



# 2023 ANNUAL REPORT

**PERIOD BETWEEN 01.01.2023 and 31.03.2023**

**KİMTEKS POLİÜRETAN SAN. VE TİC. A.Ş.**

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## **7. CORPORATE MANAGEMENT**



## 1. BACKGROUND

|                          |                                                                                                                                              |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| Trade Name               | : KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş.                                                                                                  |
| Period of the Report     | : 01.01.2023-31.03.2023                                                                                                                      |
| Authorized Share Capital | : 550.000.000                                                                                                                                |
| Paid-in Capital          | : 121.550.000                                                                                                                                |
| Market Traded in BIST    | : Yıldız Pazar                                                                                                                               |
| Trade Registry Number    | : 988994-0                                                                                                                                   |
| Registered Office        | : Emniyet Evleri Mahallesi Eski Büyükdere Caddesi<br>Sapphire Plaza No:1/4 Kat:19 Daire:1 34415<br>Kağıthane - İstanbul / TÜRKİYE            |
| Production Facilities    | : Gebze Plastikçiler Organize Sanayi Bölgesi İnönü<br>Mah. Cumhuriyet Caddesi Balçık Yolu Üzeri<br>7. cadde No: 43 Gebze - Kocaeli / TÜRKİYE |
| Contact information      |                                                                                                                                              |
| Phone                    | : +90 212 809 15 50                                                                                                                          |
| Fax                      | : +90 212 809 15 49                                                                                                                          |
| Website                  | : www.kimpur.com                                                                                                                             |

### 1.1 Board of Directors, Company Executives and Employees

#### 1.1.1 Board of Directors

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

| <b><u>NAME &amp; SURNAME</u></b> | <b><u>DUTY</u></b>          | <b><u>TERM OF DUTY</u></b> |
|----------------------------------|-----------------------------|----------------------------|
| Yuda Leon Mizrahi                | Chairman of the Board       | 22.01.2021 - 22.01.2024    |
| Cavidan Karaca                   | Vice President of the Board | 22.01.2021 - 22.01.2024    |
| İsak izi Mizrahi                 | Board Member                | 22.01.2021 - 22.01.2024    |
| Ömer Bakır                       | Independent Board Member    | 05.10.2021 - 22.01.2024    |
| Mehmet Mete Başol                | Independent Board Member    | 05.10.2021 - 22.01.2024    |

#### **Yuda Leon Mizrahi – Chairman of the Board**

Yuda Leon Mizrahi (born in 1957) graduated from the Department of Chemical Engineering, Bogazici University in 1980. Following the graduation, he worked in family companies, belonging to his father, in the

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

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

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

#### **Cavidan Karaca – Vice President of the Board**

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

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

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

#### **İsak İzi Mizrahi – Board Member**

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

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

Between 2012 and 2015, he worked as a business development manager at Dörtgen Gayrimenkul

Yatırım ve Turizm A.S., which is also a family corporation. He has completed works and investments in the renovation and utilization of some real estates in the tourism industry.

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

#### **Ömer Bakır – Independent Board Member**

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

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

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

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

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

He retired in 2017 and is not currently working anywhere.

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

#### **Mehmet Mete Başol – Independent Board Member**

Mehmet Mete Basol (Born in 1957) graduated from Arizona State University, BSc Economics, and started his career in 1984 at INTERBANK, in the Medium-Term Loans Department, in various investment projects. He performed economic evaluations in these projects and prepared industry reports. He was assigned as the Treasury, Fund Management and Foreign Relations Manager at the investment bank, Türk Merchant Bank, which was established in 1988 as a partnership of Bankers Tust Co. Newyork and T. İş Bankası. In 1992, he assumed the responsibility of the capital markets group as Assistant General Manager. In 1995, following the acquisition of the bank by the Bankers Trust, he was elected as a member of the board of directors and credit committee. He assumed the position of chairman of the board of directors and

