

##### Exchange Rate Sensitivity Analysis Statement

	31 December 2022			
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
20% appreciation/ depreciation US Dollar against TL				
1-US Dollar net assets / liabilities	(94,626,943)	94,626,943	(94,626,943)	94,626,943
2-Hedged portion from USD risk (-)	-	-	-	-
<b>3-US Dollar net effect (1+2)</b>	<b>(94,626,943)</b>	<b>94,626,943</b>	<b>(94,626,943)</b>	<b>94,626,943</b>
20% appreciation/ depreciation EURO against TL				
4-EURO net asset / liability	51,115,695	(51,115,695)	51,115,695	(51,115,695)
5-Hedged portion from EURO risk (-)	-	-	-	-
<b>6-Euro net effect (4+5)</b>	<b>51,115,695</b>	<b>(51,115,695)</b>	<b>51,115,695</b>	<b>(51,115,695)</b>
<b>Total (3+6)</b>	<b>(43,511,248)</b>	<b>43,511,248</b>	<b>(43,511,248)</b>	<b>43,511,248</b>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Factors (cont'd)

##### b.3) Market risk management (cont'd)

##### b.3.1) Foreign currency risk management (cont'd)

Exchange Rate Sensitivity Analysis Statement	31 December 2021			
	Profit/Loss		Equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
20% appreciation/ depreciation US Dollar against TL				
1-US Dollar net assets / liabilities	64,464,528	(64,464,528)	64,464,528	(64,464,528)
2-Hedged portion from USD risk (-)	-	-	-	-
<b>3-US Dollar net effect (1+2)</b>	<b>64,464,528</b>	<b>(64,464,528)</b>	<b>64,464,528</b>	<b>(64,464,528)</b>
20% appreciation/ depreciation EURO against TL				
4-EURO net asset / liability	69,251,526	(69,251,526)	69,251,526	(69,251,526)
5-Hedged portion from EURO risk (-)	-	-	-	-
<b>6-Euro net effect (4+5)</b>	<b>69,251,526</b>	<b>(69,251,526)</b>	<b>69,251,526</b>	<b>(69,251,526)</b>
<b>Total (3+6)</b>	<b>133,716,054</b>	<b>(133,716,054)</b>	<b>133,716,054</b>	<b>(133,716,054)</b>

##### Foreign exchange forward contracts

It is the policy of the Group to enter into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions out to 12 months.

The following tables detail the foreign currency forward contracts outstanding at the end of the reporting period, as well as information regarding their related hedged items. Accruals related to foreign currency forward contracts are presented as "Derivative instruments" in the statement of financial position (Note: 24).

Hedging instruments	Average exchange rate		Nominal amount: Foreign currency		Nominal amount: Turkish Lira		Fair value change of ineffective portion according to hedge accounting	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
<i>Cash flow hedge</i>								
USD purchase								
Less than 3 months	19.5790	13.6896	27,290,000	3,995,000	526,888,310	51,979,080	(17,235,527)	3,358,000
3-6 months	19.7137	16.5914	10,000,000	2,095,000	198,986,700	33,821,860	(6,933,230)	(4,176,133)
6-12 months	20.3200	-	570,000	-	11,582,400	-	(474,772)	-
			<b>37,860,000</b>	<b>6,090,000</b>	<b>737,457,410</b>	<b>85,800,940</b>	<b>(24,643,529)</b>	<b>(818,133)</b>
EUR purchase								
Less than 3 months	20.3779	-	2,373,189	-	48,398,472	-	(522,500)	-
3-6 months	21.7430	-	1,469,361	-	31,798,580	-	(1,290,408)	-
6-12 months	22.2900	17.7537	267,335	833,635	5,965,000	15,206,185	(263,797)	(1,157,762)
			<b>4,109,885</b>	<b>833,635</b>	<b>86,162,052</b>	<b>15,206,185</b>	<b>(2,076,705)</b>	<b>(1,157,762)</b>

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 25. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

##### b) Financial Risk Factors (cont'd)

##### b.3) Market risk management (cont'd)

##### b.3.2) Interest rate risk management

The Group's borrowing at fixed and floating interest rates exposes the Group to interest rate risk. These risks are managed using natural methods that emerge as a result of netting assets and liabilities related to interest rates. Interest rates of financial assets and liabilities are stated in the related notes.

