Kale Seramik

Sectoral Evaluations & New Investment in Iraq

May 28, 2024

Bu mesaj/doküman GENEL (PUBLIC) etiketi ile sınıflandırılmıştır.

Legal Reminder

With the Capital Markets Board of Turkey's Bulletin dated 28.12.2023 numbered 2023/81, CMB announced that issuers and capital market institutions shall prepare their annual financial statements ending on 31.12.2023 or later, in accordance with IAS 29 inflationary accounting provisions.

Accordingly, this presentation on 2023 year-end financial results contain the Company's audited financial information prepared according to Turkish Accounting / Financial Reporting Standards by application of IAS 29 inflation accounting provisions, in accordance with CMB's decision dated 28.12.2023.

In addition to these, given that the guidance information and the 2023 interim financial results announced so far were presented without the application of inflation accounting, in order to enable investors and analysts to conduct a full-fledged analysis, supplementary historical information for selected key performance indicators used in prior periods' investor presentations were provided. Such supplementary information is made available only for this period, and contains unaudited financial information prepared for management reporting purposes.

2023 Highlights

- Around EUR 34 mio. investment in new slab-sinterflex production line
- Acquisition of 49% of shares of Al Sadaf, a ceramics manufacturer in Iraq
- Impact of high interest rates and tight monetary policy on demand both in Turkiye and in Europe, which is the main export market.
- Very low net debt/EBITDA ratio, despite weak operational profitability
- An IPO of TL 2,7 billion
- Application of inflation accounting
- Publication of the first Sustainability Report

