KALESERAMİK, ÇANAKKALE KALEBODUR SERAMİK SANAYİ A.Ş.

Report On Realization And Evaluation of the Assumptions Used in

Determining the IPO Price

January 1 – March 31, 2024

This report has been prepared pursuant to the

Capital Markets Board Communiqué on Shares

No. VII-128.1 article 29/5.

June 2, 2024

1. Subject of the Report

Pursuant to the Capital Markets Board Communiqué on Shares No. VII/128.1 article 29/5, the Audit Committee has prepared this report on “Realization and Evaluation of the Assumptions used in Determining the IPO Price”, which includes evaluations on whether the assumptions used in determining the initial public offering price of Kaleseramik, Çanakkale Kalebodur Seramik Sanayi A.Ş.. (“Kaleseramik” or “Company”) have been realized.

2. Valuation Methods and Calculations Used in the Price Determination Report

According to the Price Determination Report, prepared on June 14, 2023 by Yapı Kredi Yatırım Menkul Değerler A.Ş. (“Yapı Kredi Yatırım”), the intermediary facilitating the IPO of the company shares together with Ak Yatırım Menkul Değerler A.Ş., and published on the Public Disclosure Platform on July 17, 2023, the company’s market value and the initial public offering price have been determined based on the following assumptions.

a) Market Multiples Analysis

The equity value of the Company was calculated as a result of EV/EBITDA and P/E analyses, and the equity value was calculated as a result of Market Multipliers Analysis by giving equal weight to the values calculated as a result of the analysis.

I. Enterprise Value / EBITDA Multiple Valuation Approach

The company's enterprise value was calculated separately using foreign peers EV/EBITDA multiple and domestic peers EV/EBITDA multiple method. The final equity value was determined based on two multiple analysis by deducting the net debt position as of March 31, 2023 from the calculated enterprise values, and the equity value was calculated according to the Company's EV/EBITDA multiple analysis by giving equal weight to each calculated equity value.

Multiples of peers were obtained from the "*Bloomberg*" platform as of the closing of June 9, 2023 for foreign companies, and from the Rasyonet platform as of the closing of June 9, 2023 for domestic companies.

EV/EBITDA multiple was calculated by dividing the current enterprise values of peer public companies by the EBITDA values of the relevant companies as of the 12-month period ending on March 31, 2023.

The median EV/EBITDA multiple of foreign peers is calculated as 8.6X. According to this multiple value, the company's enterprise value and equity value are calculated in the table below.

Table 1: Equity Value Calculation According to Foreign Peers EV/EBITDA Multiple

Foreign Peers EV/EBITDA		**8,6x**
EBITDA*	*TL*	809.929.512
Enterprise Value	*TL*	6.933.804.520
Net Debt	*TL*	1.730.710.526
Equity Value according to Foreign Peers EV/EBITDA Multiple	***TL***	**5.203.093.994**

**Excluding other operating income/expense*

The median EV/EBITDA multiple of domestic peers is calculated as 10.4x. According to this multiple value, the company's enterprise value and equity value are calculated in the table below.

Table 2: Equity Value Calculation According to Domestic Peers EV/EBITDA Multiple

Domestic Peers EV/EBITDA		**10,4x**
EBITDA*	*TL*	809.929.512
Enterprise Value	*TL*	8.440.915.504
Net Debt	*TL*	1.730.710.526
Equity Value according to Domestic Peers EV/EBITDA Multiple	***TL***	**6.710.204.978**

** Excluding other operating income/expense*

By giving equal weight to the equity values calculated, using the EV/EBITDA multiples of foreign and domestic peers, an equity value of TL **5,956,649,486** was reached as a result of the EV/EBITDA multiple analysis.

Table 3: ***Average Equity Value According to EV/EBITDA Multiple Analysis***

Equity Value according to foreign peers EV/EBITDA Multiple	*TL*	*5.203.093.994*
Equity Value according to domestic peers EV/EBITDA Multiple	*TL*	*6.710.204.978*
Equity Value according to EV/EBITDA Multiple	***TL***	***5.956.649.486***

II. P / E Multiple Analysis

The equity value of the Company was calculated separately using the foreign and domestic peers P/E multiples, and by giving equal weight to the calculated equity values.

Multiples of peers were obtained from the "Bloomberg" platform as of the closing of June 9, 2023 for foreign companies, and from the Rasyonet platform as of the closing of June 9, 2023 for domestic companies.

P/E multiple is calculated by dividing the current equity values of peer public companies by the net profit values of the relevant companies as of the 12-month period ending on March 31, 2023.

The median P/E multiple of foreign peers is calculated as 13.4X. According to this multiple, the Company's equity value is calculated in the table below.

Table 4: Equity Value Calculation According to Foreign Peers P/E Multiple

Foreing Peers P/E		**13,4x**
Net Profit	*TL*	1.474.351.806
Equity Value according to P/E Multiple	***TL***	**19.779.974.412**

The median P/E multiple of domestic peers is calculated as 10.0X. According to this multiple, the Company's equity value is calculated in the table below.

Table 5: Equity Value Calculation According to Domestic Peers P/E Multiple

Domestic Peers P/E		**10,0x**
Net Profit	*TL*	1.474.351.806
Equity Value according to P/E Multiple	***TL***	**14.767.658.582**

By giving equal weight to the equity values calculated, using the P/E multiples of foreign and domestic peers, an equity value of TL **17.273.816.497** was reached as a result of the P/E multiple analysis.

