

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**CONVENIENCE TRANSLATION INTO ENGLISH OF
THE FINANCIAL STATEMENTS AND NOTES FOR THE
30 SEPTEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

(ORIGINALLY ISSUED IN TURKISH)

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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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 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

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

	Notes	Not Reviewed Current period 30 September 2023	Audited Prior period 31 December 2022
Assets			
Current assets			
Cash and cash equivalents	4	288,568	292,369
Financial investments	5	135,581	-
Trade receivables		832,848	56,428
- Trade receivables from related parties	23	73,856	10,469
- Trade receivables from third parties	8	758,992	45,959
Other receivables		8,421	1,846
- Other receivables from related parties	23	-	134
- Other receivables from third parties	9	8,421	1,712
Derivative instruments	25.1	1,074	-
Inventories	10	373,262	240,774
Prepaid expenses	15	6,644	11,551
Current tax-related assets	15	-	24,499
Other current assets	15	264	15,017
Total current assets		1,646,662	642,484
Non-current assets			
Financial investments	5	4	4
Other receivables		1,498	-
- Other receivables from third parties	9	1,498	-
Property, plant and equipment	11	120,631	108,365
Right of use assets	7	52,724	29,994
Intangible assets	12	11,815	15,484
Prepaid expenses	15	3,091	2,838
Deferred tax assets	21	73,730	9,370
Total non-current assets		263,493	166,055
Total assets		1,910,155	808,539

Financial statements for the accounting period 1 January – 30 September 2023 were approved at the Board of Directors meeting on 30 October 2023 and signed by General Manager Ahmet 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 30 SEPTEMBER 2023 AND 31 DECEMBER 2022

(Amounts are expressed in thousands of Turkish lira ("TRY") unless otherwise stated.)

	Notes	Not Reviewed Current period 30 September 2023	Audited Prior period 31 December 2022
Liabilities			
Current liabilities			
Short term borrowings	7	721,489	486,890
- Short-term borrowings from unrelated parties		721,489	-
- Bank loans		293,322	-
- Issued debt instruments		428,167	-
Short term portion of long term borrowings		234,709	17,199
- Short term portion of long term borrowings from third parties	7	234,709	17,199
- Bank loans		16,421	7,317
- Lease liabilities		35,298	9,882
- Issued debt instruments		182,990	-
Trade payables		144,820	57,815
- Trade payables due to related parties	23	5,761	695
- Trade payables due to third parties	8	139,059	57,120
Employee benefit obligations	9	33,906	27,636
Other payables		2,411	1,582
- Other payables due to third parties	9	2,411	1,582
Derivative instruments	25.1	-	5,082
Deferred income	15	18,291	6,360
Current tax liabilities	21	118,792	497
Short term provision		33,447	4,979
- Short term provisions for employee benefits	14	32,655	4,187
- Other short term provisions	13	792	792
Total current liabilities		1,307,865	608,040
Non-current liabilities			
Long term borrowings		38,722	28,260
- Long term borrowings from third parties	7	38,722	28,260
- Bank loans		14,690	7,000
- Lease liabilities		24,032	21,260
Payables due to employee termination benefits	9	9,206	-
Long term provision		25,248	37,938
- Long term provisions for employee benefits	14	25,248	37,938
Total non-current liabilities		73,176	66,198
Equity			
Paid-in capital	16	23,625	23,625
Adjustments to share capital	16	1,584	1,584
Other accumulated comprehensive income and expense not to be reclassified to profit or loss		(9,006)	(6,355)
- Losses on remeasurement of defined benefit obligations		(9,006)	(6,355)
Other comprehensive expenses/(income) that will be reclassified to profit or loss		251	(5,336)
- Currency translation differences		(1,455)	(1,455)
- Gains/(loss) on hedge		1,706	(3,881)
Restricted profit reser	16	29,221	27,715
Retained earnings	16	73,560	55,576
Net profit/(loss) for the period		409,879	37,492
Total equity		529,114	134,301
Total liabilities and equity		1,910,155	808,539

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 30 SEPTEMBER 2023 AND 30 SEPTEMBER 2022

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

		Not Reviewed 1 January - 30- September-	Not Reviewed 1 January - 30- September-	Not Reviewed 1 July - 30- September-	Not Reviewed 1 July- 30- September-
Profit or loss	Not es	23	22	23	22
Revenue	17	1,657,536	708,413	889,352	415,697
Cost of sales (-)	17	(700,033)	(446,765)	(347,398)	(279,685)
Gross profit		957,503	261,648	541,954	136,012
General administrative expenses (-)		(141,371)	(47,214)	(66,009)	(18,364)
Marketing expenses (-)		(212,132)	(96,766)	(100,768)	(41,912)
Research and development cost (-)		(6,053)	(2,025)	(2,080)	(849)
Other operating income	18	51,629	14,002	11,315	4,775
Other operating expenses (-)	18	(39,250)	(10,162)	(14,617)	3,021
Operating profit		610,326	119,483	369,795	82,683
Income from investment activities	19	326	245	165	193
Expens from investment activities (-)	19	(198)	(68)	(29)	(14)
Cash outflows resulting from share purchases or capital increases in subsidiaries and/or joint ventures	19	(892)	-	(892)	-
Operating profit before finance costs		609,562	119,660	369,039	82,862
Finance income	20	111,204	41,196	28,915	8,850
Financial expenses (-)	20	(185,614)	(119,643)	(62,226)	(48,888)
Profit before taxation on income		535,152	41,213	335,728	42,824
Taxation on income		(125,273)	4,031	(80,214)	(3,738)
- Current year tax expense	21	(190,289)	(27,640)	(119,113)	(16,222)
- Deferred tax income	21	65,016	31,671	38,899	12,484
Net profit for the year		409,879	45,244	255,514	39,086
Profit /(loss) per share (1 TRY per share)	22	17.3494	1.9151	10.8154	1.6544

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

**OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE INTERIM
PERIOD 30 SEPTEMBER 2023 AND 30 SEPTEMBER 2022**

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

		Not Reviewed	Not Reviewed	Not Reviewed	Not Reviewed
	Notes	1 January - 30-September-23	1 January - 30-September-22	1 July - 30-September-23	1 July - 30-September-22
Net profit for the year		409,879	45,244	255,514	39,086
Other comprehensive income/expense					
Other comprehensive expenses that will not be reclassified to profit or loss		(2,651)	318	(181)	148
- Remeasurements of defined benefit assets/liabilities	14	(3,534)	397	(447)	185
Other comprehensive expenses that will not be reclassified to profit or loss, tax effect		883	(79)	266	(37)
- Deferred tax income /(expense)		883	(79)	266	(37)
Other comprehensive expenses that will be reclassified to profit or loss		5,587	(7,942)	(17,591)	(4,758)
- Currency translation differences		-	-	-	-
- Other comprehensive income (expense) on cash flow hedge	25.1	7,126	(10,314)	(21,847)	(6,179)
-Other comprehensive expenses that will be reclassified to profit or loss, tax effect		(1,539)	2,372	4,256	1,421
- Deferred tax income /(expense)		(1,539)	2,372	4,256	1,421
Other comprehensive income /(expense)		2,936	(7,624)	(17,772)	(4,610)
Total comprehensive income		412,815	37,620	237,742	34,476

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 30 SEPTEMBER 2023 AND 30 SEPTEMBER 2022