TL 9,7 billion
Net Sales

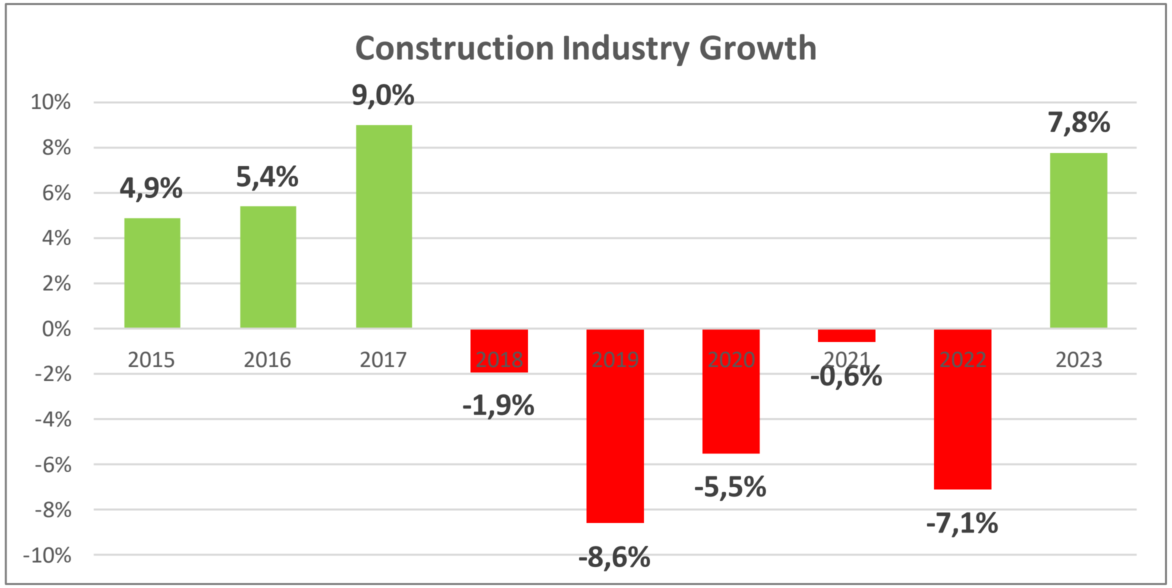
15,7%
Gross Profit Margin

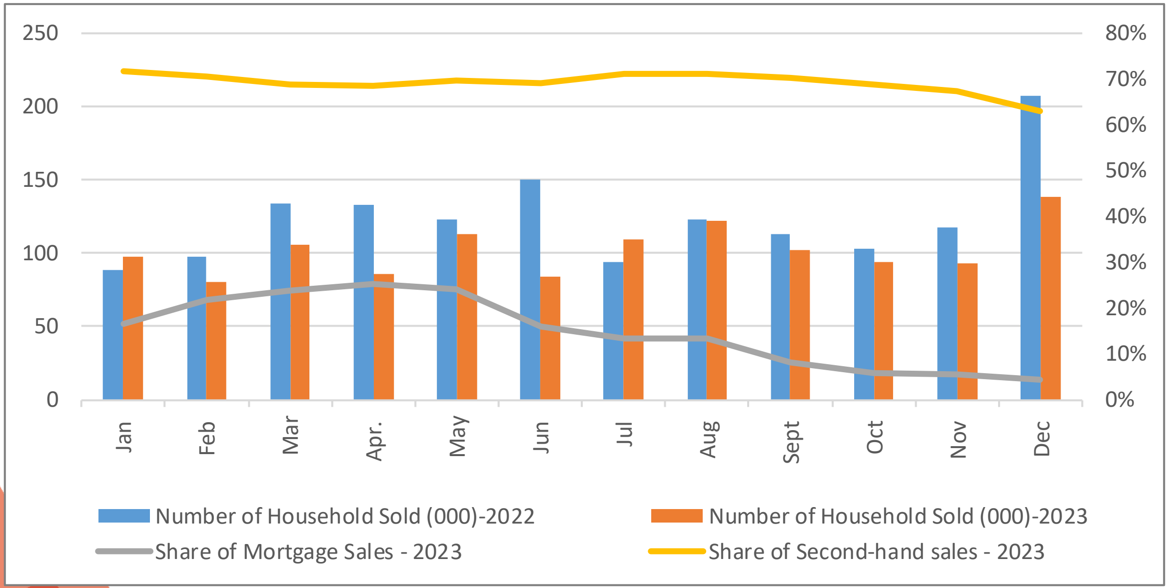
9,0%
EBITDA Margin

TL 1,2 billion
CAPEX

0,1X
Net Debt/EBITDA

Turkish Market: Construction Industry



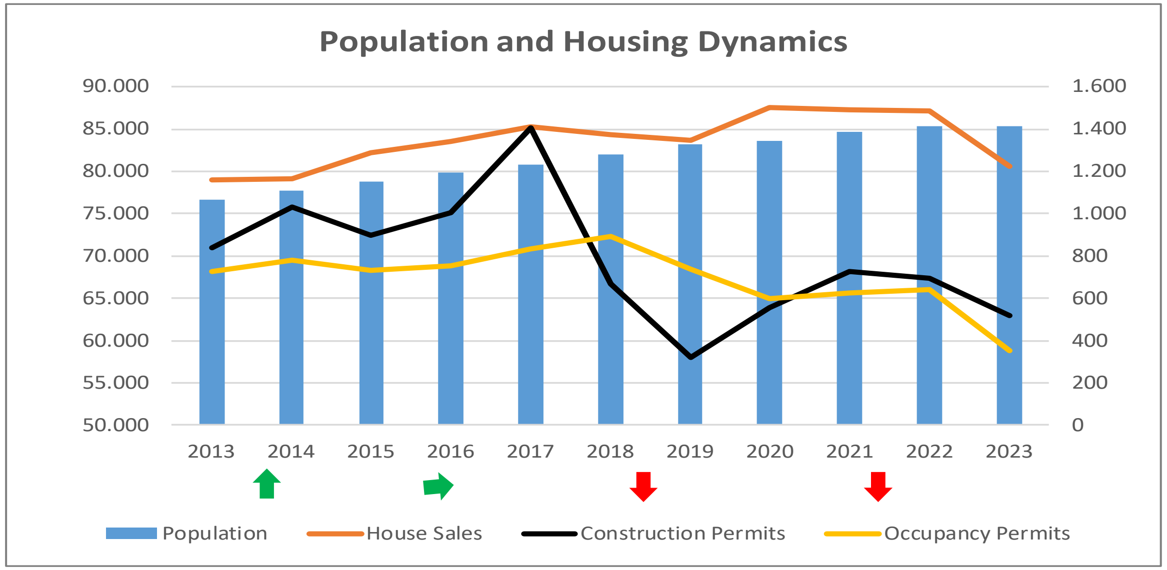


- The construction sector grew by 7.8% in 2023 for the first time in 5 years.
- Construction activities in the earthquake zone, urban transformation and infrastructure activities that accelerated before the local elections were the factors that supported the sector.

- With the 24% contraction in the last quarter, the decline in housing sales in the whole of 2023 reached 17.5%.
- Due to increasing housing interest rates, the share of mortgage sales in total was 5% in the last quarter.
- While the share of second-hand house sales was around 70% at the start of the year, it decreased to 63% at the end.

Source: Turkstat, Association of Turkish Construction Material Producers (IMSAD)

Turkish Market: Construction Industry



Source: Turkstat

Number of Damaged Buildings in 11 Provinces hit with earthquake	Number of Buildings	Independent units
No damage	860.006	2.387.163
Slightly damaged	431.421	1.615.817
Moderately damaged	**40.228**	**166.132**