general manager of the bank (operating by the name of Bankers Trust A.S. between 1997 and 1999 and Deutsche Bank A.S. between 1999 and 2001). Between 2001 and 2003, he joined the public banks joint board of directors (T.C. Ziraat Bankası A.S., Türkiye Halk Bankası A.S., T. Emlak Bankası A.S.). Following this duty, he established a financial consultancy company (Tridea Finansal Danışmanlık Hizmetleri Ltd. Şti.) with two partners and provided financial and administrative consultancy services to SMEs. After 2009, he continued his consultancy services under his own private company. He served as a member of the board of directors of Galatasaray Sportif A.Ş (2011-2012), Türkiye İş Bankası A.Ş (2011-2014), Dedeman Holding A.Ş. (2008-2014) and Dedeman Turizm Otelcilik Yatırım A.Ş. (2012-2014). He served as the independent board member, chairman of the audit committee and a member of the corporate management committee at Coca-Cola İçecek A.Ş. (2012-2018) and Anadolu Efes Biracılık ve Malt Sanayi A.Ş. (2012-2018). He also served as a member of the board of directors and chairman of the risk committee, representing the minority shareholder Partners Group of Enerji Yatırım Holding A.Ş (2014-2021), Enerya Gaz Dağıtım A.Ş (2014-2021), Enerya Gaz Ticaret A.Ş. (2014-2021). He was an independent member of the Board of Directors of Sabancı Holding A.S. (2018-2021), and chaired the audit and risk committee. Currently, he is a board member of Nürol Yatırım Bankası A.S. (2014), an independent board member of Enka İnşaat ve Sanayii A.S. (2018) and the chairman of the early risk detection committee and a member of the audit committee.

### **1.1.2. Authorities and Limits of Board Members and Senior Executives**

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

### **1.1.3 Board of Directors Committees**

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

- **Audit Committee**

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

The committee members convened 1 (one) times within the period of 01.01.2023 and 31.03.2023, notified the board of directors and took all the decisions unanimously.

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| <b><u>NAME &amp; SURNAME</u></b> | <b><u>DUTY</u></b>          | <b><u>TERM OF DUTY</u></b> |
|----------------------------------|-----------------------------|----------------------------|
| Mehmet Mete Başol                | Head of the Audit Committee | Independent Member         |
| Ömer Bakır                       | Member                      | Independent Member         |

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- **Early Risk Detection Committee**

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

The committee members convened 1 (one) times within the period of 01.01.2023 and 31.03.2023, notified the board of directors and took all the decisions unanimously.

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| <b><u>NAME &amp; SURNAME</u></b> | <b><u>DUTY</u></b>                     | <b><u>TERM OF DUTY</u></b> |
|----------------------------------|----------------------------------------|----------------------------|
| Mehmet Mete Başol                | Head of Early Risk Detection Committee | Independent Member         |
| İsak İzi Mizrahi                 | Member                                 | Not Independent Member     |

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- **Corporate Management Committee**

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

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

The committee members convened 5 (five) times within the period of 01.01.2023 and 31.03.2023, notified the board of directors and took all the decisions unanimously.



| <b><u>NAME &amp; SURNAME</u></b> | <b><u>DUTY</u></b>                     | <b><u>INDEPENDENCY</u></b> |
|----------------------------------|----------------------------------------|----------------------------|
| Ömer Bakır                       | Head of Corporate Management Committee | Independent Member         |
| İsak İzi Mizrahi                 | Member                                 | Not Independent Member     |
| Damla Mermeroğlu                 | Member                                 | Investor Relations Manager |

#### 1.1.4 Personnel Information

As of 31.03.2023, the number of employees is 258.

#### 1.1.5 Amendments in the Articles of Association during the Period

Amendments have been made in the Articles of Association of our company between 01.01.2023 and 31.03.2023.

#### 1.1.6 Number of Meetings of the Board of Directors and Participation of Members during the Period

The Company's Board of Directors held 11 meetings between 01.01.2023 and 31.03.2023. The Board of Directors' meeting was held with the participation of the majority of members.