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

	Paid in capital	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			Restricted reserves	Retained earnings	Net profit for the period	Total equity
			Defined benefit plans revaluation and measurement losses	Currency translation differences	Gains on hedge					
Balances as of 1 January 2022	23,625	1,584	(554)	(1,455)	9,772	32,555	78,436	(12,698)	131,265	
Transfers	-	-	-	-	-	(4,840)	(7,858)	12,698	-	
Dividends	-	-	-	-	-	-	(15,002)	-	(15,002)	
Total comprehensive income	-	-	318	-	(7,942)	-	-	45,244	37,620	
Balances as of 30 September 2022	23,625	1,584	(236)	(1,455)	1,830	27,715	55,576	45,244	153,883	
Balances as of 1 January 2023	23,625	1,584	(6,355)	(1,455)	(3,881)	27,715	55,576	37,492	134,301	
Transfers	-	-	-	-	-	1,506	35,986	(37,492)	-	
Dividends	-	-	-	-	-	-	(18,002)	-	(18,002)	
Total comprehensive income	-	-	(2,651)	-	5,587	-	-	409,879	412,815	
Balances as of 30 September 2023	23,625	1,584	(9,006)	(1,455)	1,706	29,221	73,560	409,879	529,114	

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

**CASH FLOW STATEMENTS FOR THE INTERIM 30 SEPTEMBER 2023
AND 30 SEPTEMBER 2022**

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

	Notes	Not Reviewed 2023	Not Reviewed 2022
Cash flow from operating activities		(149,884)	(379,310)
Net profit for the period		409,879	45,244
Adjustments to reconcile net profit for the period		324,402	113,840
Adjustments for depreciation and amortization expense	11,12	25,174	18,396
Adjustments for impairment loss/(reversal)		15,069	(364)
- Allowance for doubtful receivables	8	(14)	257
- Adjustments for inventory impairment/(cancellation)	10	15,083	(621)
Adjustments for provisions		38,281	13,863
-Adjustments for employment termination benefits	18	38,281	14,601
- Adjustments for lawsuit and other provisions		-	(738)
Adjustments for interest income/expense		117,640	85,394
- Adjustments for interest income	20	(88,762)	(28,100)
- Adjustments for interest expense	20	184,870	109,788
- Rediscount on interest loss	18	26,352	4,852
- Rediscount on interest income	18	(4,820)	(1,146)
Adjustments for fair value gains		3,093	759
Adjustments for tax incomes	21	125,273	(4,031)
Gain on sale of tangible and intangible assets		(128)	(177)
Changes in working capital		(812,362)	(530,605)
Increases in trade receivables		(802,758)	(505,892)
Increases/(decreases) in other receivables		1,456	(775)
Increases in inventory		(147,571)	(123,500)
Increases in prepaid expenses		4,654	(782)
Increases in trade payables		91,825	86,725
Increases in employment termination benefits		15,476	5,592
Adjustments Related to Increases in Other Payables from Operations		829	1,824
Increases in Deferred Revenues (Excluding Liabilities Arising from Customer Contracts)		11,931	20,299
Adjustments Related to Increase/(Decrease) in Other Working Capital from Operations		11,796	(14,096)
- Increases in other assets related to operations		(106,499)	(29,754)
- Increases in other liabilities related to operations		118,295	15,658
Cash used in operating activities		(78,081)	(371,521)
Employee termination benefits paid	14	(26,037)	(986)
Tax paid		(45,766)	(6,803)
Cash flow from investing activities		(21,555)	(16,948)
Proceeds from sale of property, plant and equipment		402	307
Acquisition of property, plant and equipment and intangible assets	11,12	(21,065)	(17,255)
Cash outflows resulting from share purchases or capital increases in subsidiaries and/or joint ventures	19	(892)	-
Cash flow from financing activities		166,341	103,563
Proceeds from bank borrowings	7	1,061,274	471,396
Repayment of borrowings	7	(646,072)	(256,595)
Repayment of lease liabilities		(22,039)	(10,303)
Dividends paid (*)	16	(18,002)	(15,002)
Interest paid	7	(159,711)	(83,719)
Interest received		53,641	28,018
Other cash inflow		(102,750)	(30,232)
Decreases in cash and cash equivalents		(5,098)	(292,695)
Cash and cash equivalents at the beginning of the year	4	290,857	340,547
Cash and cash equivalents at the end of the year	4	285,759	47,852

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
30 SEPTEMBER 2023**

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

NOTE 1 – ORGANISATION AND THE NATURE OF OPERATIONS

Adel Kalemcilik Ticaret ve Sanayi A.Ş. (“Company”)’s fields of activity 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 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 (“BİST”) since 1996. As of 30 September 2023, the Company has 27,71% of its shares registered in the BİST. 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 30 September 2023 is 394 (31 December 2022: 383).

As of 30 September 2023, 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	(%)
LLC Faber-Castell Anadolu	All types of stationery buying and selling products	Russia	50.00

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, art and hobby products, diversified toys.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2023

(Amounts are expressed in thousands of Turkish lira (“TRY”) 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.

Interim condensed financial statements are presented in accordance with the 2022 TFRS/TMS Taxonomy, which was developed by the KGK on the basis of the financial statement examples determined in the Financial Statement Examples and User Guide published in the Official Gazette dated 7 June 2019 and numbered 30794 and updated by the POA on 4 October 2022.

The companies of the Company operating in Turkey, keep 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 Uniform Chart of Accounts published by the Ministry of Finance, as Turkish Lira. Subsidiaries and joint ventures operating abroad prepare their accounting records and statutory financial statements in accordance with the laws and regulations of the country in which they operate.

The Company has prepared its summary financial statements for the interim period ending on 30 September 2023, in accordance with TAS 34 "Interim Financial Reporting" standard, within the framework of the CMB's Communiqué Serial: II, 14.1 and the announcements explaining this communiqué. Interim condensed financial statements and the notes are presented in accordance with the formats recommended by the CMB, including the mandatory information. Businesses are free to prepare their interim financial statements as a full set or as a summary in accordance with TAS 34 standard. In this context, the company preferred to prepare condensed financial statements in the interim periods.

The explanations and footnotes required to be included in the annual financial statements prepared in accordance with TFRS pursuant to this Communiqué are summarized or not included in accordance with TAS 34. The accompanying condensed interim financial statements should be read together with the audited financial statements dated 31 December 2022 and the accompanying notes. Interim summary financial results alone are not an indicator of year-end results.

These financial statements of the Company as of 30 September 2023 have been approved for issue by the Board of Directors (“BOD”) on 30 October 2023. The owners of the Company and regulators have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2023

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

2.1.2 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 Türkiye 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/IFRS to the legal records prepared on the historical cost basis.

2.1.3 Adjustment of financial statements during periods of high inflation

On 20 January 2022, the Public Oversight Accounting and Auditing Standards Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards, Financial Reporting Standard for Large and Medium Sized Enterprises. Accordingly, it is stated that businesses applying IFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 - Financial Reporting in High Inflation Economies (“TAS 29”). As of the preparation date of these consolidated financial statements, no new disclosure has been made by POA within the scope of TAS 29, and no inflation adjustment has been made in accordance with TAS 29 while preparing the consolidated financial statements as of 30 September 2023.

