

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AND NOTES FOR THE
31 MARCH 2024
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

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**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
FINANCIAL STATEMENTS AS OF 31 MARCH 2024 AND 31 DECEMBER 2023**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

	Notes	Unaudited 31 March 2024	Audited 31 December 2023
Assets			
Current assets			
Cash and cash equivalences	4	724,501	913,615
Short term financial investments	5	98,615	150,956
Trade receivables		206,529	136,298
- Receivables from related parties	23	63,481	59,695
- Receivables from third parties	8	143,048	76,603
Other receivables		5,398	8,493
- Other receivables from third parties	9	5,398	8,493
Derivative financial assets inventories	25.2	391	-
Inventories	10	662,025	708,334
Prepaid expenses	15	89,850	20,079
Current tax-related assets	15	68,162	114,963
Other current assets		3	51,006
- Other current assets from third parties	15	3	51,006
Total current assets		1,855,474	2,103,744
Non-current assets			
Financial investments	5	785	893
Other receivables		-	441
- Other receivables from third parties	9	-	441
Property, plant and equipment	11	637,487	641,131
Right of use assets	7	138,494	155,084
Intangible assets	12	83,523	90,897
Prepaid expenses	15	10,834	7,631
Deferred tax assets	21	31,469	27,730
Total non-current assets		902,592	923,807
Total assets		2,758,066	3,027,551

The financial statements for the financial period of 31 March 2024 were approved at the Board of Directors meeting dated 21 March 2024 and signed by General Manager Oğuz Uçanlar and Financial Affairs Director Yasemen Güven Çayırılmaz on behalf of the Board of Directors.

Accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
FINANCIAL STATEMENTS AS OF 31 MARCH 2024 AND 31 DECEMBER 2023**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

	Notes	Unaudited 31 March 2024	Audited 31 December 2023
Liabilities			
Current liabilities			
Short term borrowings	7	830,581	897,385
-Short-term borrowings from third parties		830,581	897,385
- Bank loans		370,124	351,542
- Issued debt instruments		460,457	545,843
Short-term portion of long-term borrowings		71,377	300,917
-Short term portion of long term borrowings from third parties	7	71,377	300,917
- Bank loans		27,382	31,155
- Lease liabilities		43,995	45,068
- Issued debt instruments		-	224,694
Trade payables		191,044	160,667
- Due to related parties	23	12,263	7,661
- Due to third parties	8	178,781	153,006
Employee benefit liabilities	9	40,049	69,156
Other payables		5,790	456
- Due to third parties	9	5,790	456
Derivative instruments	25.2	-	1,980
Deferred income	15	129,959	182,641
Short term provision		18,447	9,855
- Provisions for employment benefits	14	18,260	9,640
- Other short-term provisions	13	187	215
Total current liabilities		1,287,247	1,623,057
Non-current liabilities			
Long term borrowings		57,856	82,013
- Long term borrowings from third parties	7	57,856	82,013
- Bank loans		-	-
- Lease liabilities		57,856	82,013
Provision for employee benefits	9	9,549	11,070
Long term provision		23,449	33,242
- Provisions for employment termination benefits	14	23,449	33,242
Total non-current liabilities		90,854	126,325
Equity			
Share capital	16	23,625	23,625
Adjustment to share capital	16	436,315	436,315
Other comprehensive expenses that will not be reclassified to profit or loss		(7,632)	(15,934)
- Losses on remeasurement of defined benefit obligations		(7,632)	(15,934)
Other comprehensive expenses/(income) that will be reclassified to profit or loss		12,735	6,714
- Currency translation differences		-	(4,531)
- Gains/(loss) on hedge		12,735	11,245
Restricted reserves	16	227,192	227,192
Retained earnings	16	600,257	98,617
Net profit/(loss) for the period		87,473	501,640
Total equity		1,379,965	1,278,169
Total liabilities and equity		2,758,066	3,027,551

Accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED INTERIM
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
PROFIT OR LOSS AS OF 1 JANUARY-31 MARCH 2024 AND 2023**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of March 31,2024, unless otherwise stated)

		Unaudited	
Profit or loss	Notes	1 January 31 March 2024	1 January 31 March 2023
Revenue	17	663,475	542,941
Cost of sales (-)	17	(282,243)	(279,471)
Gross profit		381,232	263,470
General administrative expenses (-)		(81,260)	(61,211)
Marketing expenses (-)		(122,433)	(126,745)
Research and development expenses (-)		(3,041)	(4,330)
Other income from operating activities	18	10,281	8,775
Other expenses from operating activities (-)	18	(44,069)	(11,902)
Operating profit / (loss)		140,710	68,057
Income from investment activities	19	60	4,735
Expens from investment activities (-)	19	(4,647)	(281)
Operating profit before finance income / (expense)		136,123	72,511
Finance income	20	88,835	45,310
Finance expenses (-)	20	(152,203)	(118,523)
Monetary gain / (loss)		44,127	119,416
Profit/(Loss) before tax from continuing operations		116,882	118,714
Tax income from continuing operations		(29,409)	(32,776)
- Taxes on expense	21	(36,412)	(41,583)
- Deferred tax income / (expense)	21	7,003	8,807
Net profit /(loss) for the year		87,473	85,938
Profit /(loss) per share (1 TRY per share)	22	3.7026	3.6376

Accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE INTERIM
PERIOD 1 JANUARY- 31 MARCH 2024 AND 2023**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

	Notes	Unaudited	
		1 January 31 March 2024	1 January 31 March 2023
Net profit /(loss) for the year		87,473	85,938
Other comprehensive income/expense			
Other comprehensive expenses that will not be reclassified		8,302	(4,698)
- Remeasurements of defined benefit assets/liabilities	14	11,069	(5,441)
Other comprehensive expenses that will not be reclassified to profit or loss, tax effect		(2,767)	743
- Deferred tax income		(2,767)	743
Other comprehensive expenses that will be reclassified to profit or loss		1,490	7,168
- Other comprehensive income / (expense) on cash flow hedge			
-Other Comprehensive Income (Loss) on Cash Flow Hedge		1,987	8,962
-Other comprehensive expenses that will be reclassified to profit or loss, tax effect		(497)	(1,794)
- Deferred tax (expense)/income		(497)	(1,794)
Other comprehensive income /(expense)		9,792	2,470
Total comprehensive income		97,265	88,408

Accompanying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

**INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 1 JANUARY- 31 MARCH 2024 AND 2023**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

	Share capital	Inflation adjustment to share capital	Other comprehensive income (loss) that will not be reclassified in profit or loss	Other comprehensive loss/(income) that will be reclassified in profit or loss			Accumulated profits		Total equity
			Defined benefit plans revaluation and measurement(losses)/gains	Currency translation differences	Gains/(loss) on hedge	Restricted reserves	Retained earnings	Net profit/(loss) for the period	
Balances as of 1 January 2023	23,625	436,312	(11,520)	(4,531)	4,548	224,164	146,778	(22,353)	797,023
Transfers	-	-	-	-	-	-	(22,353)	22,353	-
Total comprehensive loss	-	-	(4,698)	-	7,168	-	-	85,938	88,407
Balances as of 31 March 2023	23,625	436,312	(16,218)	(4,531)	11,715	224,164	124,425	85,938	885,430

	Share capital	Inflation adjustment to share capital	Defined benefit plans revaluation and measurement(losses)/gains	Currency translation differences	Gains/(loss) on hedge	Restricted reserves	Retained earnings	Net profit/(loss) for the period	Total equity
Transfers	-	-	-	-	-	-	501,640	(501,640)	-
Subsidiary acquisition or disposal	-	-	-	4,531	-	-	-	-	4,531
Total comprehensive loss	-	-	8,302	-	1,490	-	-	87,473	97,265
Balances as of 31 March 2024	23,625	436,315	(7,632)	-	12,735	227,192	600,257	87,473	1,379,965

Accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
CASH FLOW STATEMENTS FOR THE INTERIM 31 MARCH 2024
AND 31 MARCH 2023**

(Amounts are expressed in thousands of Turkish lira (“TL”) unless otherwise stated.)