Heavily damaged	**179.786**	**494.588**
Ruined	**35.355**	**96.100**
To be destroyed immediately	**17.491**	**60.728**
Not detected yet	147.895	296.508
TOTAL	*1.712.182*	*5.117.036*

Source: TR Presidency of Strategy and Budget Department, Earthquake Report 2023 March

DETERMINANTS IN THE CONSTRUCTION INDUSTRY

- **Strong organic demand for housing**

  (Increasing population, need for new households due to marriages/divorces, decreasing number of people per household
- **Mobility in the markets before local elections**
- **Recent increase in building permits received**
- **Construction activities in the earthquake zone**

  (Construction of approx. 810 thousand independent units in the earthquake zone)
- **Urban transformation activities**
- *(According to a 2020 report, the number of independent units that need to undergo urban transformation is 6.7 million.)*

- **Tightening steps in monetary policy (high interest rates, etc.)**
- **High construction costs & wage increases**
- **Limited qualified workforce in the sector**
- **Slowdown in public investments & tax regulations**

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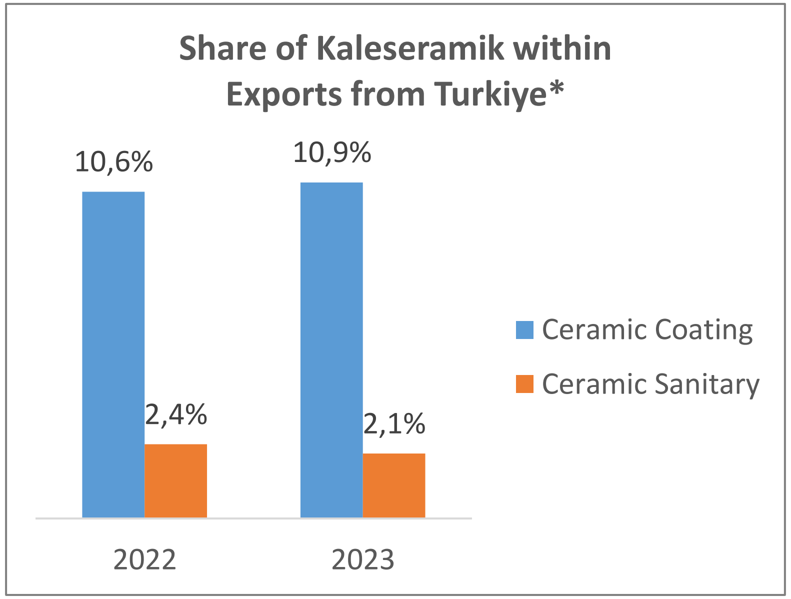
Export Markets: Construction Materials Industry

