ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AND NOTES FOR THE YEAR ENDED
31 DECEMBER 2023
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

**CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Adel Kalemcilik Ticaret ve Sanayi A.Ş.

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Adel Kalemcilik Ticaret ve Sanayi A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, the statement of other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters	How the key audit matter was addressed in the audit
Application of TAS 29 - Financial Reporting in Hyperinflationary Economies	
TAS 29 "Financial reporting in hyperinflationary economies" is applicable for the Company as disclosed in Note 2.1.3. TAS 29 requires financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period with prior year statements with comparative information were restated to reflect a price index that is current at the balance sheet date as of 31 December 2023. The implementation of TAS 29 leads to a change in several of the Company's control activities pervasively related to financial reporting. The impact of TAS 29 is reliant upon a number of key judgements such as the relevant line items in the inventories were restated on an average basis depending on the level of fluctuation of the underlying transactions and rate of inflation. The preparation of financial statements using a current purchasing power approach requires a complex series of procedures and reconciliations to ensure accurate results. The application of IAS 29 was identified as a key audit matter due to judgement applied in the restatement, high degree of complexity in calculation and the risk of the data used in the restatement being incomplete or inaccurate.	- We obtained an updated understanding of the Company's processes and accounting policies. - We gained an understanding and evaluated the relevant controls designed and implemented by management resulting from implementation of TAS 29, - Obtaining whether the segregation of monetary and non-monetary items made by the management is in accordance with TAS 29, - We obtained detailed listings of non-monetary items, and tested the original cost and dates of acquisition with supporting documentation, - Verifying the general price index rates used in the calculations with the index coefficients obtained from the Consumer Price Index in Turkey published by the Turkish Statistical Institute, - We evaluated the reasonableness of judgements used by management by comparing them with recognized practices and applying our industry knowledge and experience. We also checked if the judgements were used consistently in all periods, - The methodology and price index rates used were tested to ensure that the indexation of non-monetary items, statements of comprehensive income, changes in equity and cash flow statements were prepared in accordance with TAS 29.

Key Audit Matters	How the key audit matter was addressed in the audit
Revenue recognition	
Revenue TL 2.261.755 Thousand has been recognized in the statement of profit or loss and other comprehensive income for the accounting period 1 January-31 December 2023. Revenue is recognized in the financial statements when the Company fulfils its perfomance obligation by transferring control of the promised products to its customers.Since sales contracts are complex, the recognition of revenue in the relevant period depends on the correct evaluation of the sales conditions specific to each situation. For this reason, there is a risk that the revenue will not be recognized in the correct period or amount for the products whose production is completed and delivered, or for those whose invoices have not yet been issued to the customer. Revenue is one of the most significant indicators in the performance evaluation of the Company. Revenue has been selected as a key audit matter because it is of great importance in terms of evaluating the results of the strategies implemented during the year and monitoring performance and it has significant, decisive impact on more than one financial statement item. Disclosures regarding the Company's revenue-related accounting policies and amounts are included in Notes 2.2.1 of the attached financial statements.	The following audit procedures have been applied for the recognition of revenue: - Testing the design and implementation of internal controls on revenue recognition by understanding the Company's revenue process, - Evaluating whether the accounting policies applied by the Company management for recording revenue are in terms of TFRS, - Testing the transactions recorded as revenue during the period by sampling method by comparing them with invoices, supporting documents and collections from customers, - Testing the balances of trade receivables using the sampling method by sending confirmation letters, - Testing whether the sales returns realized after the reporting period are included in the financial statements in the relevant period, - Testing the revenue items belong to period ending and the beginning of the following period with the sampling method regarding the cut-off of the revenue, - Evaluating the accuracy and adequacy of the revenue related disclosures included in footnotes financial statements in terms of TFRS.

4. Responsibilities of management and those charged with governance for the financial statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's responsibilities for the audit of the financial statements

Responsibilities of independent auditors in an independent audit are as follows:
Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 20 March 2024.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Salim Alyanak, SMMM
Independent Auditor

Istanbul, 20 March 2024

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FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND 2022

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

	Note	Audited 31 December 2023	Audited 31 December 2022
Assets			
Current assets			
Cash and cash equivalences	4	794.006	481.745
Short term financial investments	5	131.193	-
Trade receivables		118.454	92.978
- Receivables from related parties	24	51.880	17.250
- Receivables from third parties	8	66.574	75.728
Other receivables		7.381	3.042
- Other receivables from related parties	24	-	221
- Other receivables from third parties	9	7.381	2.821
Inventories	10	615.600	493.060
Prepaid expenses	15	17.450	20.499
Curent tax-related assets	15	99.912	40.368
Other current assets	15	44.328	24.744
Total current assets		**1.828.324**	**1.156.436**
Non-current assets			
Financial investments	5	776	63
Other receivables		383	-
- Other receivables from third parties	9	383	-
Property, plant and equipment	11	557.195	625.391
Right of use assets	7	134.781	69.338
Intangible assets	12	78.997	46.682
Prepaid expenses	15	6.631	8.206
Deferred tax assets	22	24.101	-
Total non-current assets		**802.864**	**749.680**
Total assets		**2.631.118**	**1.906.116**

The financial statements for the financial period of 31 December 2023 were approved at the Board of Directors meeting dated 20 March 2024 and signed by General Manager Oğuz Uçanlar and Financial Affairs Director Yasemen Güven Çayırezmez on behalf of the Board of Directors.