	Notes	Unaudited	
		2024	2023
Cash flow from operating activities		118,395	(35,195)
Net profit /(loss) for the period		87,473	85,938
Adjustments to reconcile net profit /(loss) for the period		143,534	(35,672)
Adjustments for depreciation and amortization expense	11.12	34,784	34,242
Adjustments for provisions		16,502	16,862
- Adjustments for employment termination benefits	18	16,502	17,029
- Adjustments for lawsuit and other provisions		-	(167)
Adjustments for interest income/expense		108,462	84,526
- Adjustments for interest income	20	(78,424)	(38,456)
- Adjustments for interest expense	20	152,151	113,699
- Rediscount on interest loss	18	39,527	10,147
- Rediscount on interest income	18	(4,792)	(864)
Adjustments for fair value gains		1,458	585
Adjustments for tax incomes	21	29,409	32,776
Gain on sale of tangible and intangible assets		4,587	166
Monetary gain		(51,668)	(204,829)
Changes in working capital		108,652	(41,357)
Decrease/(increase) in trade receivables		(109,757)	(174,195)
Decrease/(increase) in other receivables		7,109	(2,155)
Increase/(decrease) in inventory		46,309	(197,697)
Decrease/(increase) in prepaid expenses		(72,975)	(77,914)
Increase/(decrease) in trade payables		35,169	77,595
Increase/(decrease) in employment termination benefits		(30,627)	16,228
Decrease/(increase) in other payables		5,334	(583)
Increase in deferred revenue		(52,681)	305,507
Decreases/increases in others		280,771	11,857
- Increase/(decrease) in other assets		280,799	20,555
- Increase/(decrease) in other liabilities		(28)	(8,698)
Cash used in operating activities		339,659	8,910
Employee termination benefits paid	14	(1,728)	(36,947)
Tax paid		(219,536)	(7,158)
Cash flow from investing activities		(13,858)	(7,751)
Proceeds from sale of property, plant and equipment		(3,446)	6,179
Acquisition of property, plant and equipment and intangible assets	11.12	(10,412)	(13,930)
Cash flow from financing activities		(176,599)	269,823
Proceeds from bank borrowings	7	82,530	1,017,285
Repayment of borrowings	7	(193,757)	(544,963)
Repayment of lease liabilities		(14,097)	(17,369)
Dividends paid	16	-	-
Interest paid	7	(183,562)	(133,085)
Interest received		72,817	27,379
Other cash inflow		59,470	(79,424)
Monetary gain/(lose) impact on cash and cash equivalents		(117,929)	(73,614)
Decrease /(increase) in cash and cash equivalents		(189,991)	153,263
Cash and cash equivalents at the beginning of the year	4	899,853	551,445
Cash and cash equivalents at the end of the year	4	709,862	704,708

Accompanying notes are an integral part of these financial statements.

**CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
31 MARCH 2024**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 1 - Company’s organizaton and nature of operations

Adel Kalemcilik Ticaret ve Sanayi A.Ş. (“Company”) ‘s fields of activity are, respectively, the production of pencils, colored pencils, toys and other stationery equipment, the sale and export of finished products in the facilities, and importing all kinds of raw materials, semi-finished products and finished products, to buy and sell.

The company was established on 17 July 1967 and registered with the Istanbul Chamber of Industry (İSO) and the istanbul chamber of commerce (İTO) on the same date with the registration number 96078.

The registered address of the company's headquarters is as follows:

Fatih Sultan Mehmet Dist. Balkan St. No:58 Buyaka E Block
34771 Tepeüstü - Ümraniye/İstanbul

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been traded on Borsa Istanbul (“BIST”) since 1996. As of 31 March 2024, the Company has 27.71% of its shares registered in the BIST. The shareholders holding the majority of the Company's shares and their share ratios are as follows:

	(%)
AG Anadolu Grubu Holding A.Ş.	56.89
Faber-Castell Aktiengesellschaft	15.40
Shares publicly held	27.71
	100.00

The average number of employees of the Company as at 31 March 2024 is 348 (31 December 2023: 367).

As of 31 March 2024, the joint venture of the Company accounted for using the equity method and its shareholding ratios are as follows:

Company name	Field of Activity	Country	31 March 2024 (%)	31 December 2023 (%)
LLC Faber-Castell Anadolu	All types of stationery buying and selling products	Rusya	-	50.00

LLC Faber-Castell Anatolia has terminated and closed the operation of the historical files of March 2024, which has been inactive since 2019.

LLC Faber-Castell Anadolu which is Moscow-based joint venture registered in the Russia on 13 September 2011 was established to import and export, trade and distribute all types of stationery and office supplies, painting equipment, hobby products and toys.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 31 MARCH 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 2 - Basis of presentation of financial statements

2.1 Basis of preparation and presentation of financial statements

2.1.1 Statement of compliance with TFRS

The accompanying 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”, which was published in the Official Gazette No:28676 on June 13, 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

The financial statements are presented in accordance with the 2022 TFRS Taxonomy, which was published in the Official Gazette dated 7 June 2019 and numbered 30794 by the POA and updated by the POA on 4 October 2022, based on the financial statement examples in the Financial Statement Examples and User Guide.

The Company's companies operating in Turkey submit their accounting records and legal financial statements in accordance with the principles and conditions issued by the Capital Markets Board (CMB), the provisions of the Turkish Commercial Code (TTK) and Tax Legislation, and the requirements of the Uniform Chart of Accounts published by the Ministry of Finance. It prepares Turkish Lira as. Subsidiaries and joint ventures operating abroad prepare their accounting records and legal financial statements in accordance with the laws and regulations of the country in which they operate.

The Company's financial statements as of 31 March 2024 were approved by the Company's Board of Directors on 21 March 2024. The Board is authorized to amend the financial statements.

2.1.2 Functional and reporting currency

The Company is based on the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance of the Republic of Turkiye in keeping its accounting records and preparing its statutory financial statements. Investments valued by the equity method in foreign countries, have prepared their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. Financial statements of company have been prepared in Turkish lira on the basis of historical cost, excluding financial assets and liabilities that are expressed at their fair values. The financial statements have been prepared by reflecting the necessary adjustments and classifications in order to make the correct presentation in accordance with TMS/TFRS to the legal records prepared on the historical cost basis.

2.1.3 Adjustment of financial statements during periods of high inflation

The Company prepared its financial statements as at and for the year ended 31 December 2023 by applying TAS 29 "Financial Reporting in Hyperinflationary Economies" in accordance with the announcement made by POA on 23 November 2023 and the "Implementation Guide on Financial Reporting in High Inflation Economies". The standard requires that financial statements prepared in the currency of a hyperinflationary economy be expressed in terms of the purchasing power of that currency at the balance sheet date and that comparative figures for prior period financial statements be expressed in terms of the measuring unit current at the end of the reporting period. Accordingly, the Company has also presented its financial statements as of 31 December 2023 in terms of the purchasing power of that currency as of 31 March 2024.

**CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
31 MARCH 2024**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 2 - Basis of presentation of financial statements (Continued)

2.1 Basis of preparation and presentation of financial statements (Continued)

In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards will apply inflation accounting in accordance with TAS 29 standards, starting from their annual financial reports for the accounting periods ending as of 31 December 2023.

The adjustment made in accordance with TAS 29 were made using the correction coefficient obtained from the Consumer Price Index in Turkey (“CPI”) published by the Turkish Statistical Institute (“TSP”). As of 31 March 2024, the indexes and index coefficients used in the correction of financial statements are as follows:

Date	Index	Conversion Factor	Three-Year Cumulative Inflation
31 March 2024	2,139.47	1.00000	%211
31 December 2023	1,859.38	1.15064	%268
31 March 2023	1,269.75	1.68495	%152

The main elements of the Company's adjustment for financial reporting purposes in high-inflation economies are as follows:

- The current period financial statements prepared in TL are expressed with the purchasing power at the balance sheet date, and the amounts from previous reporting periods are also expressed by adjusting according to the purchasing power at the end of the reporting period.
- Monetary assets and liabilities are not adjusted as they are currently expressed with current purchasing power at the balance sheet date. In cases where the inflation-adjusted values of non-monetary items exceed the recoverable amount or net realizable value, the provisions of TAS 36 and TAS 2 were applied, respectively.
- Non-monetary assets and liabilities and equity items that are not expressed in current purchasing power at the balance sheet date have been corrected using the relevant correction coefficients.
- All items included in the comprehensive income statement, except those that affect the statement of comprehensive income of non-monetary items in the balance sheet, are indexed with coefficients calculated over the periods when the income and expense accounts are first reflected in the financial statements.
- The effect of inflation on the Company's net monetary asset position in the current period is recorded in the net monetary gain / loss account in the income statement.

**CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END
FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
31 MARCH 2024**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 2 - Basis of presentation of financial statements (Continued)

2.1 Basis of preparation and presentation of financial statements (Continued)

2.1.4 Shares in affiliates and joint ventures

A partnership is a joint venture in which entities with joint control in an arrangement have rights to the equity in the joint arrangement. Joint control is based on the control contract on an economic activity.

This control is deemed to exist when the decisions of the relevant activities require the parties sharing the control to agree with the unanimity of votes.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity accounting method, except when the investment, or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the financial statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate or a joint venture.