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 net assets 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 method of accounting, except when the investment, or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with IFRS 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.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2023

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

2.1.5 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 consolidated 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 30 September 2023 with the financial position statement prepared as of 31 December 2022; The profit or loss statement for the period 1 January- 30 September 2023, the profit or loss statement for the 1 January- 30 September 2022 accounting period, and the other comprehensive income statement for the 1 January- 30 September 2023 accounting period, the 1 January- 30 September 2022 accounting period, other comprehensive income statement, cash flow statement for the accounting period 1 January- 30 September 2023 and statements of changes in shareholders' equity are prepared comparatively with the related financial statements for the accounting period 1 January – 30 September 2022.

2.2 New and revised turkish financial reporting standards

While preparing financial statements in accordance with Turkish Accounting Standards (TMS) or Turkish Financial Reporting Standards (TFRS), changes and interpretations in the standards should be shown in the footnotes as follows:

a) *Standards, amendments, and interpretations applicable as of 30 September 2023:*

- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **IFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.
- **Amendment to IAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

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b) Standards, amendments, and interpretations that are issued but not effective as of 30 September 2023:

- **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.
- **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.
- **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.
- **IFRS S1, ‘General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. 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 subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

2.3 Changes in accounting estimates and errors

Accounting estimates are made on the basis of reliable information and reasonable estimation methods. However, if there is a change in the conditions in which the estimation is made, new information is obtained or additional developments occur, estimates are reviewed as a result. If the effect of the change in the accounting estimate is related to only one period, if the change is related to the current period and future periods, it is reflected in the financial statements both in the period when the change is made and in the future periods, to be taken into account in determining the profit or loss for the period.

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 30 September 2023 accounting period.

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NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

Expected credit losses

Provision for doubtful receivables is accounted for using expected credit losses defined in TFRS 9 standard. Calculated using expected credit losses and excluding dealers subject to the Direct Debit System, taking into account the company's forecasts for the future, in addition to past experience.

NOTE 3 – FINANCIAL REPORTING ON BASIS OF OPERATING SEGMENTS

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.

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 September 2023	31 December 2022
Demand deposit	2,791	3,350
Time deposit	259,131	285,746
Other cash equivalents	23,837	1,761
Cash and cash equivalents in the statement of cash flows	285,759	290,857
Interest income accruals	2,809	1,512
	288,568	292,369

The Company has no blocked deposits as of 30 September 2023 (31 December 2022: None).

As of 30 September 2023, the Company has reserved a portion of 2,695.678 USD equivalent to 73,799 TRY of its bank deposits for the payments related to the purchases of raw materials and commercial goods to be made in the future. (31 December 2022: 2,656,889 USD equivalent 49,661 TRY)

NOTE 5 – FINANCIAL INVESTMENTS

	30 September 2023		31 December 2022	
	%	TRY	%	TRY
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7.67	4	7.67	4
		4		4
		30 September 2023		31 December 2022
		TRY		TRY
Financial investments (*)		135,581		-
		135,581		-

(*) The maturity dates of currency protected deposit accounts opened by converting USD 1.000.0000, 1.000.000, 1.000.000, 500.000, 500.000, 800.000 with interest rates of %15,00, %18,0, %25,00, %18,00, %18,00 and %18,00 respectively, are 12 October 2023, 9 November 2023, 14 November 2023, 22 November 2023, 12 February 2024 and 15 February 2024.

	2023	2022
1 January	-	-
Capital increase of partnership subject to joint management	892	-
Özkaynak yöntemiyle değerlendirilen yatırımların zararlarındaki paylar (Not 19)	(892)	-
30 September	-	-

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NOTE 6 – INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

As of 30 September 2023 and 31 December 2022, the joint venture of the Company is as follows:

	30 September 2023	Pay (%)	31 December 2022	Pay (%)
LLC Faber-Castell Anadolu	-	50.00	-	50.00
	-		-	

30 September 2023	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	2,095	2,991	-	(1,157)
31 December 2022	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	779	2,025	-	(167)

NOTE 7 – BORROWINGS AND RIGHT OF USE ASSETS

30 September 2023	Interest rate %	Balance
Short term borrowings		
TRY loans	12 - 46.46	293,322
Issued debt instruments(*)	42.5 - 46	428,167
		721,489

(*)The company has two bonds: a 364 day maturity with a single coupon payment of TRY 150,000 at a simple interest rate of 42.50%, redemption dated 17.07.2024, and a 364 day maturity with two coupon payments totaling TRY 260,000 at a simple interest rate of 46%, due on 13.09.2024, with payments on 15.03.2024 and 13.09.2024, all of which are sold to qualified investors without being offered to the public in country."

As of 30 September 2023, the interest accrual calculated for the short-term loans of the Company has been classified under the related short-term bank loans.

30 September 2023	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term lease liabilities	8.45	35,298
Short- term portions of long term loans	12 - 16.5	16,421
Short-term portions of long-term debt instruments issued (*)	32.50	182,990
		234,709

(*) The company has TRY 150,000 bonds with a maturity of 376 days, a simple interest rate of 32.50%, redemption dated 07.02.2024, and a single coupon payment, to be sold to qualified investors without being offered to the public in country."

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NOTE 7 – BORROWINGS AND RIGHT OF USE ASSETS (Continued)

As of 30 September 2023, the Company's interest accrual calculated for the short-term portions of its long-term borrowings has been classified under the short-term portions of the related long-term borrowings.

30 September 2023	Interest rate %	Balance
Long term borrowings		
TRY Loans	12 - 16.5	14,690
Lease liabilities of long-term right-of-use assets	14,89 - 21,10	24,032
		38,722

31 December 2022	Interest rate %	Balance
Short term borrowings		
TRY loans	14.6 – 26.57	486,890
		486,890

As of 31 December 2022, the interest accrual calculated for the short-term loans of the Company has been classified under the related short-term bank loans.

31 December 2022	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term lease liabilities	8-21.10	9,882
Short-term portions of long-term loans	16.50	7,317
		17,199

As of 31 December 2022, the interest accrual calculated for the short-term loans of the Company has been classified under the related short-term bank loans.

31 December 2022	Interest rate %	Balance
Long term borrowings		
TRY Loans	16.50	7,000
Long term lease liabilities	8-21.10	21,260
		28,260

As of 30 September 2023 and 31 December 2022, the maturity details of the Company's long-term loans and financial lease borrowings are given below.

30 September 2023	Total liabilities
1-2 years	38,356
2-3 years	366
	38,722
31 December 2022	Total liabilities
1-2 years	24,760
2-3 years	3,500
	28,260

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NOTE 7 – BORROWINGS AND RIGHT OF USE ASSETS (Continued)

The movement table of bank loans is as follows:

	2023	2022
1 January	501,207	509,729
Cash inflows from borrowing	1,061,274	471,396
Cash outflows related to debt payments	(646,072)	(256,595)
Interest expense	178,892	106,692
Interest paid	(159,711)	(83,719)
30 September	935,590	747,503

Movement table of lease payables is as follows:

	2023	2022
1 January	31,144	3,163
Cash inflows from borrowing	44,246	38,046
Cash outflows related to lease payments for the period	(22,039)	(10,303)
Interest expense	5,978	3,000
Interest paid	(2)	(3)
Currency translation differences	3	(11)
30 September	59,330	33,891

The movement table of the right-of-use assets of the Company as of 30 September 2023 and 30 September 2022 is given below.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2023,	15,609	14,385	29,994
Additions	6,260	37,986	44,246
Changes on the lease	-	(8,536)	(8,536)
Current depreciation expense(*)	(7,735)	(5,245)	(12,980)
As of 30 September 2023	14,134	38,590	52,724

(*) 160 TRY of depreciation expenses is included in the cost of goods sold, 2,345 TRY is included in general administrative expenses and 10,475 TRY is included in marketing, selling and distribution expenses.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2022,	2,223	-	2,223
Additions	16,468	21,578	38,046
Current depreciation expense	(2,604)	(5,395)	(7,999)
As of 30 September 2022	16,087	16,183	32,270

(*) 54 TRY of depreciation expenses is included in the cost of goods sold, 672 TRY is included in general administrative expenses and 7,273 TRY is included in marketing, selling and distribution expenses.