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND 31 DECEMBER 2022

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

	Note	Audited 31 December 2023	Audited 31 December 2022
Liabilities			
Current liabilities			
Short term borrowings	7	779.901	802.263
-Short-term borrowings from third parties		779.901	802.263
- Bank loans		305.519	802.263
- Issued debt instruments		474.382	-
Short-term portion of long-term borrowings		261.521	28.339
-Short term portion of long term borrowings from third parties	7	261.521	28.339
- Bank loans		27.076	12.056
- Lease liabilities		39.168	16.283
- Issued debt instruments		195.277	-
Trade payables		139.633	95.263
- Due to related parties	24	6.658	1.145
- Due to third parties	8	132.975	94.118
Employee benefit liabilities	9	60.102	45.537
Other payables		396	2.607
- Due to third parties	9	396	2.607
Derivative instruments	26.2	1.721	8.374
Deferred income	15	158.730	10.480
Current tax liabilities	22	-	819
Short term provision		8.565	8.202
- Provisions for employment benefits	14	8.378	6.897
- Other short-term provisions	13	187	1.305
Total current liabilities		**1.410.569**	**1.001.884**
Non-current liabilities			
Long term borrowings		71.276	46.565
- Long term borrowings from third parties	7	71.276	46.565
- Bank loans		-	11.534
- Lease liabilities		71.276	35.031
Provision for employee benefits	9	9.621	-
Long term provision		28.890	62.512
- Provisions for employment termination benefits	14	28.890	62.512
Deferred tax liabilities	22	-	102.471
Total non-current liabilities		**109.787**	**211.548**
Equity			
Share capital	16	23.625	23.625
Adjustment to share capital	16	376.100	376.100
Other comprehensive expenses that will not be reclassified to profit or loss		(13.848)	(10.012)
- Losses on remeasurement of defined benefit obligations		(13.848)	(10.012)
Other comprehensive expenses/(income) that will be reclassified to profit or loss		5.835	15
- Currency translation differences		(3.938)	(3.938)
- Gains/(loss) on hedge		9.773	3.953
Restricted reserves	16	197.448	194.818
Retained earnings	16	85.706	127.565
Net profit/(loss) for the period		435.966	(19.427)
Total equity		**1.110.832**	**692.684**
Total liabilities and equity		**2.631.188**	**1.906.116**

Accompanying notes are an integral part of these financial statements.

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
FINANCIAL STATEMENTS AS OF 31 DECEMBER 2023 AND 2022

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

Profit or loss	**Notes**	**Audited 1 January - 31 December 2023**	**Audited 1 January - 31 December 2022**
Revenue	17	2.261.755	1.675.122
Cost of sales (-)	17	(1.205.803)	(1.253.242)
Gross profit		**1.055.952**	**421.880**
General administrative expenses (-)	18	(284.651)	(145.648)
Marketing expenses (-)	18	(398.264)	(282.259)
Research and development expenses (-)	18	(12.383)	(10.152)
Other income from operating activities	19	73.598	33.136
Other expenses from operating activities (-)	19	(48.739)	(24.121)
Operating profit / (loss)		**385.513**	**(7.164)**
Income from investment activities	20	4.535	836
Expens from investment activities (-)	20	(162)	(137)
Share of profit/loss of investments accounted for using the equity method	20	(1.121)	-
Operating profit before finance income / (expense)		**388.765**	**(6.465)**
Finance income	21	214.341	98.330
Finance expenses (-)	21	(322.997)	(296.109)
Monetary gain / (loss)		161.690	192.293
Profit/(Loss) before tax from continuing operations		**441.799**	**(11.951)**
Tax income from continuing operations		**(5.833)**	**(7.476)**
- Taxes on expense	22	(133.491)	(819)
- Deferred tax income / (expense)	22	127.658	(6.657)
Net profit /(loss) for the year		**435.966**	**(19.427)**
Profit /(loss) per share (1 TRY per share)	23	**18,4536**	**(0,8223)**

Accompanying notes are an integral part of these financial statements.