Tablo 6: ***Average Equity Value According to P/E Multiple Analysis***

Equity Value according to foreign peers P/E Multiple	*TL*	19.779.974.412
Equity Value according to domestic peers P/E Multiple	*TL*	14.767.658.582
Equity Value according to P/E Multiple	***TL***	**17.273.816.497**

Of the two methods, equal weight is given to the EV/EBITDA multiple and 50% to the P/E multiple. As a result of the multiple analysis, the Company's equity value was calculated as TL **11,615,232,992**.

Tablo 7: Summary of Market Multiples Analysis

Evaluation Methodology	**Calculated Equity Value (TL)**	**Weight**	**Calculated Equity (TL)**
Peers EV/EBITDA Multiple	5.956.649.486	50%	2.978.324.743
Peers P/E Multiple	17.273.816.497	50%	8.636.908.249
Equity Value			**11.615.232.992**

b) Discounted Cash Flow Analysis (DCF)

- Projections prepared in the light of the assumptions detailed above and based on the Company's Business Plan, were used in the valuation study.

- For the terminal value, the growth rate was assumed to be 5% and the EBIT margin of 2029 was assumed to be maintained. Working capital and investment values calculated for the final period were used.

- While calculating 9-month cash flow for 2023;

- Net Sales, EBIT, Operating Profit After Tax, Depreciation, Net Working Capital and Investment Expenditures for the first quarter of 2023 have been deducted from the projected amounts for 2023 full year.
- The difference between the working capital projected for 2023 and the end of 2023 working capital is reflected as working capital change. The reason for the negative value is that the Company's stocks increased more than expected as of the end of the first quarter of 2023. It is planned to balance its stocks thanks to its sales by the end of the year.
- The discount factor for 2023 is calculated for 9 months.

- Company Value was calculated as of March 31, 2023 according to cash flows, and equity value was calculated by deducting the net debt on the relevant date. In the next step, it was multiplied by the 2-month equivalent of the annual WACC and updated to 31.05.2023.
- According to the discounted cash flow analysis, the equity value was calculated as **12,342,654,936** TL.

3. Result of Valuation

According to the valuation study, the discounted cash flow method and multiple analysis method were weighted by 50% and 50%, respectively. In the market multiple analysis method, EV/EBITDA and P/E multiples are also weighed equally at 50%.

The equity values calculated by discounted cash flow analysis and market multiple analysis are listed below.

Table 8: Results of Valuation Methods

Valuation Method	Equity Value (TL)	Weight	Contribution to Final Calculated Equity
Discounted Cash Flow Analysis	12.342.654.936	50%	6.171.327.468
Market Multiple Analysis	11.615.232.992	50%	5.807.616.496
Weighted Equity Value			**11.978.943.964**

With 50%-50% weight, the company's average pre-public offering equity value is calculated as **TL 11,978,943,964.**

4. Discount Calculation Prior to IPO

The public offering price is calculated as TL 25.00 per share by applying a 15.4% pre-public offering discount rate, based on the equity value calculated by valuation methods.

Table 9: Pre-IPO Discount Calculation

	Equity Value (TL)
Nominal Capital Value	405.388.196
Pre-IPO Equity Value based on valuation methods	11.978.943.964
IPO Discount	%15,4
Public Offering Discounted Market Value	10.134.704.888
IPO Price (TL/per share)	**25,00**

5. Conclusion

Since the projection data in the Price Determination Report (PDR), published by Yapı Kredi Investment on July 17, 2023, was prepared before the decision to implement the IAS 29 standard, the inflation accounting method was not applied in the Price Determination Report (PDR).

As the Company's published financials dated March 31, 2024 were prepared in accordance with IAS-29 principles, the annual assumptions in the PDR were compared with 2024 Q1 financials, which are not adjusted by IAS-29 and not independently audited.

(TL mio.)	*2024 3 M (Actual) -* ***IAS 29 not applied***	*2024 12 M (PDR Forecast) -* ***IAS 29 not applied***	*Realization*
Net Sales	2.235,6	14.870,4	*15,0%*
Cost of Goods Sold	1.652,7	10.560,1	*15,7%*
Gross Profit	582,9	4.310,3	*13,5%*
Operating Expenses*	450,8	2.170,4	*20,8%*
Amortization adj.	52,5	252,7	*20,8%*
EBITDA**	184,6	2.392,6	*7,7%*

** Operating Expenses = Marketing, Sales & Distribution Expenses + General Administrative Expenses + R&D Expenses*

*** EBITDA = Gross Profit – Operating Expenses + Amortization*

Since other income and expense items from main activities were not taken into account in the DCF method in the price determination report, a similar analysis was made in the table above. However, in order to monitor its operational profitability, the company makes internal and external reporting, taking into account these items, most of which are related to operations.

With this approach, the EBITDA figure for 2024 Q1 reaches 11,3% of the assumptions in the PDR with TL 271.1 million.

In 2024 Q1, the company reached 15% of the annual sales predicted in the Price Determination Report (PDR) prepared by Yapı Kredi Investment, for the whole of 2024.

It is seen that the contraction in Turkiye's ceramic exports in 2023 (38% in ceramic coating materials, 8% in sanitary ware products) continued in the first quarter of 2024. (2.4% in ceramic coating materials, 10.8% in sanitary ware products)

In the domestic market, the pressure created by high interest rates on housing demand continued to affect net sales, and hence, gross and EBITDA margins due to decreasing sales volume.

Regards,

Audit Committee

Cengiz SOLAKOĞLU
Chairman

Fahri Okan BÖKE
Member

Arzu ERDEM
Member