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

As of 30 September 2023 and 2022, the Company's trade receivables are as follows:

Trade Receivables	30 September 2023	31 December 2022
Trade receivables from third parties	758,992	45,959
Trade receivables from related parties (Note 23)	73,856	10,469
	832,848	56,428

Trade receivables from third parties	30 September 2023	31 December 2022
Trade receivables	757,975	52,120
Cheques and notes receivables	27,244	690
Expected credit loss (-)	(5,842)	(5,856)
Interest income on credit sales	(20,385)	(995)
	758,992	45,959

As of 30 September 2023 and 2022, the movement table for doubtful trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
1 January	5,856	5,555
Additions	-	257
Reversal of provision (including collections)	(14)	-
30 September	5,842	5,812

As of 30 September 2023 and 2022, the Company's trade payables are as follows:

Trade payables	30 September 2023	31 December 2022
Trade payables to third parties	139,059	57,120
Trade payables to related parties (Note 23)	5,761	695
	144,820	57,815

Trade payables to third parties	30 September 2023	31 December 2022
Suppliers	144,289	57,743
Other trade payables	30	15
Interest expenses on credit purchase (-)	(5,260)	(638)
	139,059	57,120

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

As of 30 September 2023 and 2022, the Company's other receivables are as follows:

Other receivables	30 September 2023	31 December 2022
Other receivables from third parties	8,421	1,712
Other receivables from related parties (Note 23)	-	134
	8,421	1,846

As of 30 September 2023 and 2022, the Company's other receivables are as follows:

Other receivables from third parties	30 September 2023	31 December 2022
Sublease receivables	4,526	-
Receivables from employees	2,211	260
Deposits and guarantees given	1,126	707
Other miscellaneous receivables	558	745
	8,421	1,712

Other long-term receivables	30 September 2023	31 December 2022
Other miscellaneous receivables	1,498	-
	1,498	-

As of 30 September 2023 and 2022, the Company's other payables are as follows:

Other payables	30 September 2023	31 December 2022
Other payables to third parties	2,411	1,582
	2,411	1,582

Other payables to third parties	30 September 2023	31 December 2022
Taxes, fees and deductions payables	1,179	1,339
Other	1,232	243
	2,411	1,582

Employee benefit liabilities	30 September 2023	31 December 2022
Social security premiums payable	12,825	6,084
Due to employees	14,315	11,400
Other withholding tax liabilities	6,766	10,152
	33,906	27,636

Payables due to employee termination benefits	30 September 2023	31 December 2022
Payables due to employees	9,206	-
	9,206	-

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NOTE 10 – INVENTORIES

	30 September 2023	31 December 2022
Raw materials	134,098	85,316
Semi-finished goods	43,794	35,040
Finished goods	88,190	60,128
Trade goods	125,219	63,744
Other inventories	2,617	2,119
Impairment of inventories (*)	(20,656)	(5,573)
	373,262	240,774

(*) As of 30 September 2023 and 2022, the movement table for the provision for inventory impairment, as a result of the assessment of the recoverability of inventories, is as follows:

	2023	2022
1 January	5,573	1,834
Provisions no longer required (-)	(2,345)	(3,610)
Addition	17,428	2,989
31 December	20,656	1,213

The stock amounting to TRY 2,345, which was previously expensed by making a provision for stock depreciation, was destroyed in 2023.

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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	Leasehold improvements	Total
As of 1 January 2023,									
Cost	1,838	2,122	63,460	84,949	1,364	30,765	14,797	267	199,562
Accumulated depreciation	-	(1,653)	(10,561)	(54,078)	(1,342)	(23,338)	-	(225)	(91,197)
Net book value	1,838	469	52,899	30,871	22	7,427	14,797	42	108,365
Opening balance	1,838	469	52,899	30,871	22	7,427	14,797	42	108,365
Additions	-	-	1,820	4,268	-	3,507	9,906	931	20,432
Disposal cost	-	-	-	(68)	-	(1,496)	-	-	(1,564)
Disposal depreciation	-	-	-	38	-	1,252	-	-	1,290
Transfers	-	-	-	-	-	-	-	-	-
Depreciation (*)	-	(177)	(1,283)	(4,151)	(10)	(2,087)	-	(184)	(7,892)
Closing balance	1,838	292	53,436	30,958	12	8,603	24,703	789	120,631
As of 30 September 2023,									
Cost	1,838	2,122	65,280	89,149	1,364	32,776	24,703	1,198	218,430
Accumulated depreciation	-	(1,830)	(11,844)	(58,191)	(1,352)	(24,173)	-	(409)	(97,799)
Net book value	1,838	292	53,436	30,958	12	8,603	24,703	789	120,631

(*)5,148 TRY of depreciation expenses is included in the cost of goods sold, 819 TRY is included in general administrative expenses, 167 TRY is included in research and development expenses, and 1,758 TRY is included 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	Leasehold improvements	Total
As of 1 January 2022,									
Cost	1,838	2,122	62,670	76,626	1,364	27,486	8,503	256	180,865
Accumulated depreciation	-	(1,417)	(9,214)	(48,732)	(1,307)	(21,045)	-	(35)	(81,750)
Net book value	1,838	705	53,456	27,894	57	6,441	8,503	221	99,115
Opening balance	1,838	705	53,456	27,894	57	6,441	8,503	221	99,115
Additions	-	-	273	6,469	-	1,999	7,743	-	16,484
Disposal cost	-	-	-	(354)	-	(440)	-	-	(794)
Disposal depreciation	-	-	-	321	-	343	-	-	664
Transfers	-	-	-	311	-	-	(1,658)	-	(1,347)
Depreciation (*)	-	(177)	(1,017)	(4,193)	(27)	(2,016)	-	(25)	(7,455)
Closing balance	1,838	528	52,712	30,448	30	6,327	14,588	196	106,667
As of 30 September 2022,									
Cost	1,838	2,122	62,943	83,052	1,364	29,045	14,588	256	195,208
Accumulated depreciation	-	(1,594)	(10,231)	(52,604)	(1,334)	(22,718)	-	(60)	(88,541)
Net book value	1,838	528	52,712	30,448	30	6,327	14,588	196	106,667

(*)4,922 TRY of depreciation expenses is included in the cost of goods sold, 320 TRY is included in general administrative expenses, 201 TRY is included in research and development expenses, and 2,012 TRY 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 2023,					
Cost	319	4,595	32,419	2,671	40,004
Accumulated amortizations	(267)	(1,509)	(21,282)	(1,462)	(24,520)
Net book value	52	3,086	11,137	1,209	15,484
Opening balance	52	3,086	11,137	1,209	15,484
Additions	41	-	-	592	633
Depreciation (*)	(34)	(691)	(2,837)	(740)	(4,302)
Closing balance	59	2,395	8,300	1,061	11,815
As of 30 September 2023,					
Cost	360	4,595	32,419	3,263	40,637
Accumulated amortizations	(301)	(2,200)	(24,119)	(2,202)	(28,822)
Net book value	59	2,395	8,300	1,061	11,815