- The contraction in the construction industry in Europe, which is our main export market as a country, continued to have a limiting effect on the country's exports.
- In 2023, construction materials exports decreased by 13.4% to USD 29.2 billion.
- In Turkiye's total exports, there was a 38% decline in the ceramic coating product group and an 8% decline in ceramic sanitary products.
- Kaleseramik increased its share in Turkiye’s exports of ceramic coating materials.

Exports (USD mio.)	Jan.-Dec 2023	Jan.-Dec 2022	Change
Construction Materials	**29.200**	**33.731**	**-%13,4**
- Ceramic Coating	634	1.023	-38,0
- Ceramic Sanitary	312	339	-7,9

Source: Association of Turkish Construction Material Producers (IMSAD)



Source: Ceramic Coating Materials Manufacturers Association (SERKAP)

*Calculation based on SERKAP data of exports and company data.

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New Investment Abroad: Iraq

- Our company started production on May 19, 2024, in the factory of Al-Sadaf company, headquartered in Baghdad, Iraq, in the province of Kirkuk, in which it has a 49% participation in the capital.

- In the facility, which has an annual production capacity of 2.5 million m^2 of matte and glossy porcelain plates, in the first phase, porcelain tiles will be produced in 8 series with dimensions of 60x120 cm and 60x60 cm, which are needed by the Iraqi market.

- It is expected that local production in Iraq will initially contribute approx. USD 20 mio. annually to net sales.

- It is planned to increase the capacity to 7 million m^2 in the coming period in line with the needs of the market and to further enrich the product sizes and series.

Representative photos

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Financial Statements

IAS-29 APPLIED

Bu mesaj/doküman GENEL (PUBLIC) etiketi ile sınıflandırılmıştır.

P&L Summary*

** IAS-29 APPLIED*

(TL million)		2023 12-M	2022 12-M	*Y-on-Y Change*
Net Sales		9.713,7	12.258,4	*-20,8%*
Gross Profit		1.527,6	2.586,0	*-40,9%*
	Margin	*15,7%*	*21,1%*	
Operating Profit		378,8	1.236,7	*-69,4%*
	Margin	*3,9%*	*10,1%*	
Profit Before Financing		405,4	1.372,6	*-70,5%*
	Margin	*4,2%*	*11,2%*	
Profit Before Tax		378,6	1.363,8	*-72,2%*
	Margin	*3,9%*	*11,1%*	
Net Profit		295,3	2.177,6	*-86,4%*
	Margin	*3,0%*	*17,8%*	
EBITDA		**872,6**	**1.693,9**	***-48,5%***
	Margin	*9,0%*	*13,8%*	

Balance Sheet *

*** IAS-29 APPLIED***

(TL million)	31.12.2023	31.12.2022		31.12.2023	31.12.2022
Current Assets	**7.074,5**	**5.799,7**	**Current Liabilities**	**3.643,6**	**4.885,7**
Cash & Cash Equivalents	2.281,6	383,1	Short-term bank liabilities	1.777,0	1.958,8
Financial Investments	0,0	160,2	Lease Liabilities	15,2	32,6
Trade Receivables	1.717,7	1.844,9	Trade Payables	1.357,1	1.903,0
Inventories	2.738,7	2.770,8	Deferred Incomes	326,1	733,0
Prepaid Expenses	144,1	156,8	Provisions	26,4	132,4
Current Tax Assets	21,6	197,7	Others	141,7	125,9
Others	170,8	286,2	**Non-current Liabilities**	**1.085,1**	**804,1**
Non-current Assets	**5.426,1**	**4.618,8**	Bank Loans	570,5	368,2
Tangibles Assets	4.105,7	3.414,1	Provisions	264,2	421,8
Intangible Assets	278,8	221,4	Lease Liabilities	18,2	14,0
Properties for Investment Purpose	245,1	206,0	Trade Payables	36,2	8,7
Deferred Tax Assets	685,9	636,4	**Total Equity**	**7.771,9**	**4.728,7**
Others	110,6	140,9	Issued Capital & Inflation adj.	6.095,0	5.957,6
TOTAL ASSETS	**12.500,6**	**10.418,5**	**TOTAL LIABILITIES & EQUITY**	**12.500,6**	**10.418,5**