##### Interest rate sensitivity

Details of the Group's interest rates of financial assets and liabilities are stated below:

##### Interest Position Table

	31 December 2022	31 December 2021
<b>Fixed-Rate Instruments</b>		
Financial Assets	704,065,209	479,072,880
Financial Liabilities	1,197,946,858	149,269,750
<b>Floating-Rate Financial Instruments</b>		
Financial Liabilities	459,573,625	887,360,000

#### 26. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES)

##### Classes and fair values of financial instruments

31 December 2022	Financial assets at amortized value	Financial instruments at fair value through profit or loss	Financial liabilities at amortized value	Book Value	Note
<b>Financial assets</b>					
Cash and cash equivalents	938,316,400	-	-	938,316,400	28
Financial investments	-	503,656,206	-	503,656,206	24
Trade receivables	1,907,101,010	-	-	1,907,101,010	5
Other receivables	12,980,241	-	-	12,980,241	6
Derivative Instruments	-	32,422	-	-	6
<b>Financial liabilities</b>					
Financial payables	-	-	2,019,222,908	2,019,222,908	24
Trade payables	-	-	990,580,160	990,580,160	5
Lease liabilities	-	-	3,297,575	3,297,575	14
Payables related to employee benefits	-	-	5,749,169	5,749,169	12
Other payables	-	-	269,279	269,279	6
Derivative Instruments	-	26,752,656	-	26,752,656	24

## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

### NOTES TO THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD 31 DECEMBER 2022

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

#### 26. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES) (cont'd)

##### Classes and fair values of financial instruments

31 December 2021	Financial assets at amortized value	Financial instruments at fair value through profit or loss	Financial liabilities at amortized value	Book Value	Note
<b>Financial assets</b>					
Cash and cash equivalents	522,234,256	-	-	522,234,256	28
Financial investments	31,337,870	228,300	-	31,566,170	24
Trade receivables	1,065,391,205	-	-	1,065,391,205	5
Other receivables	6,817,745	-	-	6,817,745	6
Derivative Instruments	-	3,749,135	-	3,749,135	24
<b>Financial liabilities</b>					
Financial payables	-	-	1,033,274,121	1,033,274,121	24
Trade payables	-	-	441,136,010	441,136,010	5
Lease liabilities	-	-	3,355,629	3,355,629	14
Payables related to employee benefits	-	-	2,091,462	2,091,462	12
Other payables	-	-	165,252	165,252	6
Derivative instruments	-	5,725,030	-	5,725,030	24

#### 27. EVENTS AFTER THE REPORTING PERIOD

The Group has examined the estimates and assumptions used in the preparation of the consolidated financial statements as of 31 December 2022 and evaluated the possible effects of the earthquake, whose epicenter was Kahramanmaraş on 6 February 2023. According to the Group management, the earthquake did not significantly affect the consolidated financial statements as of 31 December 2022. This approach, which was preferred for the period of 31 December 2022, is reviewed in the following reporting periods, taking into account the impact of the earthquake and future expectations.

#### 28. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	127,939	55,690
Cash at banks	938,188,461	522,121,419
<i>Demand deposits</i>	234,123,252	43,048,539
<i>Time deposits with a maturity of less than three months</i>	704,065,209	479,072,880
Other current assets	-	57,147
	<u>938,316,400</u>	<u>522,234,256</u>

The nature and level of risks related to cash and cash equivalents are disclosed in Note 25. As at 31 December 2022, the Group has no blocked deposits (31 December 2021: None). As at 31 December 2022, the Group has no USD time deposits (31 December 2021: Effective interest rates for USD are between 0.25% - 2.00% per annum, maturity dates are between 3 - 28 days), and has no Euro time deposits (31 December 2021: Effective interest rates for Euro are between 0.05% - 2.00% per annum, maturity dates are between 3 - 28 days) and for TL between 20.00% - 28.00% per annum (31 December 2021: Effective interest rates for TL between 10.00% - 14.00% per annum, maturity dates are between 3 - 6 days), maturity dates are between 2 - 51 days.