(*) For the current period, 1,248 TRY of amortization is included in the cost of goods sold, 495 TRY is included in the cost of general administrative expenses, 570 TRY is included in the cost of research and development expenses, and 1,989 TRY is included in the cost of marketing, sales and distribution expenses.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2022,					
Cost	319	3,022	25,614	2,671	31,626
Accumulated amortizations	(223)	(745)	(18,017)	(892)	(19,877)
Net book value	96	2,277	7,597	1,779	11,749
Opening balance	96	2,277	7,597	1,779	11,749
Additions	-	226	-	545	771
Transfers	-	1,347	-	-	1,347
Amortizations (*)	(34)	(534)	(1,943)	(431)	(2,942)
Closing balance	62	3,316	5,654	1,893	10,925
As of 30 September 2022,					
Cost	319	4,595	25,614	3,216	33,744
Accumulated amortizations	(257)	(1,279)	(19,960)	(1,323)	(22,819)
Net book value	62	3,316	5,654	1,893	10,925

(*) For the current period, 672 TRY of the amortization is included in the cost of goods sold, 219 TRY is included in general administrative expenses, 406 TRY is included in research and development expenses, and 1,645 TRY is included in marketing, sales and distribution expenses.

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NOTE 13 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

	30 September 2023	31 December 2022
Provisions for lawsuits	792	792
	792	792

36 employee of the Company filed a lawsuit against the Company for the cancellation of the employment contract, reemployment and other compensation claims and 792 TRY, which was calculated as a result of the evaluations of the lawyers based on the relevant lawsuits, was set aside for lawsuit.

	2023	2022
As of 1 January,	792	1,446
Provisions no longer required (-)	-	(738)
	792	708

Contingent liabilities and contingent assets

Due to the inability of Adel Kalemcilik Ticaret ve Sanayi A.Ş. to collect the 60 TRY receivable arising from the current account relationship with its customer, Istanbul 18th Enforcement Directorate 2012/20785E and 2012/18797E and Kartal 1st Enforcement Directorate with file number 2012/6142E. enforcement proceedings were made and the sale of the seized properties was requested on 7 October 2013. The appraisal report has been notified and the sale process of the immovable is in progress.

Adel Kalemcilik Ticaret ve Sanayi A.Ş. could not collect its receivable of 594 TRY arising from its current account relationship with its customer. For this reason, enforcement proceedings were initiated with the file numbers 2014/14137E, 2014/15246E, 2014/16896E and 2015/574E opened within the part of Izmir 2nd, 8th, 10th and 14th Enforcement Directorate, and the payment order was made by proceeding with the lien specific to the commercial bills about the debtor company. Dept enforcement proceedings have been issued. Investigations are continuing for the collection of the receivable.

The Company terminated the contracts of two subcontractors as of 31 August 2013 due to the subcontractors' failure to fulfill their legal obligations towards their employees. Due to the commercial lawsuits filed against Adel Kalemcilik Ticaret ve Sanayi A.Ş. by the related company employees due to joint and several liability, amount of 879 TRY was made As of 30 September 2023, the provision has been taken for the entire amount stated. The Company objected to these lawsuits and the lawsuits are continuing.

Due to the inability of Adel Kalemcilik Ticaret ve Sanayi A.Ş. to collect its 79 TRY receivable arising from its current account relationship with its customer, a lawsuit was filed under the file number 2016/12354 E (New Basis: 2021/14645 E.) within of the 17th Executive Directorate of Istanbul Anatolia. The provision has been taken for the all amount. The main proceedings have been initiated and the assets registered on the debtor have been inquired. There are no assets registered in the name of the debtor and investigations are continuing for the collection of the receivable.

Due to the inability of Adel Kalemcilik Ticaret ve Sanayi A.Ş. to collect 361 TRY of its receivables arising from the current account relationship with its customer, a credit accounting has been registered to the bankruptcy desk with the file number 2017/32 to the Istanbul Anatolian 3rd Bankruptcy Directorate. The provision have been made for the entire relevant amount.

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NOTE 13 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (Continued)

Deposits and guarantees given (Continued)

<i>Deposits and guarantees given</i>	30 September 2023	31 December 2022
Guarantees letter	189,634	25,483
Letters of credit	-	32,968

As of 30 September 2023 and 31 December 2022, the tables regarding the Company's collateral/pledge/mortgage (“CPM”) position are as follows:

30 September 2023

Letter of guarantees, pledge and mortgages provided by the Company	TRY equivalents	USD	EUR	TRY
A Total amount of GPMs given on behalf of the Company’s · legal personality	189,634	-	-	189,634
Total amount of GPMs given in favor of subsidiaries included				
B. in full consolidation	-	-	-	-
Total amount of GPMs given by the Company for the liabilities of 3rd parties in				
C. 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	-	-	-	-
	189,634	-	-	189,634

31 December 2022

Letter of guarantees, pledge and mortgages provided by the Company	TRY equivalents	USD	EUR	TRY
A Total amount of GPMs given on behalf of the Company’s · legal personality	25,483	-	-	25,483
Total amount of GPMs given in favor of subsidiaries included				
B. in full consolidation	-	-	-	-
Total amount of GPMs given by the Company for the liabilities of 3rd parties in				
C. 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	-	-	-	-
	25,483	-	-	25,483

The ratio of other CPMs given by the company to the equity of the Company is 0% as of 30 September 2023 (31 December 2022: 0%).

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NOTE 14 – EMPLOYEE BENEFIT OBLIGATIONS

Short term employee benefits	30 September 2023	31 December 2022
Premium accruals	30,389	3,256
Provisions for unused vacations	2,266	931
	32,655	4,187
Long term employee benefits	30 September 2023	31 December 2022
Provisions for employee termination benefits	25,248	37,938
	25,248	37,938

The movement table of unused vacation accruals as of 30 September 2023 and 2022 is as follows:

	2023	2022
As of 1 January	931	867
Charge for the period	1,335	(61)
As of 30 September	2,266	806

Provisions for employee termination benefits

Pursuant to the provisions of the Labor Law in force, employees whose employment contracts are terminated to qualify for severance pay are obliged to pay the legal severance pay to which they are entitled. In addition, in accordance with the provisions of the Social Security Law No. 506, dated 6 March 1981, numbered 2422, and dated 25 August 1999, numbered 4447 and the Amended Article 60 of the Social Security Law, which is still in effect, there is an obligation to pay the legal severance indemnity to those who are entitled to leave the job by receiving severance pay. Some transitional provisions related to pre-retirement service conditions were removed from the Law with the amendment of the relevant law on 23 May 2002.

As of 1 July 2023, severance pay to be paid is subject to a monthly ceiling of TRY 23,489.89 The maximum amount of TRY 19,982.83 effective as of 1 January 2023 has been taken into account in calculating the severance pay provision of the company. Actuarial losses and gains are recognized in profit or loss as the effect on the financial statements is immaterial.