When the Company’s share of losses of an associate or a joint venture exceeds the Company’s interest in that associate or a joint venture (which includes any long term interests that, in substance, form part of the Company’s net investment in the associate or a joint venture), the company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

2.1.5 Comparative information and restatement of prior period financial statements

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period financial statements and significant changes are explained. The financial statements of the Company include comparative financial information to enable the determination of the trends in the financial position and performance. The Company has prepared its financial position statement as of 31 March 2024 with the financial position statement prepared as of 31 December 2023; The profit or loss statement for the period 1 January- 31 March 2024, the profit or loss statement for the 1 January- 31 March 2023 accounting period, and the other comprehensive income statement for the 1 January- 31 March 2024 accounting period, the 1 January- 31 March 2023 accounting period, other comprehensive income statement, cash flow statement for the accounting period 1 January- 31 March 2024 and statements of changes in shareholders' equity are prepared comparatively with the related financial statements for the accounting period 1 January - 31 March 2023.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 31 MARCH 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 2 - Basis of presentation of financial statements (Continued)

2.2 New and Revised Turkish Financial Reporting Standards

Explanations regarding the effects of the new TAS/IFRS on financial statements:

a) Standards, amendments, and interpretations applicable as of 31 March 2024:

- **Amendment to IAS 1 – Non-current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB’s response to investors’ concerns that some companies’ supplier finance arrangements are not sufficiently visible, hindering investors’ analysis.
- **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity’s value chain.
- **IFRS S2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

b) Standards, amendments, and interpretations that are issued but not effective as of 31 Mart 2024:

- **Amendments to IAS 21 - Lack of Exchangeability;** effective from annual periods beginning on or after 1 January 2025. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

CONVENIENCE TRANSLATION INTO ENGLISH OF YEAR END FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 31 MARCH 2024

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira (“TRY”) as of March 31,2024, unless otherwise stated)

NOTE 2 - Basis of presentation of financial statements (Continued)

2.3 Changes and errors in accounting estimates

Changes in accounting policies or accounting errors are applied retrospectively and the financial statements of the comparative period are restated. If estimated changes in accounting policies are for only one period, changes are applied on the current year but if the estimated changes are for the following periods, changes are applied both on the current and following years prospectively. Except for the subject mentioned in “Comparative Information and Restatement of Prior Period Financial Statements”, the Company has not identified any significant accounting error or estimated changes in accounting policies in the current year.

The nature and amount of a change in the accounting estimate that has an effect on the current period's operating result or is expected to have an effect on the following periods is disclosed in the footnotes of the financial statements, unless it is not possible to estimate the effect on future periods. There has been no change or error in the accounting estimates of the financial statements for the 31 March 2024 accounting period.

2.4. Financial statements of a joint venture operating in a foreign country

The financial statements of the joint venture operating in a foreign country have been prepared in accordance with the legislation in force in the country in which it operates and have been prepared by reflecting the necessary corrections and classifications in order to comply with the "Communiqué on the Principles of Financial Reporting in the Capital Markets".

The assets and liabilities of subsidiaries and joint ventures operating in foreign countries are translated at the rate of exchange ruling at the balance sheet date and the income statements of foreign subsidiaries and joint ventures are translated at average exchange rates. Differences that occur by the usage of closing and average exchange rates are followed under currency translation differences classified under equity.

2.5. Seasonality of activities

The company organizes a sales campaign for certain products at the beginning of the year. Afterwards, distributor fairs are held within the scope of the sale of the products produced in the first period of the year. In these fairs, checks, DDS and credit cards are received against the order amounts of the customers, and most of the orders are shipped in the first half of the year.

2.6. Significant accounting judgments, estimates and assumptions

Fair values of derivatives and other financial instruments

Derivatives are recognized 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 recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

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NOTE 2 - Basis of presentation of financial statements (Continued)

2.6. Significant accounting judgments, estimates and assumptions (Continued)

Expected credit losses

Provision for doubtful receivables is recognized using expected credit losses as defined in TFRS 9. The allowance for doubtful receivables is calculated using expected credit losses and excluding dealers subject to the Direct Debit System, taking into account the Company's estimates for the future in addition to past experience.

2.7. Incentives Provided by the State

Government incentives are not recognized unless there is a reasonable reason to believe that the Company fulfills the requirements of these incentives and that this incentive will be received. These incentives are recognized in revenues in the period to match the costs they are expected to cover. Income from government incentives is recognized as a deduction from an appropriate expense item.

NOTE 3 - Segment reporting

Fields of activity of the Company established in Türkiye are, respectively, the production of wooden wall pencils, colored pencils, toy products and other stationery equipment, the sale and export of finished products in the facilities, and importing all kinds of raw materials, semi-finished products and finished products, to buy and sell.

The Company's field of activity, the nature and economic characteristics of the products, the production processes, the classification according to the risks of the customers and the methods used in the distribution of the products are similar. In addition, the organizational structure of the Company has been established in such a way that a single activity is managed instead of the Company being managed in separate divisions containing different activities. For these reasons, the Company's operations are considered as a single operating segment, and the Company's operating results, the determination of the resources to be allocated to these activities, and the examination of the performances of these activities are evaluated within this framework.

NOTE 4 - Cash and cash equivalents

	<u>31 March 2024</u>	<u>31 December 2023</u>
Demand deposit	19,686	162
Time deposit	687,584	896,569
Other cash equivalents	2,592	3,122
Cash and cash equivalents in the statement of cash flows	709,862	899,853
Interest income accruals	14,639	13,762
Total	724,501	913,615

The Company has no blocked deposits as of 31 March 2024 (31 December 2023: None).

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NOTE 4 - Cash and cash equivalents (Continued)

As of 31 March 2024, the Company has allocated USD 2,818,199 equivalent of TL 90,987 from its bank deposits for the payments related to raw material and trade goods purchases to be made in the future periods in order to hedge against fluctuations in foreign exchange rates and the related amount has been subject to hedge accounting. (31 December 2023: USD 2,600,000 equivalent of TL 88,069)

NOTE 5 - Financial investments

	<u>31 March 2024</u>	<u>31 December 2023</u>
	TL	TL
Short-term financial investment (*)	98,615	150,956
	98,615	150,956

(*) Opened by converting 1,000,0000, 1,000,000, 1.000.000 USD, with interest of 39,00%, 35,00%, 35,00%, respectively. The maturity dates of exchange rate protected deposit accounts are 15 April 2024, 8 May 2024, 15 May 2024.

	<u>31 March 2024</u>		<u>31 December 2023</u>	
	%	TL	%	TL
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7.67	72	7.67	72
Other long-term investments (*)	-	713	-	821
		785		893

(*) It is the amount of venture capital investment fund received by our company on a long-term basis, equal to 2% of the corporate tax incentive amount used, as it is an R&D center.

NOTE 6 - Investments accounted through equity method

As of 31 March 2024 and 31 December 2023, the joint venture of the Company is as follows:

	31 March 2024	Pay (%)	31 December 2023	Pay (%)
LLC Faber-Castell Anadolu	-	50.00	-	50.00
	-		-	

<u>31 March 2024</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net sales</u>	<u>Profit/(loss)</u>
Faber-Castell Anadolu LLC(*)	-	-	-	-
<u>31 December 2023</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net sales</u>	<u>Profit/(loss)</u>
Faber-Castell Anadolu LLC	1,995	4,247	-	(2,198)

* As of March 2024, the liquidation process has been completed in accordance with Russian laws and the current situation, which has been inactive since 2019, has been terminated and closed.

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NOTE 7 - Borrowings and right of use assets

31 March 2024	Interest rate %	Balance
Short term borrowings		
TL loans	38.5 - 49	370,124
Issued Debt Instruments (*)	42.5 46	460,457
		830,581

(*) The Company will sell to qualified investors without public offering, 150,000 TL with 364 days maturity, simple 42,50% fixed interest, single coupon payment at redemption dated 17.07.2024, 15.03.2024 with 364 days maturity, simple 46,00% fixed interest, redemption dated 13.09.2024, and there are debt instruments worth 260,000 TL with 2 coupon payments on 13.09.2024.

As of 31 March 2024, the interest accrual calculated for the Company's short-term loans is classified within the relevant short-term bank loans, and the interest accrual calculated for the issued debt instruments is classified within the issued debt instruments.

31 March 2024	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	14.89 - 21.10	43,995
Short-term portions of long-term loans	12 - 17.32	27,382
		71,377

As of 31 March 2024, the interest accrual calculated for the short-term parts of the Company's long-term borrowings is classified within the short-term parts of the relevant long-term borrowings.