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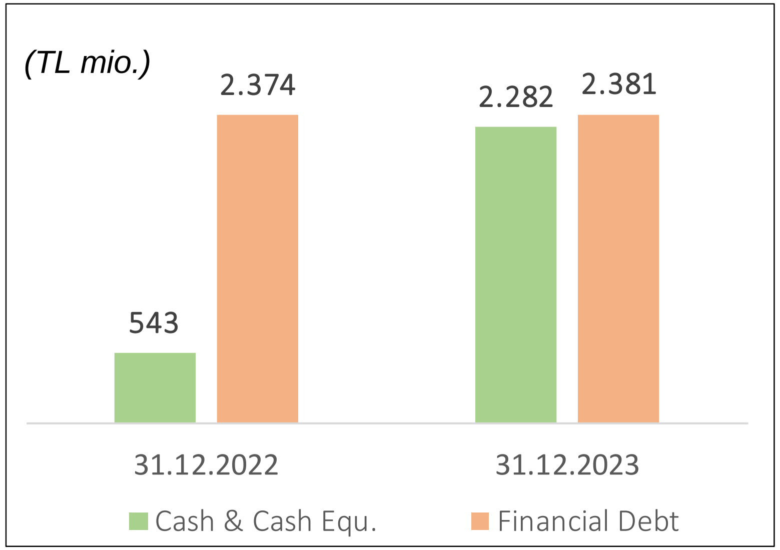
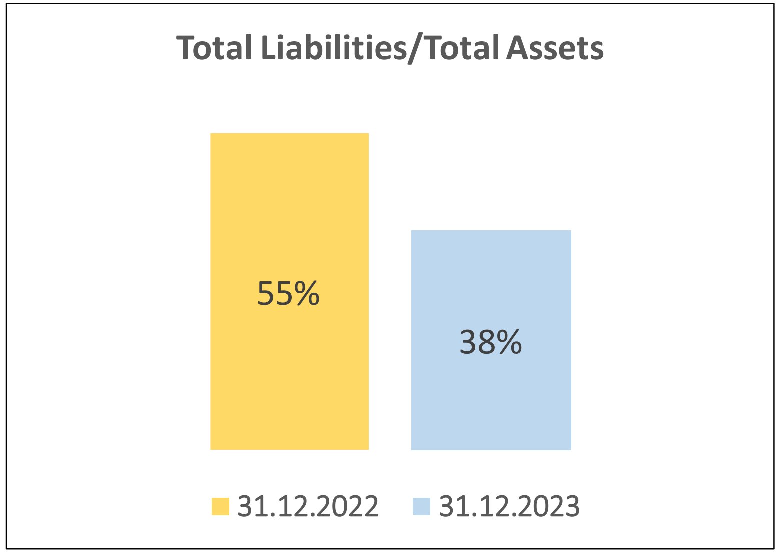
Cash vs. Financial Liabilities

- Total value of cash, cash equivalents and financial investments* is TL 2,28 billion at year-end.
- The breakdown of short and long term financial liabilities of TL 2,38 billion is as follows:
  - ➢ TL 33,4 million due to short and long-term leasing
  - ➢ 75% short-term
  - ➢ 31% FX-based*
  - ➢ 56% fixed – 44% floating (out of floating, 71% FX based)
- As stated in the prospectus, 20% of the net TL 2,64 billion fund provided from IPO was used to pay TL 528,3 million financial debt.
- The high cash level and very low net debt/EBITDA ratio provide opportunities for new growth opportunities.