### 1.2 Company's Capital, Shareholding Structure and Privileged Shares

#### 1.2.1 Capital

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

#### 1.2.2 Shareholding Structure

| Partner's<br>Name-Surname / Trade Title | Share in the<br>Capital (TL) | Share in the<br>Capital (%) | Voting<br>Rate (%) |
|-----------------------------------------|------------------------------|-----------------------------|--------------------|
| Yuda Leon Mizrahi                       | 42.743.741                   | 35,17                       | 54,08              |
| Etel Sason                              | 12.355.945                   | 10,17                       | 4,87               |
| Beti Mizrahi                            | 9.545.690                    | 7,85                        | 3,76               |
| İsak İzi Mizrahi                        | 9.545.690                    | 7,85                        | 12,52              |
| Salvo Özserfati                         | 8.855.000                    | 7,29                        | 3,49               |
| İnnovis Ticaret ve Danışmanlık A.Ş.     | 7.133.966                    | 5,87                        | 8,90               |
| Diğer                                   | 31.369.968                   | 25,80                       | 12,38              |
| <b>TOTAL</b>                            | <b>121.550.000</b>           | <b>100</b>                  | <b>100</b>         |

#### 1.2.3 Privileged Shares

A ) Privileged Share Amount: 33.000.000-TL

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

### 1.3 Direct or Indirect Subsidiaries and Share Ratios

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

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

The total wage paid to the Members of the Board of Directors and Senior Executives between the period of 01.01.2023 and 31.03.2023 is 17.963.442 TL.

## 3. COMPANY ACTIVITIES AND IMPORTANT DEVELOPMENTS REGARDING ACTIVITIES

### 3.1 Main Areas of Activities

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

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

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

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

These are 3-component polyester systems.

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

The total sales volume of Kimpur’s footwear systems were approximately 40 K tons, and the domestic footwear systems sales were approximately 25 K tons in 2022. In the first quarter of 2023, the total sales of shoe systems reached approximately 11 thousand tons, and domestic sales reached approximately 7 thousand tons.

- **Flexible foam systems**

For the automotive and office furniture industries;

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

The total sales of flexible foam systems were approximately 6 thousand tons in 2022, and the domestic sales of those were approximately 4 thousand tons. In the first quarter of 2023, the total sales of flexible foam systems were approximately 1.4 thousand and domestic sales were approximately thousand tons.

- **Rijit foam systems**

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

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

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

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

The sales volume of rigid systems were approximately 46 K tons in 2022, and the domestic sales were approximately 33 K tons. In the first quarter of 2023, the total sales of rigid systems reached approximately 15.5 thousand tons, and domestic sales reached approximately 12.4 thousand tons.

- **Case -Yapıştırıcı, Bağlayıcılar - Nem ile kürlenmiş tek komponentli prepolymerler**

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

Kimpur made a total sales of 36K tons in the first quarter of 2023, including those in polyester, case, raw material and other product groups. Approximately 31% of these sales consist of export sales and export registered sales.

### **3.2 Research and Development Activities**

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

The company is one of the companies with advanced laboratory infrastructure in the polyurethane industry and employs 28 researchers, each of whom is specialized in their own field. 4, 6, 15 and 2 of researchers have doctor's degree, master degree, bachelor's degree and college degree, respectively.

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

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

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

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

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

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

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

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

One of the important strategies of R&D is to develop its own products with sustainable and domestic resources. The aim is to always utilize the domestic resources at the maximum level in all the projects. In

addition, the suppliers are always closely followed in order to reduce its dependence on raw materials and to create alternative sources.

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

As of 31.03.2023, the Kimpur R&D Center has 28 employees with an average of 12 years of industry experience.

The R&D Center Certificate was obtained and 7 projects of TEYDEB (Technology and Innovation Funding Programs Directorate) were completed. One of these projects was awarded with an investment incentive by the Ministry of Industry and Technology. Since the establishment of R&D Center, 48 R&D Center Projects have been completed and there are 12 ongoing projects.

Two patents developed in these projects are currently pending.

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

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

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

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

#### **R&D Strategies;**

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

### 3.3 Important Developments on Company Activities

✓ On 02.01.2023, our Company has received the approval of membership to SAHA Istanbul, the largest assemblage of the European Aviation Clusters Association in Turkey.

✓ On 10.01.2023, the company decided to establish a new company in Germany and the United Kingdom.