31 March 2024	Interest rate %	Balance
Long term borrowings		
Long-term lease liabilities	14.89 - 21.10	57,856
		57,856

The details of the Company's short and long-term borrowings as of 31 December 2023 are as follows;

31 December 2023	Interest rate %	Balance
Short term borrowings		
TL loans	17.64 - 49.87	351,542
Issued debt instruments	42.5 - 46	545,843
		897,385

As of 31 December 2023, the interest accrual calculated for the Company's short-term loans is classified within the relevant short-term bank loans.

31 December 2023	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	8.45	45,068
Short-term portions of long-term loans	12 - 17.32	31,155
Short-term portions of long-term issued debt instruments	32.50	224,694
		300,917

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NOTE 7 - Borrowings and right of use assets (Continued)

As of 31 December 2023, the interest accrual calculated for the short-term parts of the Company's long-term borrowings is classified within the short-term parts of the relevant long-term borrowings.

31 December 2023	Interest rate %	Balance
Long term borrowings		
Long term lease liabilities	14.89 - 21.10	82,013
		82,013

As of 31 March 2024 and 31 December 2023, the maturity details of the Company's long-term loans and financial lease borrowings are given below.

31 March 2024	Total liabilities
1-2 years	57,856
	57,856
31 December 2023	Total liabilities
1-2 years	82,013
	82,013

The movement table of bank loans is as follows:

	2024	2023
1January	1,153,233	950,260
Cash inflows from borrowing	82,530	1,017,285
Cash outflows related to debt payments	(193,757)	(544,963)
Interest expense	147,007	110,157
Interest paid	(183,562)	(133,085)
Inflation differences	(147,485)	(266,404)
31 March	857,966	1,133,250

The movement table of lease liabilities is as follows:

	2024	2023
1January	127,082	59,014
Cash inflow within the period	-	40,428
Cash outflows related to lease payments for the period	(14,097)	(17,369)
Interest expense	5,144	3,543
Interest paid	-	(2)
Foreign exchanges gain/(loss)	-	(32)
Inflation differences	(16,278)	(1,768)
31 March	101,851	83,814

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NOTE 7 - Borrowings and right of use assets (Continued)

The movement table of the right-of-use assets of the Company as of 31 March 2024 and 31 December 2023 is given below.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2024,	32,191	122,893	155,084
Disposal	(2,120)	-	(2,120)
Current depreciation expense (*)	(4,755)	(9,715)	(14,470)
As of 31 March 2024	25,316	113,178	138,494

(*) 82 TL of depreciation expenses are included in the cost of goods sold, 1,504 TL in general administrative expenses, and 12,884 TL in marketing, sales and distribution expenses.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2023,	39,459	40,325	79,784
Additions	10,852	-	10,852
Changes in contracts	-	29,577	29,577
Current depreciation expense (*)	(4,882)	(8,738)	(13,620)
As of 31 March 2023	45,428	61,164	106,593

(*) 143 TL of depreciation expenses are included in the cost of goods sold, 1,875 TL in general administrative expenses, and 11,602 TL in marketing, sales and distribution expenses.

NOTE 8 - Trade receivables and payables

As of 31 March 2024 and 31 December 2023, the Company's trade receivables are as follows:

Trade Receivables	31 March 2024	31 December 2023
Trade receivables from related parties (Note 23)	63,481	59,695
Trade receivables from third parties	143,048	76,603
	206,529	136,298
Trade receivables from third parties	31 March 2024	31 December 2023
Cheques and notes receivables	352	1,108
Trade receivables	193,608	87,092
Rediscount	(44,534)	(4,258)
Provisions for doubtful trade receivables	(6,378)	(7,339)
	143,048	76,603

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NOTE 8 - Trade receivables and payables (Continued)

As of 31 March 2024 and 31 December 2023, the movement table for doubtful trade receivables is as follows:

	2024	2023
1 January	7,339	11,103
Inflation correction differences	(961)	(1,236)
31 March	6,378	9,867

Trade payables	31 March 2024	31 December 2023
Trade payables to related parties (Note 23)	12,263	7,661
Trade payables to third parties	178,781	153,006
	191,044	160,667

Trade payables to third parties	31 March 2024	31 December 2023
Suppliers	189,204	147,064
Other trade payables	-	12,873
Rediscount (-)	(10,423)	(6,931)
	178,781	153,006

NOTE 9 - Other receivables and payables

Other receivables	31 March 2024	31 December 2023
Other receivables from third parties	5,398	8,493
	5,398	8,493

Other receivables from third parties	31 March 2024	31 December 2023
Sublease receivables	3,573	4,781
Deposits and guarantees given	318	1,310
Receivables from employees	1,380	2,110
Other miscellaneous receivables	127	292
	5,398	8,493

Other long-term receivables	31 March 2024	31 December 2023
Sublease receivables	-	441
	-	441

Other payables	31 March 2024	31 December 2023
Other payables to third parties	5,790	456
	5,790	456

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NOTE 9 - Other receivables and payables (Continued)

Other payables to third parties	31 March 2024	31 December 2023
Taxes, fees and deductions payables	4,900	-
Other	890	456
	5,790	456

Employee benefit liabilities	31 March 2024	31 December 2023
Social security premiums payable	15,920	14,188
Due to employees	19,522	20,571
Other withholding tax liabilities	4,607	34,397
	40,049	69,156

Long-term employee benefit liabilities	31 March 2024	31 December 2023
Due to employees	9,549	11,070
	9,549	11,070

NOTE 10 – Inventories

	31 March 2024	31 December 2023
Raw materials	271,440	214,462
Semi-finished goods	104,887	78,078
Finished goods	133,683	208,579
Trade goods	165,906	218,293
Other inventories	4,930	7,743
Impairment of inventories (*)	(18,821)	(18,821)
	662,025	708,334

(*) As of 31 March 2024 and 2023, the movement table regarding the stock impairment provision allocated as a result of the evaluation regarding the recoverability of stocks is as follows:

	2024	2023
1 January	18,821	15,519
Provisions no longer required (-)	-	-
Addition	-	-
	18,821	15,519

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NOTE 11 - Property, plant and equipment

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Special Costs	Total
As of 1 January 2024,									
Cost	34,545	16,367	538,179	744,376	12,076	201,567	-	4,165	1,551,275
Accumulated depreciation	-	(14,812)	(98,295)	(604,810)	(12,047)	(178,476)	-	(1,704)	(910,144)
Net book value	34,545	1,555	439,884	139,566	29	23,091	-	2,461	641,131
Opening balance	34,545	1,555	439,884	139,566	29	23,091	-	2,461	641,131
Additions	-	-	2	2,297	-	2,282	5,830	-	10,411
Disposal cost	-	-	-	-	-	(2,419)	-	-	(2,419)
Disposal depreciation	-	-	-	-	-	1,304	-	-	1,304
Transfers	-	-	-	-	-	-	-	-	-
Depreciation (*)	-	(54)	(2,887)	(7,513)	(10)	(2,406)	-	(70)	(12,940)
Closing balance	34,545	1,501	436,999	134,350	19	21,852	5,830	2,391	637,487
As of 31 March 2024,									
Cost	34,545	16,367	538,181	746,673	12,076	201,430	5,830	4,165	1,559,267
Accumulated depreciation	-	(14,866)	(101,182)	(612,323)	(12,057)	(179,578)	-	(1,774)	(921,780)
Net book value	34,545	1,501	436,999	134,350	19	21,852	5,830	2,391	637,487

(*) 10,081 TL of depreciation expenses are included in the cost of goods sold, 290 TL in general administrative expenses, 266 TL in research and development expenses and 2,303 TL in marketing, sales and distribution expenses.

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NOTE 11 - Property, plant and equipment (Continued)

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Special Costs	Total
As of 1 January 2023,									
Cost	34,545	16,367	535,752	736,748	12,076	211,457	40,364	1,722	1,589,031
Accumulated depreciation	-	(13,232)	(86,307)	(572,750)	(11,943)	(183,660)	-	(1,544)	(869,436)
Net book value	34,545	3,135	449,445	163,998	133	27,797	40,364	178	719,595
Opening balance	34,545	3,135	449,445	163,998	133	27,797	40,364	178	719,595
Additions	-	-	164	2,903	-	3,359	6,275	1,228	13,929
Disposal cost	-	-	-	-	-	(19,031)	-	-	(19,031)
Disposal depreciation	-	-	-	-	-	12,686	-	-	12,686
Transfers	-	-	-	-	-	-	-	-	-
Depreciation (*)	-	(865)	(3,647)	(8,621)	(70)	(2,538)	-	(17)	(15,758)
Closing balance	34,545	2,270	445,962	158,280	63	22,273	46,639	1,389	711,421
As of 31 March 2023,									
Cost	34,545	16,367	535,916	739,651	12,076	195,785	46,639	2,950	1,583,929
Accumulated depreciation	-	(14,097)	(89,954)	(581,371)	(12,013)	(173,512)	-	(1,561)	(872,508)
Net book value	34,545	2,270	445,962	158,280	63	22,273	46,639	1,389	711,421

(*) 12,443 TL of depreciation expenses is included in the cost of goods sold, 591 TL is included in general administrative expenses, 269 TL is included in research and development expenses, and 2,455 TL is included in marketing, sales and distribution expenses.