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
OTHER COMPREHENSIVE INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

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

	Notes	Audited 1 January - 31 December 2023	Audited 1 January - 31 December 2022
Net profit /(loss) for the year		**435.966**	**(19.427)**
Other comprehensive income/expense			
Other comprehensive expenses that will not be reclassified		(3.836)	(10.012)
- Remeasurements of defined benefit assets/liabilities	14	(4.366)	(12.341)
Other comprehensive expenses that will not be reclassified to profit or loss, tax effect		530	2.329
- Deferred tax income		530	2.329
Other comprehensive expenses that will be reclassified to profit or loss		5.820	(22.496)
- Currency translation adjustment		-	-
- Other comprehensive income / (expense) on cash flow hedge	25. 1	7.436	(28.980)
-Other comprehensive expenses that will be reclassified to profit or loss, tax effect		(1.616)	6.484
- Deferred tax (expense)/income		(1.616)	6.484
Other comprehensive income /(expense)		**1.984**	**(32.508)**
Total comprehensive income		**437.950**	**(51.935)**

Accompanying notes are an integral part of these financial statements.

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

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

			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					
	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**
Balances as of 1 January 2022	**23.625**	**376.100**	**-**	**(3.938)**	**26.449**	**191.546**	**191.849**	**(34.370)**	**771.261**
Transfers	-	-	-	-	-	3.272	(37.642)	34.370	-
Dividends	-	-	-	-	-	-	(26.642)	-	(26.642)
Total comprehensive loss	-	-	(10.012)	-	(22.496)	-	-	(19.427)	(51.935)
Balances as of 31 December 2022	**23.625**	**376.100**	**(10.012)**	**(3.938)**	**3.953**	**194.818**	**127.565**	**(19.427)**	**692.684**
Balances as of 1 January 2023	**23.625**	**376.100**	**(10.012)**	**(3.938)**	**3.953**	**194.818**	**127.565**	**(19.427)**	**692.684**
Transfers	-	-	-	-	-	2.630	(22.057)	19.427	-
Dividends	-	-	-	-	-	-	(19.802)	-	(19.802)
Total comprehensive income	-	-	(3.836)	-	5.820	-	-	435.966	437.950
Balances as of 31 December 2023	**23.625**	**376.100**	**(13.848)**	**(3.938)**	**9.773**	**197.448**	**85.706**	**435.966**	**1.110.832**

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 YEARS ENDED 31 DECEMBER 2023 AND 31 DECEMBER 2022

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

	Note	Audited 2023	Audited 2022
Cash flow from operating activities		**243.071**	**104.720**
Net profit /(loss) for the period		**435.966**	**(19.427)**
Adjustments to reconcile net profit /(loss) for the period		**(1.384)**	**30.206**
Adjustments for depreciation and amortization expense	11,12	109.077	100.532
Adjustments for impairment loss/(reversal)		3.391	6.896
- Allowance for doubful receivables	*8*	*522*	*689*
- Adjustments for inventory impairment/(cancellation)	*10*	2.869	*6.207*
Adjustments for provisions		35.180	44.621
-Adjustments for employment termination benefits	19	*35.785*	*45.700*
- Adjustments for lawsuit and other provisions		*(605)*	*(1.079)*
Adjustments for dividends	20	*(25)*	*(133)*
Adjustments for interest income/expense		141.609	203.701
- Adjustments for interest income	*21*	*(167.730)*	*(71.445)*
- Adjustments for interest expense	*21*	*310.177*	*281.663*
- Rediscount on interest loss	19	7.142	0
- Rediscount on interest income	19	*(7.980)*	*(6.517)*
Adjustments for unrealized currency translations		-	13.337
Adjustments for fair value gains		10.167	541
Adjustments for undistributed profits of investments		-	-
Adjustments for tax incomes	22	5.833	7.476
Gain on sale of tangible and intangible assets		(4.373)	(565)
Monetary gain		(302.243)	(346.200)
Changes in working capital		**49.083**	**138.585**
Decrease/(increase) in trade receivables		(33.140)	156.892
Decrease/(increase) in other receivables		(184)	2.664
Increase/(decrease) in inventory		(125.408)	(78.982)
Decrease/(increase) in prepaid expenses		4.624	20.982
Increase/(decrease) in trade payables		52.349	4.620
Increase/(decrease) in employment termination benefits		24.186	27.362
Decrease/(increase) in other payables		(2.211)	(995)
Increase in deferred revenue		148.250	3.783
Decreases/increases in others		(19.383)	2.259
- Increase/(decrease) in other assets		*84.420*	*5.052*
- Increase/(decrease) in other liabilities		*(103.803)*	*(2.793)*
Cash used in operating activities		**483.665**	**149.364**
Dividends		25	133
Employee termination benefits paid	14	(47.584)	(12.160)
Tax paid		(193.035)	(32.617)
Cash flow from investing activities		**(29.077)**	**(43.735)**
Proceeds from sale of property, plant and equipment		10.692	2.950
Acquisition of property, plant and equipment and intangible assets	11,12	(38.648)	(46.685)
Cash inflows due to sale of shares in associates or joint ventures or capital reduction	20	(1.121)	-
Cash flow from financing activities		**286.375**	**(243.301)**
Proceeds from bank borrowings	7	1.653.797	1.029.252
Repayment of borrowings	7	(1.109.702)	(1.048.154)
Repayment of lease liabilities		(43.070)	(28.297)
Dividends paid	16	(19.802)	(26.645)
Interest paid	7	(221.916)	(241.483)
Interest received		115.210	68.953
Other cash inflow	20	(88.142)	3.073
Monetary gain/(lose) impact on cash and cash equivalents		**(197.577)**	**(260.198)**
Decrease /(increase) in cash and cash equivalents		**302.792**	**(442.514)**
Cash and cash equivalents at the beginning of the year	**4**	**479.253**	**921.767**
Cash and cash equivalents at the end of the year	**4**	**782.045**	**479.253**