✓ On 12.01.2023, a sales connection was performed between our company and a customer residing in Turkey, amounting to approximately 300.000.000 TL for our product portfolio in the shoe-slippers sector.

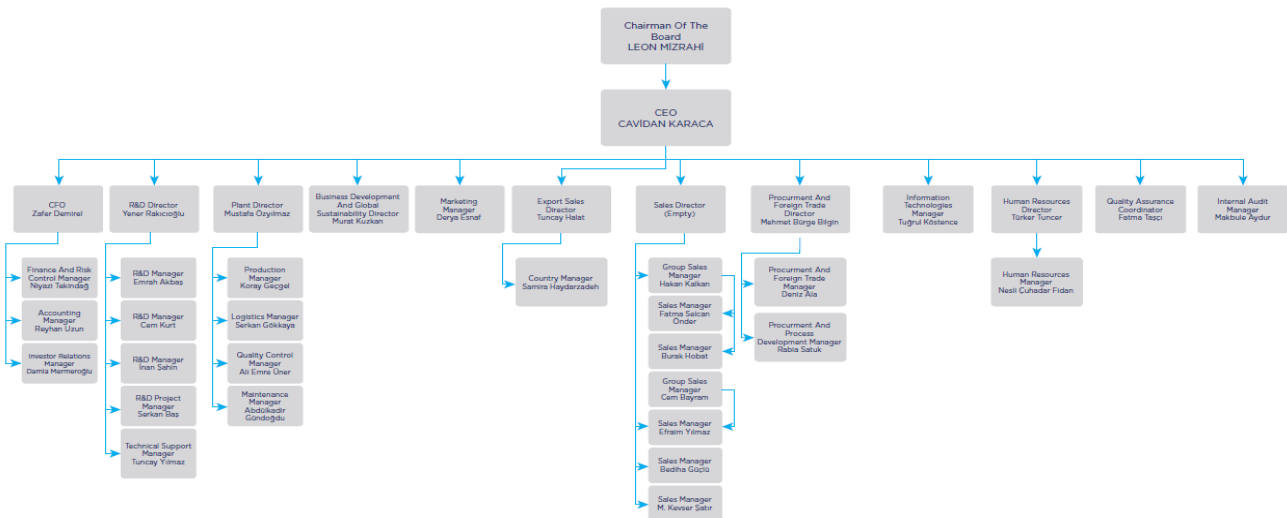
✓ On 16.01.2023, new sales connections were performed, amounting to approximately 340 Million TL, for our product portfolio in the Rigid sector (Rigid Foam Systems). 27 Million TL of this amount will be spent for our new product group (bio polyol).

✓ On 22.02.2023, the company made new sales connections with sandwich panel manufacturers to be used in earthquake containers. In this context, a total of 453 million TL orders were received, to be delivered by the end of April 2023.

✓ On 24.03.2023, the building construction investment for the PET Recycling Plant Factory Building investment approved by the Ministry of Industry and Technology - Incentive Implementation and Foreign Capital General Directorate in line with our company's production facility to be established on a 17,015 m<sup>2</sup> land in Düzce Gümüşova Organized Industrial Zone has been updated to 210,123.000 TL with an increase of 61,373,000 TL.

✓ On 30.03.2023, a sales order of 1,750 tons and a total of € 4.6 million was received for the target export markets for the second quarter of 2023.

### 3.4 Organizational Structure of the Company



#### 4. INCENTIVES

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

##### **Tax Incentives**

Since the company meets the conditions stipulated for the “5% Tax Reduction for Tax Compliant Taxpayers”, it is considered as a compliant taxpayer and received a tax support between 2019-2020. The company benefited from tax incentives for 2022 and will continue to benefit from them in 2023 as well.