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore, the provisions in the accompanying financial statements as of 30 September 2023 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

	2023	2022
As of 1 January,	37,938	14,573
Service cost	9,813	6,736
Interest cost	-	474
Actuarial loss /(gain)	(26,037)	(986)
Severance pay paid	3,534	(397)
As of 30 September,	25,248	20,400

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NOTE 14 – EMPLOYEE BENEFIT OBLIGATIONS (Continued)

	30 September 2023	31 December 2022
Discount rate (%)	0.49	0.49
Turnover rate used in retirement probability calculation (%)	92.79	92.73

NOTE 15 – OTHER ASSETS AND LIABILITIES

Short-term prepaid expenses	30 September 2023	31 December 2022
Advances given	110	8,500
Prepaid expenses for the next months	6,534	3,051
	6,644	11,551
Current tax assets	30 September 2023	31 December 2022
Prepaid taxes and funds	-	24,499
	-	24,499
Other current assets	30 September 2023	31 December 2022
Deffered vat	-	14,655
Work advance	132	24
Advances to personnel	-	236
Other miscellaneous current assets	132	102
	264	15,017
Long-term prepaid expenses	30 September 2023	31 December 2022
Prepaid expenses for future years	3,091	2,838
	3,091	2,838
Deffered income	30 September 2023	31 December 2022
Advances received	18,291	5,471
Short-term deferred income	-	889
	18,291	6,360

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NOTE 16 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Equity

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

	30 September 2023		31 December 2022	
	% Share	TRY	% Share	TRY
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		1,584		1,584
Total capital		25,209		25,209

Inflation adjustment to share capital represent the effect of restating cash additions to paid-in capital with year-end purchasing power.

Number of shares and share groups and privileges:

3,637,941 shares of the Company, amounting to 3,638 TRY, are registered in the name of the holder and 19,987,059 shares, amounting to 19,987 TRY, are bearer share certificates in accordance with the Foreign Capital Legislation. There are no privileges granted to shareholders in the election of the Board of Directors.

Restricted reserves

The legal reserves consist of first and second legal reserves in accordance with the TCC. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's restated share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's restated share capital. Under TCC, the legal reserves are only available for netting off losses unless they exceed 50% of the historical paid-in share capital otherwise they are not allowed to be used for other purposes. As a result of the sale of the immovable and participation shares evaluated within the scope of Article 5/e of the Corporate Tax Law No. 5520, 75% of the sales profit has been classified as "Profit from the sale of real estate and participation shares".

	30 September 2023	31 December 2022
Legal reserves	28,408	26,725
Real estate and subsidiary shares sales profit	813	990
	29,221	27,715

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NOTE 16 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

Retained Earnings

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

	30 September 2023	31 December 2022
Extraordinary reserves	95,578	82,625
Other retained earnings /(loss)	(22,018)	(27,049)
	73,560	55,576

Dividend distribution

Based on the CMB decision numbered 7/242 taken on February 25, 2005; distributable profit -calculated upon the regulations of CMB related with the dividend distribution- shall be fully distributed if the amount is adequate to be provided by the distributable profits with respect to the statutory books, otherwise, all of the net distributable amount in the statutory books shall be distributed. No profit distribution shall be made in the case of tax loss is met in either local books or the financial statements prepared in accordance with CMB regulations.

In accordance with the CMB decision dated January 27, 2010, it is decided to remove the obligation related with the minimum dividend distribution rate for publicly traded companies.

Inflation adjustment to shareholders' equity can only be netted-off against prior years' losses and used as an internal source for capital increase where extraordinary reserves can be netted-off against prior years' loss and used in the distribution of bonus shares and dividends to shareholders. In case inflation adjustment to issued capital is used as dividend distribution in cash, it is subject to corporation tax.

In accordance with the Ordinary General Assembly held on 13 April 2023 as there is no net distributable period profit according to the legal records in the profit distribution table prepared within the scope of the Capital Markets Board Dividend Guide for the operating year of 2022, the other source foreseen to be distributed is the gross of 18,002 TRY from the previous years' profits for each share with a nominal value of 1 TRY, at a gross rate of 76,2% and 1 TRY in the amount of 0.762 TRY. As of 28 September 2022, it was decided to distribute in cash at a net rate of 68.58%, amounting to TRY 0.6858 for each share with a nominal value and was completed on 27 September 2023.

NOTE 17 – REVENUE AND COST OF SALES

	1 January - 30 September 2023	1 January - 30 September 2022	1 April - 30 September 2023	1 April - 30 September 2022
Domestic sales	2,019,463	841,892	1,011,061	465,996
Foreign sales	95,146	50,260	47,989	18,276
Sales discounts (-)	(457,073)	(183,739)	(169,698)	(68,575)
Net sales	1,657,536	708,413	889,352	415,697
Cost of sales (-)	(700,033)	(446,765)	(347,398)	(279,685)
Gross profit	957,503	261,648	541,954	136,012

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NOTE 17 – REVENUE AND COST OF SALES (Continued)

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

	1 January - 30 September 2023	1 January - 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Direct material cost	291,509	224,506	97,705	124,500
Direct labour costs	115,723	43,732	37,554	19,253
General production expenses	61,703	47,348	27,145	16,627
Provision for inventories	6,396	5,594	2,041	2,320
Depreciation expenses	17,428	2,989	-	322
Change in semi-finished goods	(8,754)	(14,525)	10,570	3,626
Change in finished goods	(30,407)	(18,214)	76,241	44,454
Cost of products sold	453,598	291,430	251,256	211,102
Cost of goods sold	246,435	155,335	96,142	68,583
Cost of sales	700,033	446,765	347,398	279,685

NOTE 18 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The operating income of the Company are as follows.

	1 January - 30 September 2023	1 January - 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Foreign exchange income	39,721	10,283	4,784	4,099
Rediscount on interest income	4,820	1,146	3,017	(439)
Other expenses	7,088	2,573	3,514	1,115
	51,629	14,002	11,315	4,775

The operating expenses of the Company are as follows.

	1 January- 30 September 2023	1 January- 30 September 2022	1 July- 30 September 2023	1 July- 30 September 2022
Rediscount on interest loss	26,352	4,852	11,724	(5,022)
Foreign exchange expenses	7,803	3,653	347	1,799
Donation expenses	3,028	-	2,000	-
Other expenses	2,067	1,657	546	202
	39,250	10,162	14,617	(3,021)

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NOTE 19 – INVESTMENT ACTIVITIES INCOME AND EXPENSES

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Other income from investment activities				
Proceeds from sale of property, plant and equipment	326	245	165	193
	326	245	165	193
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Other expense from investment activities				
Acquisition of property, plant and equipment and intangible assets	(198)	(68)	(29)	(14)
	(198)	(68)	(29)	(14)
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Cash outflows resulting from share purchases or capital increases in subsidiaries and/or joint ventures				
LLC Faber-Castell Anadolu (footnote 6)	(892)	-	(892)	-
	(892)	-	(892)	-

NOTE 20 – FINANCE INCOME AND EXPENSES

Finance income	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Interest income	54,938	17,410	6,343	(896)
Income on currency-protected interest	32,831	10,690	14,702	5,815
Foreign exchange income	22,442	11,479	7,579	3,931
Income on hedge	-	1,617	-	-
Interest income from sublease receivables	993	-	291	-
	111,204	41,196	28,915	8,850

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NOTE 20 – FINANCE INCOME AND EXPENSES (Continued)

Finance expenses	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Interest expenses	184,870	109,788	67,251	48,199
Foreign exchange expenses	744	2,342	(5,025)	163
Expenses on hedge	-	7,039	-	366
Other	-	474	-	160
	185,614	119,643	62,226	48,888

NOTE 21- INCOME TAXES

The company is subject to taxation in accordance with the tax laws of the countries in which it operates and other legislation. In Turkey, the corporate tax rate is 20%. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid at once until the end of the relevant month. In accordance with the tax legislation, provisional tax is calculated and paid at the corporate tax rate on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated over the annual income.