* *FX risk is completely eliminated through hedging transactions.*

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CAPEX

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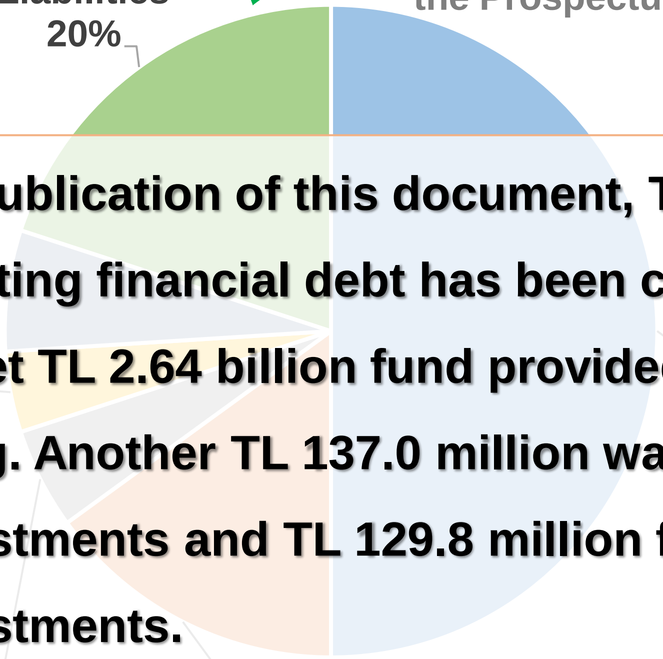
Investment Plans

- Out of net IPO proceedings of TL 2,64 billion, 20% was used to pay financial debt of TL **528,3 million in line with the Prospectus. (20%)**



Around **TL 129,8 million** has been spent for the company in Iraq, of which we acquired 49% of shares.**(4,9%)**

- **Until the date of publication of this document, TL 528.3 million of the existing financial debt has been closed with 20% of the net TL 2.64 billion fund provided from the public offering. Another TL 137.0 million was spent for domestic investments and TL 129.8 million for international investments.**

Frit Investment 4%

The company plans to expand its existing line in the production of composite glazes, the main ingredient of which is frit, by purchasing silos and weighing mats.

Up to the date of this report, there has been no expenditure.

Bathroom Product Group 5%

In the bathroom business line, new investments are planed for the sanitaryware plant in Semedeli. **Up to the date of this report, TL 49.4 million was spent. (1.9%)**

Sustainability Investments 15%

It is planned to invest in recycling and sustainability projects. **Up to the date of this report, TL 58,7 million was spent (2,2%)**

Slab-Sinterflex Investment 50%

It is planned to establish 2 additional new production lines within the existing slab-sinterflex factory located in Çan location, in order to produce slab-sinterflex in different sizes and thicknesses. **Up to the date of this report, TL 29 million was spent (1,1%).**

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Appendix

Bu mesaj/doküman GENEL (PUBLIC) etiketi ile sınıflandırılmıştır.

P&L Summary *(IAS-29 not applied)*

(TL million)	2023 12-M	2022 12-M	*Y-on-Y Change*
Net Sales	7.419,5	6.276,2	*18%*
Gross Profit	1.873,0	1.747,6	*7%*
Margin	*25,2%*	*27,8%*	
Operating Profit	1.037,6	1.108,2	*-6%*
Margin	*14,0%*	*17,7%*	
Profit Before Tax	491,8	805,1	*-39%*
Margin	*6,6%*	*12,8%*	
Net Profit	1.133,5	1.385,1	*-18%*
Margin	*15,3%*	*22,1%*	
EBITDA	1.170,4	1.194,8	*-2%*
Margin	*15,8%*	*19,0%*	

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