#### 5. QUALIFICATION, CERTIFICATION AND REGISTRATION DOCUMENTS

##### **Qualification and Certification:**

- TS EN ISO/IEC 27001: 2017 Information Security Management System
- TS EN ISO 9001: 2015 Quality Management System
- TS EN ISO 50001: 2018 Energy Management System
- TS EN ISO 14001:2015 Environmental Management System
- CE Certificate and Reach Certificate
- Economic Operator Authorized by the Ministry of Customs and Trade Certificate
- Polyurethane Manufacturers Association Certificate
- Polyurea Development Association Europe Certificate
- SAHA İstanbul (Defense and Aerospace Cluster)
- SASAD (Defense and Aerospace Industry Manufacturers Association)
- SPFA ( Spray Polyurethane Foam Alliance), USA
- Turkish Chemical Manufacturers Association
- TUYID- Investor Relations Association
- SKD Turkey - World Business Association for Sustainable Development
- IMMIB (Minerals and Metals Exporters' Association in Istanbul)
- TKYD (Turkish Corporate Executives Association)
- PANELDER (Insulated Panel Manufacturers Association)
- Chamber of Industry of Kocaeli

##### **Trademark Registration Documents**

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



## 6. OTHER IMPORTANT INFORMATION

### 6.1 Related Party Transactions

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

Information on our company's transactions with related parties is included in the company's Independent Audit Report, Footnote 3, dated 31.03.2023.

### 6.2 Policy on Profit Distribution

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

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

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

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

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

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

### **6.3 Information on financial risk management policy**

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

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

Financial risk reports of the critical customers are repeated quarterly and reported to the senior management.

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

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

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

The company makes the sales at the foreign currency price. For export, the sales are performed in foreign currency, and, in the domestic market, export registered sales are performed in foreign currency as well. The amount obtained from other sales are converted into Turkish Lira at the foreign exchange rate on the invoice day, invoiced in TL, and remain constant in TL throughout the term of the sale. There are also sales followed on a currency basis. Approximately the half of the company’s sales in 2022 are based on foreign currency and other half based on Turkish Lira. In the first quarter of 2023, these rates continued in a similar way.

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

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

### **Currency Risk**

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

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

### **Interest Rate Risk**

The Company is exposed to interest rate risk since the borrowing transactions are performed at fixed and variable interest rates. The company’s interest rate risk is related to bank loans. The increase in interest rates may negatively affect the profitability of the company due to increased financial expenses.

The company determines its borrowing shares at fixed and variable interest rates, taking into account the interest rate changes in the market. Due to the credit limits in many banks, it can use loans at competitive interest rates.

### **Credit Risk**

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

## **6.4 Information on legislative changes that will significantly affect the company activities**

During the period of 01.01.2023 and 31.03.2023, legislative amendments were made that would significantly affect the Company’s activities.

### 6.5 Events following the reporting period

On February 6, 2023, a state of emergency was declared to include 10 provinces in the region due to the negative effects of earthquakes in Kahramanmaraş province, Pazarcık and Elbistan districts, affecting many provinces. The developments regarding the natural disaster in question are closely monitored by the Company's management, and studies and evaluations for due diligence continue.

The Law No. 7438 on Social Security and General Health Insurance and the Law No. 375 on the Amendment of the Decree Law No. 375, which includes the regulation on Persons Aged at Retirement (EYT), entered into force after being published in the Official Gazette dated March 3, 2023 and numbered 32121. Although this issue is considered as a non-adjusting event after the reporting period within the scope of TAS 10 Events After the Reporting Period, studies on measuring the impact on the Company's operations and financial position are ongoing.

In accordance with the "Law on the Restructuring of Certain Receivables and the Amendment of Certain Laws" published in the Official Gazette dated March 12, 2023 and numbered 32130, the exemptions and deductions subject to deduction from corporate income and the reduced corporate tax, by being shown in the corporate tax return for the year 2022. It is stipulated that a one-time additional tax of 10% is collected over the tax bases, without being associated with the period's income. Although this issue is considered as a non-adjusting event after the reporting period within the scope of TAS 10 Events After the Reporting Period, studies on measuring the impact on the Company's operations and financial position are ongoing.

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

There were no private audits and public audits conducted between 01.01.2023 and 31.03.2023 during the accounting period.

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

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

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

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

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

No extraordinary general assembly meeting was held between 01.01.2023 and 31.03.2023.

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

The company has an expenditure of 2,080,200.00 TL for donations, aids and social responsibility projects within the period of 01.01.2023 and 31.03.2023.