With the amendment in the Corporate Tax Law, which was published in the Official Gazette dated April 22, 2021 and numbered 31462, the corporate tax rate, which was 20% as of March 31, 2021 in Turkey, increased to 25% for 2021 corporate earnings and 23% for 2022 corporate earnings rate was applied.

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

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Current period statutory tax provision (-)(*)	(190,289)	(27,640)	(119,113)	(16,222)
Deferred tax income/expense	65,016	31,671	38,899	12,484
Total deferred tax expense (net)	(125,273)	4,031	(80,214)	(3,738)

(*) In accordance with the Law No. 7440 on the “Restructuring of Certain Receivables and Amending Certain Laws” published in the Official Gazette on 12 March 2023, the exemption and deduction subject to corporate income deduction in accordance with the regulations in the laws, by being shown in the corporate tax return for the year 2022. It is required to calculate an additional tax of 10% on the discount amounts and the tax base subject to reduced corporate tax, without being associated with the period income, and at the rate of 5% over the exempted earnings. As of 30 September 2023, the additional tax amounts calculated within the scope of the said regulation have been accrued in the financial statements of the Company; period tax expense effect is TRY 6,160. The first installment of 3.080 TRY of the said tax payments was made in May 2023 and the second installment paid in August 2023.

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NOTE 21- INCOME TAXES (Continued)

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

	30 September 2023	31 December 2022
Period income tax provision	(190,289)	(497)
Prepaid tax expenses (-)	71,497	24,499
Profit for the period tax (liability)/receivable, net	(118,792)	24,002

Tax Advantages Obtained Under the Investment Incentive System:

The earnings of the Company from the investments that are tied to the incentive certificate are subject to corporate tax at discounted rates, starting from the accounting period in which the investment is partially or fully operated, until the investment contribution amount is reached.

Within the scope of the Company's incentive certificates, there is no discounted corporate tax advantage used in return for the current period's legal tax. (30 September 2022: 4,937 TRY)

The company capitalizes the R&D expenditures it has made within the scope of the law no. 5746 in its legal books. According to the the same law, the Company makes calculations over the R&D expenditures made within the framework of the relevant legislation and uses exemption for the part of the expenditures permitted by the law. As of 30 September 2023, the Company has used R&D deduction exemption amounting to TRY 2,098 (30 September 2022: TRY 6,762) against legal tax.

	Total temporary differences		Deferred tax	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
Adjustments to tangible and intangible assets	(20,244)	(20,240)	(5,061)	(4,048)
Adjustments related to provision for severance pay	25,248	37,939	6,312	7,588
Adjustments related to provision for dealer and revenue	169,363	-	42,341	-
Adjustments related to royalty expense provision	15,294	380	3,824	76
Adjustments to the provision for inventory impairment	20,656	11,147	5,164	2,229
Adjustments regarding the accrual of incentive premiums	42,784	4,254	10,697	851
Adjustments for leases				
Other	41,862	13,373	10,453	2,674
Deferred tax asset/(liability)-,net	294,963	46,853	73,730	9,370
			2023	2022
As of 1 January			9,370	1,221
Deferred tax revenue			65,016	31,671
Effect of remeasurement differences in severance pay recognized in comprehensive income			883	(79)
Derivative instruments effect			(1,539)	2,372
30 September			73,730	35,185

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NOTE 22 – EARNINGS/ (LOSS) 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 - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Profit /(loss) for the period	409,879	45,244	255,514	39,086
Average number of shares (1-TRY nominal value weighted average number of shares)	23,625,000	23,625,000	23,625,000	23,625,000
Earnings per share /(loss) (Full TRY)	17.3494	1.9151	10.8154	1.6544

NOTE 23 – RELATED PARTY DISCLOSURES

a) Related Parties' Balances

	Receivables from related parties	
	30 September 2023	31 December 2022
A.W.Faber-Castell Vertrieb GmbH (3)	10,259	572
Migros Ticaret A.Ş. (3)	64,832	6,462
LLC Faber-Castell Anadolu (2)	959	655
A.W.Faber Castell Peruana SA (3)	2,192	822
Aep Anadolu Etap Penkon (3)	2,023	1,085
Aep Anadolu Etap Penkon Gıda ve İçecek (3)	-	128
Other	834	1,041
	81,099	10,765
Finance expense (-)	(7,243)	(296)
	73,856	10,469

Related Parties' Balances

	Payable to related parties	
	30 September 2023	31 December 2022
AG Anadolu Grubu Holding A.Ş. (1)	5,552	661
A.W.Faber Castell Brezilya S.A. (3)	167	2
Migros Ticaret A.Ş. (3)	100	-
Other	129	37
	5,948	700
Finance income (-)	(187)	(5)
	5,761	695

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

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NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

Other receivables from related parties	30 September 2023	31 December 2022		
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	-	134		
	-	134		
 b) Transactions with related parties				
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Product purchase				
A.W.Faber-Castell Vertrieb GmbH (3)	69,354	57,599	17,035	20,360
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd. (3)	51,735	25,007	16,235	18,257
A.W.Fabr Castell (M) Sdn.Bhd. (3)	63,535	15,649	23,085	4,520
A.W. Faber Castell(I) Pvt. Ltd. India (3)	1,427	1,410	230	615
Pt. Pencil Lead Indonesia (3)	11,754	4,366	5,536	2,655
Other	442	74	-	74
	198,247	104,105	62,121	46,481
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Product sales				
Migros Ticaret A.Ş. (3)	65,434	24,695	53,575	19,972
A.W.Faber Castell Peruana (3)	-	1,253	-	1,253
A.W.Faber-Castell Vertrieb GmbH (3)	9,116	4,069	6,737	377
A.W.Faber Castell Brezilya S.A.(3)	1,042	374	808	-
Other	4,667	373	3,969	176
	80,259	30,764	65,089	21,778
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Services received				
AG Anadolu Grubu Holding A.Ş. (1)	15,187	7,439	5,883	7,439
Migros Ticaret A.Ş. (3)	441	8,509	(2,542)	5,218
Anadolu Efes Spor Kulübü (3)	1,493	2,029	-	2,004
Other	1,890	28	739	-
	19,011	18,005	4,080	14,661
	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Services given				
A.W. Faber-Castell Vertrieb GmbH. (3)	2,498	2,703	2,498	-
Anadolu Kafkasya Enerji Yatırımları a.s. (3)	1,247	605	577	258
AG Anadolu Grubu Holding A.Ş. (1)	1,211	66	-	51
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş (3)	4,398	2,065	-	167
Other	161	771	285	-
	9,515	6,210	3,360	476

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NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 September 2023	1 January - 30 September 2022	1 July - 30 September 2023	1 July - 30 September 2022
Donations				
Anadolu Eğitim ve Sosyal Yardım Vakfı (3)	3,000	-	2,000	-
	3,000	-	2,000	-

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

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:

	2023	2022
Short-term employee benefits	30,608	10,911
Other long-term benefits	823	3,360
Post-employment benefits	4,568	-
	35,999	14,271

**NOTE 24 – NATURE AND EXTENT 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.

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**NOTE 24 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL
INSTRUMENTS (Continued)**

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.