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NOTE 12 - Intangible assets

Intangible assets include computer software, rights and development costs.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2024,					
Cost	2,558	68,671	182,562	15,084	268,875
Accumulated amortizations	(2,249)	(10,875)	(152,475)	(12,379)	(177,978)
Net book value	309	57,796	30,087	2,705	90,897
Opening balance	309	57,796	30,087	2,705	90,897
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation (*)	(34)	(3,312)	(4,028)	-	(7,374)
Dönem sonu	275	54,484	26,059	2,705	83,523

As of 31 March 2024,	-	-	-	-	-
Cost	2,558	68,671	182,562	15,084	268,875
Accumulated amortizations	(2,283)	(14,187)	(156,503)	(12,379)	(185,352)
Net book value	275	54,484	26,059	2,705	83,523

(*) For the current period, amortization shares include 2,273 TL in the cost of goods sold, 376 TL in general administrative expenses, 1,074 TL in research and development expenses and 3,651 TL in marketing, sales and distribution expenses, has been made.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2023,					
Cost	2,286	17,167	174,644	15,084	209,181
Accumulated amortizations	(2,048)	(6,236)	(138,885)	(8,297)	(155,466)
Net book value	238	10,931	35,759	6,787	53,715
Opening balance	238	10,931	35,759	6,787	53,715
Additions	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation (*)	(47)	(1,194)	(3,624)	-	(4,865)
Dönem sonu	191	9,737	32,135	6,787	48,850

As of 31 March 2023,	-	-	-	-	-
Cost	2,286	17,167	174,644	15,084	209,181
Accumulated amortizations	(2,095)	(7,430)	(142,509)	(8,297)	(160,331)
Net book value	191	9,737	32,135	6,787	48,850

(*) For the current period, amortization shares include 622 TL in the cost of goods sold, 646 TL in general administrative expenses, 705 TL in research and development expenses, and 2,892 TL in marketing, sales and distribution expenses, has been made.

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NOTE 13 - Provisions, contingent assets and liabilities

Provisions, contingent assets and liabilities

	31 March 2024	31 December 2023
Provisions for lawsuits	187	215
	187	215

9 employees of the Company have filed 7 lawsuits against the Company for the cancellation of their employment contracts, reinstatement and other compensation claims and a provision for lawsuits amounting to TL 187 has been set aside as a result of the evaluations of the lawyers in relation to the related lawsuits.

	2024	2023
As of 1 January,	216	1,501
Provisions no longer required (-)	-	(167)
Inflation difference	(29)	-
As of 31 March,	187	1,334

Contingent liabilities and contingent assets

After Adel Kalemçilik Ticaret ve Sanayi A.Ş. could not collect its receivable of 60 TL arising from its current account relationship with its customer, Istanbul 18th Enforcement Directorate file number 2012/20785E and 2012/18797E and Kartal 1st Enforcement Directorate file number 2012/6142E. Enforcement proceedings were carried out with and the sale of the seized real estate was requested on 7 October 2013. The valuation report has been notified and the real estate sales process continues.

2014/14137E, 2014/15246E, 2014/16896E, filed under Izmir 2, 8, 10 and 14th Enforcement Directorate, as a result Adel Kalemçilik Ticaret ve Sanayi A.Ş.'s inability to collect its receivable of 594 TL arising from its current account relationship with its customer and 2015/574E, enforcement proceedings were initiated against the debtor company, and a payment order notification was issued against the debtor company, by proceeding with the main proceeding through a lien specific to bills of exchange. Investigations continue for the purpose of collecting the receivable.

There are commercial lawsuits filed against Adel Kalemçilik Ticaret ve Sanayi A.Ş. by the employees of the two subcontractors, whose contracts the Company terminated as of 31 August 2013, due to their failure to fulfill their legal obligations towards their employees, within the framework of the principles of joint and several liability. Provision has been made as of 31 March 2024. The company has objected to the enforcement proceedings in question and the proceedings are continuing.

Following the failure of Adel Kalemçilik Ticaret ve Sanayi A.Ş. to collect its receivables arising from its current account relationship with its customer, a lawsuit was filed with the file number 2016/12354 E (New Basis: 2021/14645 E.) filed within the Istanbul Anatolian 17th Enforcement Directorate. Provision has been made for the amount. Main proceedings have been initiated and the assets recorded on the debtor have been inquired about. There are no assets registered in the name of the debtor, investigations are continuing to collect the receivable.

Following the inability of Adel Kalemçilik Ticaret ve Sanayi A.Ş. to collect due to its current account relationship with its customer, a receivable was recorded in the bankruptcy estate with the file number 2017/32 at Istanbul Anadolu 3rd Bankruptcy Directorate. A provision has been made for the said amount.

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NOTE 13 - Provisions, contingent assets and liabilities (Continued)

Deposits and guarantees given (Continued)

<i>Deposits and guarantees given</i>	31 March 2024	31 December 2023
Letters of credit	109,241	140,247
Guarantees letter	23,039	35,281

As of 31 March 2024 and 31 December 2023, the tables regarding the Company's collateral/pledge/mortgage (“CPM”) position are as follows:

31 March 2024

Letter of guarantees, pledge and mortgages provided by the Company	TL equivalents	TL
A. Total amount of GPMs given on behalf of the Company’s legal personality	109,241	109,241
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	-	-
Total amount of GPMs given by the Company for the liabilities of 3rd parties		
C. in	-	-
order to run ordinary course of business		
D. Total amount of other GPM’s	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-
	109,241	109,241

31 December 2023

Letter of guarantees, pledge and mortgages provided by the Company	TL equivalents	TL
A. Total amount of GPMs given on behalf of the Company’s legal personality	140,247	140,247
B. Total amount of GPMs given in favor of subsidiaries included in full consolidation	-	-
Total amount of GPMs given by the Company for the liabilities of 3rd parties		
C. in	-	-
order to run ordinary course of business		
D. Total amount of other GPM’s	-	-
i. Total amount of GPMs given in favor of the parent Company	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-
	140,247	140,247

The ratio of other CPMs given by the Company to the Company's equity capital is 0% as of 31 March 2024 (31 December 2023: 0%).

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NOTE 14 - Employee benefits

Short term employee benefits	31 March 2024	31 December 2023
Premium accruals	12,206	6,677
Provisions for unused vacations	6,054	2,963
	18,260	9,640

Long term employee benefits	31 March 2024	31 December 2023
	-	-
Provisions for employee termination benefits	23,449	33,242
	23,449	33,242

The movement table of unused vacation accruals as of 31 March 2024 and 2023 is as follows:

	2024	2023
As of 1 January,	2,963	1,765
Addition	4,521	6,583
Charge for the period	(1,043)	(1,360)
Inflation Difference	(387)	(196)
As of 31 March,	6,054	6,792

Provisions for employee termination benefits

In accordance with the provisions of the Labor Law in force, there is an obligation to pay the legal severance pay to employees whose employment contract has ended so that they are entitled to severance pay. In addition, in accordance with the legislation currently in force, there is an obligation to pay the legal severance pay to those who have the right to leave the job by receiving severance pay. As of 1 January 2024, the severance pay to be paid is subject to a monthly ceiling of 35,058.58 full TL (1 January 2023: 19,982.83 TL). Severance pay liability is not legally subject to any funding. Severance pay liability is calculated based on the estimation of the present value of the company's possible future liability arising from the retirement of employees. TAS 19 (“Employee Benefits”) requires the company to develop its liabilities within the scope of defined monthly plans using actuarial valuation methods. Accordingly, the actuarial assumptions used in calculating total liabilities are stated below:

Severance pay liability is not legally subject to any funding. The severance pay provision is calculated by estimating the present value of the future probable obligation of the company arising from the retirement of its employees. TAS 19 (“Employee Benefits”) requires the company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are as follows:

The main assumption is that the maximum liability for each year of service increases in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. As of 31 March 2024 and 31 December 2023, provisions in the attached financial statements are calculated by estimating the present value of the possible future liability arising from the retirement of employees.