**6.11 Shares acquired by the company**

There are no shares acquired by the company

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

The risk management and internal control system is under the responsibility and control of the company management. The Early Detection of Risk Committee operates in order to provide assurance and consultancy to the management on these issues.

The company utilizes the SAP system in order not to affect the systems and to prevent data loss in any extraordinary situation. The system monitors the activity results on an instant basis and provides measurement and processing opportunities. Thanks to SAP, an important technological infrastructure, errors are minimized, the efficiency of the internal control system is increased and investments such as the backup system are emphasized.

The definition and monitoring of all possible risks that may be faced by the company forms the basis of risk management. The company has a Risk and Opportunity Management procedure in line with the Quality Management System. The risks in this procedure are corporate risks and operational risks. The corporate risks are defined as our corporate risks in achieving our company's vision and goals. In addition, operational risks are defined as the detection of potential situations that may cause loss of power, time, motivation and productivity in the internal processes of our company's departments. Information security, environment, OHS, energy management, social responsibility etc. are handled under the operational risk management.

**6.13 Determination of whether the company's capital is unrequited or whether it is in bankrupt-ed and reviews of the board of directors**

The company's capital has not remained unrequited.

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

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

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

As an expression of its respect for people and its employees, Kimpur has published its Social Responsibility Policy, prepared in accordance with SA8000 regulation, and has committed to implement the policy.

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

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

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

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

### **SOCIAL GENDER EQUALITY**

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

### **EQUAL OPPORTUNITY AND DIVERSITY**

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

### **EMPLOYEE TRAINING AND DEVELOPMENT**

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

A total of 1049 hours of training was organized between 01.01.2023 and 31.03.2023.

## 7. FINANCIAL STATEMENTS

### Balance Sheet and Income Statement

| Income Statement          | 31.03.2023           | 31.03.2022           | Change (%) |
|---------------------------|----------------------|----------------------|------------|
| Revenue                   | 1.618.593.656        | 981.064.641          | 65%        |
| Gross Income              | 291.170.795          | 160.907.958          | 81%        |
| Core Operating Profit     | 219.875.945          | 177.912.576          | 24%        |
| Net Profit for the Period | 149.946.603          | 174.825.648          | -14%       |
| Balance                   | 31.03.2023           | 31.12.2022           | Change (%) |
| Current Assets            | 4.512.297.612        | 4.058.094.556        | 11%        |
| Fixed Assets              | 561.461.217          | 520.817.607          | 8%         |
| Short-Term Liabilities    | 3.116.160.290        | 2.771.127.745        | 12%        |
| Long-Term Liabilities     | 382.142.590          | 380.275.600          | 0%         |
| <b>Equities</b>           | <b>1.575.455.949</b> | <b>1.427.508.818</b> | <b>10%</b> |

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

Best Regards,  
05.05.2023

**Chairman of the Board**

Yuda Leon Mizrahi

**Vice President of the Board**

Cavidan Karaca

**Board Member**

İsak İzi Mizrahi

**Independent Board Member**

Ömer Bakır

**Independent Board Member**

Mehmet Mete Başol





## KİMTEKS POLİÜRETAN SANAYİ VE TİCARET A.Ş.

### HEAD OFFICE :

Emniyet Evleri Mah. Eski Büyükdere Cad.  
Sapphire Plaza No: 1/4 Kat: 19 Daire: 01  
Kağıthane 34415 İstanbul TÜRKİYE  
Tel : +90 212 809 15 50  
Fax: +90 212 809 15 49

### GEBZE FACTORY :

Gebze Plastikçiler Organize  
Sanayi Bölgesi 7. Cadde No: 43  
41400 Gebze Kocaeli TÜRKİYE  
Tel : +90 262 751 44 71  
Fax: +90 262 751 02 57

### GAZİANTEP :

Sanayi Mahallesi Modern Sanayi Sitesi  
60363 Nolu Cadde Zemin Kat No: 82  
Şehitkamil Gaziantep TÜRKİYE  
Tel : +90 342 325 57 97  
Fax: +90 342 325 57 97



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[www.kimpur.com](http://www.kimpur.com)