	30 September 2023	31 December 2022
Total borrowings	994,920	532,349
Less: Cash and cash equivalents	(424,149)	(292,369)
Net debt	570,771	239,980
Total equity	529,114	134,301
Total equity + net debt	1,099,885	374,281
Net debt / total equity ratio	%52	%64

(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 TRY equivalents of foreign currency assets and liabilities held by the Company are as follows:

	30 September 2023	31 December 2022
Assets	126,446	66,029
Liabilities	(13,170)	(8,511)
Net balance sheet foreign currency position	113,276	57,518

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

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**NOTE 24 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL
INSTRUMENTS (Continued)**

(c) Currency risk and management (Continued)

Profit/(Loss) 30 September 2023	Appreciation of foreign currency	Depreciation foreign currency
If the US Dollar changes 20% +/- against TRY:		
1- USD net asset/liability	21,265	(21,265)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	21,265	(21,265)
In case the Euro changes 20% +/- against TRY:		
4- Euro net asset/liability	1,390	(1,390)
5- Hedged portion from Euro risk (-)	-	-
6- Avro net effect (4+5)	1,390	(1,390)
On average 20% +/- change in other exchange rates against TRY:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	22,655	(22,655)

Profit/(Loss) 31 December 2022	Appreciation of foreign currency	Depreciation foreign currency
If the US Dollar changes 20% +/- against TRY:		
1- USD net asset/liability	11,841	(11,841)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	11,841	(11,841)
In case the Euro changes 20% +/- against TRY:		
4- Euro net asset/liability	(338)	338
5- Hedged portion from Euro risk (-)	-	-
6- Avro net effect (4+5)	(338)	338
On average 20% +/- change in other exchange rates against TRY:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	11,503	(11,503)

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

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NOTE 24 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (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:

	30 September 2023					31 December 2022				
	TRY equivalent	USD	EUR	GBP	Other	TRY equivalent	USD	EUR	GBP	Other
1. Trade receivables	32,728	939	242	-	-	15,967	751	97	-	10
2a. Monetary financial assets	73,799	2,695	-	-	-	49,668	2,608	45	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	19,919	495	220	-	-	394	1	19	-	-
4. Total current assets (1+2+3)	126,446	4,129	462	-	-	66,029	3,360	161	-	10
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)	126,446	4,129	462	-	-	66,029	3,360	161	-	10
10. Trade payables	13,170	245	222	-	-	8,295	183	244	-	6
11. Financial liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other monetary liabilities	-	-	-	-	-	216	10	1	-	-
12b. Othre non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	13,170	245	222	-	-	8,511	193	245	-	6
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)	13,170	245	222	-	-	8,511	193	245	-	6
19. Net asset/ (liability) position of off-balance sheet derivative instruments (19a-19b)	276,505	10,100	-	-	-	184,178	9,850	-	-	-
19a. Total asset amount hedged	276,505	10,100	-	-	-	184,178	9,850	-	-	-
19b. Total liabilities amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	389,781	13,984	240	-	-	241,696	13,017	(84)	-	4
21. Monetary items net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)	113,276	3,884	240	-	-	57,518	3,167	(84)	-	4
22. Total fair value of financial instruments used for currency hedge	1,074	39	-	-	-	-	-	-	-	-
23. Amount of Hedged Part of Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-
23. Amount of hedged part of foreign currency liabilities	-	-	-	-	-	-	-	-	-	-
23. Exports	95,168	2,934	707	-	4,346	65,498	2,928	860	-	1,677
24. Imports	387,373	13,374	3,786	105	13,969	270,649	11,242	4,756	54	34,620
%20 increase	-	21,265	1,390	-	-	-	11,841	(338)	-	-

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**NOTE 24 – NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL
INSTRUMENTS (Continued)**

(d) Interest rate risk and management

As of 30 September 2023, the Company does not have any floating rate borrowings.
(31 December 2022: 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 55% 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.

NOTE 25 – FINANCIAL INSTRUMENTS

25.1 Fair value

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

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

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

	30 September 2023	Level 1	Level 2	Level 3
Derivative financial liabilities	-	-	-	-
	31 December 2022	Level 1	Level 2	Level 3
Derivative financial liabilities	5,082	-	5,082	-
	30 September 2023	Level 1	Level 2	Level 3
Derivative financial assets	1,074	-	1,074	-
	31 December 2022	Level 1	Level 2	Level 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 30 September 2023, the Company has a forward purchase transaction with a nominal value of TRY 145,097 amounting to USD 5,300,000. (As of 31 December 2022, the Company has a forward purchase transaction amounting to USD 9,850,000 with a nominal value of TRY 184,178).

As of 30 September 2023, Adel has a foreign exchange forward transaction with a nominal value of TRY 73,799 amounting to USD 2,695,678 (31 December 2022: Nominal value of TRY 49,661 amounting to USD 2,656,889).

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 hedging transactions (Continued)

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

	Contract Amount	2023 Fair Value		Contract Amount	2022 Fair Value	
		Assets	Liabilities		Assets	Liabilities
For hedging purposes:						
Forward transactions	29,395	1,074	-	184,178	-	5,082
	29,395	1,074	-	184,178	-	5,082
Short term	29,395	1,074	-	184,178	-	5,082
	29,395	1,074	-	184,178	-	5,082

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.

30 September 2023	Note	Fair value differences reflected in other comprehensive income	Financial assets shown at amortized cost	Financial liabilities shown at amortized value	Book value	Fair value
Financial assets						
Cash and cash equivalents	4	-	288,568	-	288,568	288,568
Trade receivables	8	-	758,992	-	758,992	758,992
Receivables from related parties	23	-	73,856	-	73,856	73,856
Derivative financial instruments	25.1	1,074	-	-	1,074	1,074
Financial liabilities						
Financial borrowings	7	-	-	935,590	-	935,590
Lease liabilities	7	-	-	59,330	-	59,330
Trade payables	8	-	-	139,059	-	139,059
Payables from related parties	23	-	-	5,761	-	5,761
Other financial liabilities	9	-	-	2,411	-	2,411

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

31 December 2022	Note	Fair value differences reflected in other comprehensive income	Financial assets shown at amortized cost	Financial liabilities shown at amortized value	Book value	Fair value
<u>Financial assets</u>						
Cash and cash equivalents	4	-	292,369	-	292,369	292,369
Trade receivables	8	-	45,959	-	45,959	45,959
Receivables from related parties	23	-	10,603	-	10,603	10,603
Other financial assets	5	-	4	-	4	4
<u>Financial liabilities</u>						
Financial borrowings	7	-	-	501,207	501,207	501,207
Lease liabilities	7	-	-	31,142	31,142	31,142
Trade payables	8	-	-	57,120	57,120	57,120
Payables from related parties	23	-	-	695	695	695
Derivative financial instruments	25.1	-	-	5,082	5,082	5,082
Other financial liabilities	9	-	-	1,582	1,582	1,582

NOTE 26 – SUBSEQUENT EVENTS

None.