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NOTE 14 - Employee benefits (Continued)

	<u>2024</u>	<u>2023</u>
As of 1 January,	33,242	71,930
Service cost	6,446	5,440
Severance pay paid	(685)	(35,586)
Actuarial losses	(11,069)	5,441
Inflation difference	(4,485)	(8,841)
31 March 2023	23,449	38,384

	31 March 2024	31 December 2023
Discount rate (%)	2.72	1.72
Turnover rate used in retirement probability calculation (%)	92.38	92.60

NOTE 15 - Other assets and liabilities

Short-term prepaid expenses	31 March 2024	31 December 2023
Advances given	80,267	9,886
Prepaid expenses for the next months	9,583	10,193
	89,850	20,079

Current tax assets	31 March 2024	31 December 2023
Prepaid taxes and funds	68,162	114,963
	68,162	114,963

Other current assets	31 March 2024	31 December 2023
Deffered VAT	-	50,959
Work advance	-	12
Advances to personnel	-	29
Other miscellaneous current assets	3	6
	3	51,006

Long-term prepaid expenses	31 March 2024	31 December 2023
Prepaid expenses for future years	10,834	7,631
	10,834	7,631

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NOTE 15 - Other assets and liabilities (Continued)

Deferred income	31 March 2024	31 December 2023
Advances received	129,959	177,442
Short-term deferred income	-	5,199
	129,959	182,641

NOTE 16 - Capital, reserves and other equity items

Equity

The shareholders of the Company and their shares in the capital are given below.

	31 March 2024		31 December 2023	
	% Share	Balance	% Share	Balance
AG Anadolu Grubu Holding A.Ş.	56.89	13,439	56.89	13,439
Faber - Castell Aktiengesellschaft	15.4	3,638	15.4	3,638
Shares publicly held	27.71	6,548	27.71	6,548
Paid in capital	100.00	23,625	100.00	23,625
Inflation adjustment to share capital		436,315		436,315
Total capital		459,940		459,940

Capital adjustment differences express the effect of realigning cash additions to paid-in capital with year-end purchasing power.

Number of shares, share groups and privileges:

The Company has 3,637,941 registered shares amounting to TL 3,638 and 19,987,059 registered shares amounting to TL 19,987 in accordance with the Foreign Capital Legislation. There are no privileges granted to shareholders in the election of the board of directors.

Restricted reserves allocated from profit

According to the Turkish Commercial Code, legal reserves are divided into two: first and second legal reserves. According to the Turkish Commercial Code, the first legal reserves are allocated as 5% of the legal net profit until 20% of the company's paid capital is reached. The second set of legal reserves is 10% of the distributed profit exceeding 5% of the paid capital. According to the Turkish Commercial Code, as long as legal reserves do not exceed 50% of the paid-in capital, they can only be used to offset losses and cannot be used in any other way. As a result of the sale of the company's real estate and participation shares, which are evaluated within the scope of Article 5/e of the Corporate Tax Law No. 5520, 75% of the sales profit is classified as "Profit from the sale of real estate and participation shares".

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NOTE 16 - Capital, reserves and other equity items (Continued)

	31 March 2024	31 December 2023
Legal reserves	222,937	222,937
Real estate and subsidiary shares sales profit	3,355	3,355
R&D investment fund	900	900
	227,192	227,192

Retained Earnings

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below:

	31 March 2024	31 December 2023
Extraordinary reserves	95,586	109,978
Other retained earnings /(loss)	504,671	(11,361)
	600,257	98,617

As of 31 March 2024 and 2023, the fund items included in shareholders' equity in the financial statements prepared in accordance with the Tax Procedure Law are as follows.

<i>Retained Earnings</i>	31 Mart 2024		
	CPI Adjusted Statuary Entrys	PPI Adjusted Statuary Entrys	Followed amount of
Adjustments to share capital	517,253	436,315	80,938
Reserves on retained earning	293,419	227,192	66,227

Dividend distribution

In accordance with the CMB decision numbered 7/242 dated 25 February 2005; If the profit distribution amount calculated in accordance with the CMB's regulations regarding the minimum profit distribution obligation, based on the net distributable profit found in accordance with the CMB regulations, can be fully covered from the distributable profit in the legal records, this entire amount will be distributed, and if not, the entire net distributable profit in the legal records will be distributed. If there is a period loss in the financial statements prepared in accordance with CMB regulations or in any of the legal records, no profit distribution will be made. With the decision of the CMB dated 27 January 2010, it was decided not to impose any minimum profit distribution obligation on dividend distribution for publicly held joint stock companies whose shares are traded on the stock exchange.

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NOTE 16 - Capital, reserves and other equity items (Continued)

Dividend distribution (Continued)

Capital increase, free of charge, capital inflation adjustment differences and registered values of extraordinary reserves; It can be used for cash profit distribution or loss offset. However, equity inflation adjustment differences are subject to corporate tax if used in cash profit distribution.

The company management took the profit distribution decision at the general meeting. In case of distribution of these profits, the entire profit distribution amount will be covered from the distributable profit in the legal records.

At the Ordinary General Assembly meeting held on April 16, 2024, it was decided to distribute a net period profit of 150,002 full TL as a dividend from the Company's 2023 operating year according to the Profit Distribution Table prepared within the scope of the Capital Markets Board Dividend Guide. It was decided to distribute the gross dividend to full taxpayer institutions at a rate of 634.93%, which is 6.3493 full TL for each share with a nominal value of 1 full TL, and at a net rate of 571.44%, which is 5.7144 full TL for each share with a nominal value of 1 full TL. Dividend payments will be made on September 26, 2024.

NOTE 17 - Revenue and cost of sales

	1 January 31 March 2024	1 January 31 March 2023
Domestic sales	934,978	649,680
Foreign sales	37,238	25,892
Sales discounts (-)	(308,741)	(132,631)
Net sales	663,475	542,941
Cost of sales (-)	(282,243)	(279,471)
Gross profit	381,232	263,470

The breakdown of the cost of sales by periods is as follows:

	1 January 31 March 2024	1 January 31 March 2023
Direct material cost	72,452	226,780
Direct labour costs	51,248	70,594
General production expenses	24,602	23,808
Depreciation and amortization expenses	12,436	3,683
Change in semi-finished goods	(26,809)	(29,538)
Change in finished goods	74,896	(85,774)
Cost of products sold	208,825	209,553
Cost of goods sold	73,418	69,918
Cost of sales	282,243	279,471

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NOTE 18 - Other income and expenses from main operations

	1 January 31 March 2024	1 January 31 March 2023
Other income from main operations		
Currency translation income	4,379	2,368
Rediscount interes gains	4,792	864
Other	1,110	5,543
	10,281	8,775

	1 January 31 March 2024	1 January 31 March 2023
Other expenses from main operations		
Rediscount interes loss	39,527	10,147
Currency translation expense	4,054	1,103
Other	488	652
	44,069	11,902

NOTE 19 - Income and expense from investment activities

	1 January 31 March 2024	1 January 31 March 2023
Income from investment activities		
Gain on sale of investment funds	40	4,619
Profit on sale of other property, plant and equipment, net	20	116
	60	4,735

	1 January 31 March 2024	1 January 31 March 2023
Expenses from investment activities		
Loss on sale of other property, plant and equipment (-)	(119)	(281)
Closing expense for joint venture	(4,528)	-
	(4,647)	(281)

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NOTE 20 - Finance income and expenses

Finance income	1 January 31 March 2024	1 January 31 March 2023
Foreign exchange income	10,411	6,852
Interest income	71,089	33,167
Interest income from sublease	203	-
Income on currency-protected interest	7,132	5,291
	88,835	45,310

Finance expenses	1 January 31 March 2024	1 January 31 March 2023
Interest expenses	152,151	113,700
Foreign exchange expenses	52	4,823
	152,203	118,523

NOTE 21- Income taxes

The company is subject to taxation within the scope of the tax laws and other legislation of the countries in which it operates.

In Turkey, the corporate tax rate is 25%. The corporate tax return must be declared by the evening of the twenty-fifth day of the fourth month following period. It must be paid in one piece by the end of this month. In accordance with the tax legislation, provisional tax is calculated and paid at the corporate tax rate on the earnings generated quarterly, and the amounts paid in this way are offset from the tax calculated on annual earnings.

In accordance with the tax legislation in Turkey, financial losses can be carried forward for a maximum of five years following the year in which they occurred. In addition, tax declarations and relevant accounting records can be examined by the tax administration within five years.

	1 January 31 March 2024	1 January 31 March 2023
Current period statutory tax provision (-)	(36,412)	(41,583)
Deferred tax income	7,003	8,807
Total deferred tax income, net	(29,409)	(32,776)

The reconciliation of the period tax expense with the profit for the period is as follows:

	31 March 2024	31 December 2023
Period income tax provision	(36,412)	(153,600)
Prepaid tax expenses (-)	104,574	268,563
Profit for the period tax (liability)/receivable, net	68,162	114,963

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NOTE 21- Income taxes (Continued)

Tax Advantages Obtained Within the Scope of Investment Incentive System:

The profits obtained by the Company from its investments subject to incentive certificates are subject to corporate tax at reduced rates, starting from the accounting period in which the investment is partially or fully operated, until it reaches the contribution amount to the investment.

Within the scope of the Company's incentive certificates, there is no reduced corporate tax advantage used against the current period legal tax. (31 December 2023: None)

The company capitalizes its R&D expenditures within the scope of Law No. 5746 in its legal books. According to the provisions of the same law, by calculating the R&D expenditures made by the Company within the framework of the relevant legislation, it benefits from the R&D discount for the part of the R&D expenditures allowed by law.

As of 31 March 2024, the Company used an R&D discount advantage of 1,196 TL (31 March 2023: 959 TL) in return for legal tax.

	Total temporary differences		Deferred tax	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
Tangible and intangible assets	(10,401)	126,044	(2,600)	31,511
Provisions for employee termination benefits	23,449	41,153	5,862	10,288
Provisions for subsidiary premium	137,240	-	34,310	-
Provision for loyalty	10,434	-	2,609	-
Provision for decrease in value of inventories	18,820	(72,420)	4,705	(18,105)
Incentive premium accruals	13,846	27,032	3,462	6,758
Lease services	(40,226)	(33,295)	(10,057)	(8,324)
Other adjustment	(27,281)	22,422	(6,822)	5,602
Deferred tax receivable/(liability)	125,881	110,936	31,469	27,730
		2024		2023
1 January		27,730		(117,907)
Profit /(loss) for the period		7,003		8,807
Severance pay accounted under equity		(2,768)		743
Impact of derivative financial instruments		(496)		(1,794)
31 March 2024		31,469		(110,151)

NOTE 22 - Earning per share

Earnings per share is calculated by dividing the profit for the period by the weighted average number of shares of the Company during the period. The Company's earnings per share calculation is as follows.

	1 January 31 March 2024	1 January 31 March 2023
Profit /(loss) for the period	87,473	85,938
Average number of shares (1-TL nominal value weighted average number of shares)	23,625,000	23,625,000
Earnings per share /(loss) (Full TL)	3.7026	3.6376

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NOTE 23 - Related parties transactions

a) Related Parties’ Balances

	Receivables from related parties	
	31 March 2024	31 December 2023
A.W.Faber Castell (M) (3)	20,559	-
A.W.Faber-Castell(Guangzhou) (3)	13,628	-
A.W.Faber-Castell Vertrieb GmbH (3)	3,224	5,486
Migros Ticaret A.Ş. (3)	24,521	52,480
Aep Anadolu Etap Penkon (3)	1,123	2,939
Other	2,128	2,250
	65,183	63,155
Less: Rediscount on receivables/ payables (-)	(1,702)	(3,460)
	63,481	59,695

	Payable to related parties	
	31 March 2024	31 December 2023
AG Anadolu Grubu Holding A.Ş. (1)	4,961	8,003
AEH Sigorta Acentalığı A.Ş. (3)	7,995	5
Other	19	22
	12,975	8,029
Less: Rediscount on receivables/ payables (-)	(712)	(368)
	12,263	7,661

- 1) Partners
- 2) Joint ventures
- 3) Other companies managed by the partner

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NOTE 23 - Related parties transactions (Continued)

b) Related Parties’ transactions

	1 January 31 March 2024	1 Ocak - 31 March 2023
Product purchase		
A.W.Faber-Castell Vertrieb GmbH (3)	2,949	3,208
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd. (3)	-	10,180
A.W.Faber Castell (M) Sdn.Bhd. (3)	-	14,276
P.T.A.W.Faber Castell Ind. (3)	4,899	-
Pt. Pencil Lead Indonesia (3)	-	5,021
Other	-	1,199
	7,848	33,884

	1 January 31 March 2024	1 Ocak - 31 March 2023
Product sales		
Migros Ticaret A.Ş. (3)	60	15,977
A.W.Faber-Castell Vertrieb GmbH (3)	1,590	3,245
A.W.Faber Castell Brezilya S.A.(3)	711	393
Other	55	45
	2,416	19,660

	1 January 31 March 2024	1 Ocak - 31 March 2023
Services received		
AG Anadolu Grubu Holding A.Ş. (1)	11,767	8,202
Migros Ticaret A.Ş. (3)	111	263
Other	6	75
	11,884	8,540

	1 January 31 March 2024	1 Ocak - 31 March 2023
Services given		
AG Anadolu Grubu Holding A.Ş. (1)	-	1,363
Anadolu Kafkasya Enerji Yatırımları A.Ş. (3)	769	577
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş (3)	3,077	1,732
Other	258	172
	4,104	3,844

1) Partners, 2) Joint Ventures 3) Other companies managed by the partner

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NOTE 23 - Related parties transactions (Continued)

c) Benefits provided to key management

Key management personnel consist of the Head of the Agriculture, Energy and Industry Group, the General Manager and the managers who report directly to the General Manager. Benefits for senior executives are as follows:

	2024	2023
Short-term employee benefits	21,121	24,303
Other long-term benefits	623	717
	21,744	25,020

NOTE 25 - Nature and level of risks arising from financial instruments

(a) Capital risk management

The Company manages its capital to ensure that it will maintain its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the borrowings and other debts, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The management of the Company considers the cost of capital and the risks associated with each class of capital. The management of the Company aims to balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the redemption of existing debt. The Company controls its capital using the net debt / total equity ratio. This ratio is the calculated as net debt divided by total equity.

Net debt is calculated as total liability (comprises of financial liabilities, leasing and trade payables as presented in the statement of financial position) less cash and cash equivalents.

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31 MARCH 2024**

(Currency expressed in Turkish Lira based on the purchasing power of Turkish Lira ("TRY") as of March 31,2024, unless otherwise stated)

NOTE 24 - Nature and level of risks arising from financial instruments (Continued)

(a) Capital risk management (Continued)

As of 31 March 2024 and 31 December 2023, net debt/(equity+net debt) ratio is as follows:

	31 March 2024	31 December 2023
Total borrowings	959,814	1,280,315
Less: Cash and cash equivalents	(823,116)	(1,064,571)
Net dept	136,698	215,744
Total equity	1,379,965	1,278,169
Total equity + net dept	1,516,663	1,493,913
Net dept / (total equity+net dept) ratio	%9	%14

(b) Credit risk

Financial instruments have a counterparty risk as they may not fulfill requirements of the agreement. The Company manages credit risk by constantly evaluating the credibility of the related parties and by determining counterparty credit limits and due dates on a customer basis. Company also receives collaterals from customers as needed. Instruments that increase the credit reliability as guarantees received to determine the maximum amount of credit risk as of reporting date, are not taken into account.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

(c) Currency risk and management

Transactions in foreign currency cause the exchange rate risk to occur.

The Company is exposed to exchange rate risk due to changes in the exchange rates used in the conversion of foreign currency assets and liabilities into Turkish lira. Currency risk arises due to future commercial transactions and the difference between recorded assets and liabilities.

The TL equivalents of foreign currency assets and liabilities held by the Company are as follows:

	31 March 2024	31 December 2023
Assets	157,964	139,470
Liabilities	(66,145)	(47,960)
Net balance sheet foreign currency position	91,819	91,510

The Company is exposed to currency risk mainly in US Dollar and Euro.

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NOTE 24 - Nature and level of risks arising from financial instruments (Continued)

(c) Currency risk and management (Continued)

Profit/Loss 31 March 2024	Appreciation of foreign currency	Depreciation foreign currency
If the US Dollar changes 20% +/- against TL :		
1- USD net asset/liability	20,180	(20,180)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	20,180	(20,180)
In case the Euro changes 20% +/- against TL:		
4- Euro net asset/liability	(1,816)	1,816
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	(1,816)	1,816
On average 20% +/- change in other exchange rates against TL:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	18,364	(18,364)

Profit/Loss 31 December 2023	Appreciation of foreign currency	Depreciation foreign currency
If the US Dollar changes 20% +/- against TL :		
1- USD net asset/liability	17,780	(17,780)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	17,780	(17,780)
In case the Euro changes 20% +/- against TL:		
4- Euro net asset/liability	522	(522)
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	522	(522)
On average 20% +/- change in other exchange rates against TL:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	18,302	(18,302)

(*) The effect of derivative instruments for hedging purposes is not taken into account.

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NOTE 24 - Nature and level of risks arising from financial instruments (Continued)

(c) Currency risk and management (Continued)

It summarizes the Company's foreign currency position risk. The recorded amounts of foreign currency assets and liabilities held by the Company are as follows. by foreign currency type:

	31 March 2024					31 December 2023				
	TL equivalent	USD	Avro	GBP	Other	TL equivalent	USD	Avro	GBP	Other
1. Trade receivables	41,421	1,110	161	-	-	28,842	668	166	-	-
2a. Monetary financial assets	81,350	2,514	5	-	-	88,069	2,600	-	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	35,193	997	86	-	-	22,559	582	76	-	-
4. Total current assets (1+2+3)	157,964	4,621	252	-	-	139,470	3,850	242	-	-
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total non-current assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total assets (4+8)	157,964	4,621	252	-	-	139,470	3,850	242	-	-
10. Ticari payables	64,402	1,450	505	-	-	46,026	1,177	164	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other monetary liabilities	1,743	46	7	-	-	1,934	48	8	-	-
12b. Othre non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	66,145	1,496	512	-	-	47,960	1,225	172	-	-
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Total non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	66,145	1,496	512	-	-	47,960	1,225	172	-	-
19. Net asset/ (liability) position of off-balance sheet derivative instruments (19a-19b)	309,940	9,600	-	-	-	433,572	12,800	-	-	-
19a. Total asset amount hedged	309,940	9,600	-	-	-	433,572	12,800	-	-	-
19b. Total liabilities amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	401,759	12,725	(260)	-	-	525,082	15,425	70	-	-
21. Monetary items net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)	91,819	3,125	(260)	-	-	91,510	2,625	70	-	-
22. Total fair value of financial instruments used for currency hedge	-	-	-	-	-	-	-	-	-	-
23. Amount of Hedged Part of Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-
23. Amount of hedged part of foreign currency liabilities	-	-	-	-	-	-	-	-	-	-
23. Exports	37,238	684	154	-	9,873	179,769	3,608	786	-	-
24. Imports	81,163	2,136	286	30	8,075	497,721	14,759	3,943	105	16,369
% 20 increase	-	20,180	(1,816)	-	-	-	15,453	453	-	-

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NOTE 24 - Nature and level of risks arising from financial instruments (Continued)

(d) Interest rate risk and management

As of 31 March 2024, the Company does not have any floating rate borrowings. (31 December 2023: None).

(e) Credit risk management

Holding financial instruments also carries the risk that the other party will not be able to fulfill the requirements of the agreement. The Company's collection risk mainly arises from its trade receivables. Trade receivables are evaluated taking into account the Company policies and procedures and accordingly, they are shown in the balance sheet net after provision for doubtful receivables.

The majority of the Company's sales are for the domestic market and it is mainly carried out through dealers and wholesalers. About 76% of the sales are due to the sales of the manufactured products. The commercial goods sold by the Company are of foreign origin. Therefore the company's merchandise costs are sensitive to the exchange rate. The cost of raw materials depends on the general price trend in the country. Approximately 94% of the Company's net sales are domestically oriented and the fluctuations in exchange rates are taken into account when determining price levels.

The Company collects its receivables mainly through checks received from its dealers and also uses a direct debit system (DBS). Since the issuers of the checks received in general are the customers of the dealers, risk distribution is provided. Due to the fact that the Company operates in this system, there is no significant risk arising from its receivables.

(f) Liquidity risk and management

The Company tries to manage its liquidity risk by regularly monitoring the cash flows and ensuring the continuation of sufficient funds and borrowing reserves by matching the maturities of financial assets and liabilities.

Liquidity risk tables

Prudent liquidity risk management refers to holding sufficient cash, availability of sufficient credit transactions and fund resources, and the power to close market positions.

The funding risk of current and prospective debt requirements is managed by maintaining the availability of sufficient number of high-quality lenders.

The maturity distribution of the Company's derivative and non-derivative financial liabilities in TL terms is shown below.

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NOTE 25 - Financial instruments

25.1 Fair value

The Company considers that the recorded values of financial instruments reflect their fair values.

Fair value hedge accounting

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques including direct or indirect observable inputs

Level 3: Valuation techniques not containing observable market inputs

	31 March 2024	Seviye 1	Seviye 2	Seviye 3
Derivative financial liabilities	-	-	-	-

	31 December 2023	Seviye 1	Seviye 2	Seviye 3
Derivative financial liabilities	1,980	-	1,980	-

	31 March 2024	Seviye 1	Seviye 2	Seviye 3
Derivative financial assets	391	-	391	-

	31 December 2023	Seviye 1	Seviye 2	Seviye 3
Derivative financial assets	-	-	-	-

25.2 Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognized at cost, and subsequently valued at fair value on 1 October 2018.

As of 31 March 2024, Adel has a foreign exchange forward transaction with a nominal value of TL 213,084 amounting to USD 6,600,000 (31 December 2023: Nominal value of TL 287,919 amounting to USD 8,500,000).

As of 31 March 2024, the Company has allocated USD 2,818,199 equivalent of TL 90,987 from its bank deposits for the payments related to raw material and trade goods purchases to be made in the future periods in order to hedge against fluctuations in foreign exchange rates and the related amount has been subject to hedge accounting. (31 December 2023: USD 2,600,000 equivalent of TL 88,069)

The Company documented the relationship between hedging instruments and hedged items at the beginning of the hedge transaction and also documented risk management objectives and the strategy for performing a variety of hedging transactions. Company, both at the beginning of the process of hedging transaction and on a regular basis of the hedging transaction, documented the assessment whether instruments used in hedging transactions are effective in high-level balancing changes in values of hedged items.

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NOTE 25 - Financial instruments (Continued)

25.2 Derivative financial instruments and hedge accounting (Continued)

The Company is a party to various forward foreign exchange contracts and options depending on the management of exchange rate fluctuations. The derivative instruments purchased are mainly in foreign currencies in the market in which the Company operates for stock purchases, purchases of machinery and equipment denominated in foreign currency, and other service contracts denominated in foreign currency.

25.2 Derivative financial instruments and hedging transactions (Continued)

	Contract Amount	2024		Contract Amount	2023	
		Fair Value			Fair Value	
		Assets	Liabilities		Assets	Liabilities
For hedging purposes:						
Forward transaction	213,084	391	-	287,919	-	1,980
	213,084	391	-	287,919	-	1,980
Short term	213,084	391	-	287,919	-	1,980
	213,084	391	-	287,919	-	1,980

Objectives in financial risk management:

The Company's finance department is responsible for ensuring regular access to financial markets and monitoring and managing the financial risks incurred in connection with the Company's activities. These risks are; It includes market risk (including currency risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Company does not have speculative financial instruments (including derivative financial instruments) and does not have any activity related to the purchase and sale of such instruments.

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NOTE 25 - Financial instruments (Continued)

25.2 Derivative financial instruments and hedging transactions (Continued)

	Notes	Fair value differences reflected in other	Financial assets shown at amortized cost	Financial liabilities shown at amortized value	Book value	Fair value
31 March 2024						
Financial assets						
Cash and cash equivalences	4	-	724.501 -	-	724.501	724.501
Trade receivables from third parties	8	-	143.048 -	-	143.048	143.048
Receivables from related parties	23	-	63.481 -	-	63.481	63.481
Derivatives	26,1	391	- -	-	391	391
Other financial assets	5, 9	-	785 -	-	785	785
Financial liabilities						
Financial borrowings	7	-	- -	857.963	857.963	857.963
Lease liabilities	7	-	- -	101.851	101.851	101.851
Trade payables	8	-	- -	178.781	178.781	178.781
Payables from related parties	23	-	- -	12.263	12.263	12.263
Derivatives	25,1	-	- -	-	-	-
Other financial liabilities	9	-	- -	5.790	5.790	5.790
	-	-	- -	-	-	-
31 December 2023						
Financial assets						
Cash and cash equivalences	4	-	913.615 -	-	913.615	913.615
Trade receivables from third parties	8	-	76.603 -	-	76.603	76.603
Receivables from related parties	23	-	59.695 -	-	59.695	59.695
Other financial assets	5	-	893 -	-	893	893
Financial liabilities						
Financial borrowings	7	-	- -	1.153.234	1.153.234	1.153.234
Lease liabilities	7	-	- -	127.081	127.081	127.081
Trade receivables from third parties	8	-	- -	153.006	153.006	153.006
Payables from related parties	23	-	- -	7.661	7.661	7.661
Derivatives	25,1	-	- -	1.980	1.980	1.980
Other financial liabilities	9	-	- -	456	456	456

NOTE 26 - Events after the reporting period

None.

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