Accompanying notes are an integral part of these financial statements.

(Amounts are expressed in thousands of Turkish lira ("TL") 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 December 2023, 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 December 2023 is 367 (31 December 2022: 383).

As of 31 December 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 equipment, hobby products and toys.

The activities of LLC Faber-Castell Anadolu were terminated. But the company continues its operations in the russian market by exporting directly.

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 December 2023 were approved by the Company's Board of Directors on 20 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 2022 in terms of the purchasing power of that currency as of 31 December 2023.

(Amounts are expressed in thousands of Turkish lira ("TL") 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 ("TSI"). As of 31 December 2023, the indexes and index coefficients used in the correction of financial statements are as follows:

Date	Index	Conversion Factor	Three-Year Cumilative Inflation
31 December 2023	1.859,38	1,00000	%268
31 December 2022	1.128,45	1,64773	%156
31 December 2021	686,95	2,70672	%74

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.

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 porfit or loss and other comprehensive income of the associate or a joint venture.

When the Company's whare 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 recognizin 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.

2.2. Significant accounting policies

A summary of the accounting policies applied during the preparation of the financial statements is as follows:

2.2.1 Revenue recognition

The Company recognizes revenue when, or as, it fulfills its performance obligation by transferring a contracted good or service to a customer. Control of an asset is passed to the customer. the asset is transferred when (or as) it passes.
The company records revenue in its financial statements in line with the following basic principles:

(a) Determining contracts with customers
(b) Determining performance obligations in the contract
(c) Determining the transaction price in the contract
(d) Allocating the transaction price to the performance obligations in the contract
(e) Recognizing revenue as each performance obligation is satisfied.

Revenues are measured at the fair value of the amount receivable that has been or will be collected. Estimated customer returns, discounts and provisions are deducted from this amount. Revenue is reflected in the financial statements based on the transaction price. The transaction fee is the amount that the business expects to be entitled to in return for the transfer of the promised wooden pencils, crayons and copy pens, ballpoint pens, mechanical pencils and pencils, liquid ink pens, felt-tip pens, pastels, watercolors, erasers, finger paint, play dough, gouache, toys and other stationery products to the customer, excluding the amounts collected on behalf of third parties.

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

2.2. Significant accounting estimates and decisions (Continued)

2.2.1 Revenue recognition (Continued)

Interest income is accrued in the relevant period at the rate of original effective interest rate, which reduces the remaining principal balance and the estimated cash inflows to be obtained from the relevant financial asset over its expected life to the registered value of the asset in question.

2.2.2 Inventory

The Company's inventories consist of raw materials, operating materials, packaging materials, semi-finished and finished items, stationery materials and toys.

Inventories are valued at the lower of cost or net realizable value. Cost of inventories includes all acquisition costs, conversion costs and other costs incurred in maintaining inventories in their present location and condition. Inventory conversion costs include costs directly attributable to manufacturing, such as direct labor costs. These costs also include systematically allocated amounts of fixed and variable overhead costs incurred in converting raw materials into finished goods.

The weighted average cost method (monthly) is applied in calculating the cost of stocks. Net realizable value is obtained by deducting the estimated cost of completion and the estimated costs that must be incurred to realize the sale from the estimated sales price in ordinary commercial activity. When the net realizable value of stocks falls below their cost, the stocks are reduced to their net realizable value, taking into account their useful life and quality, and are reflected as an expense in the statement of profit or loss in the year in which the impairment occurs. In cases where the conditions that previously caused stocks to be reduced to net realizable value no longer apply or an increase in net realizable value is proven due to changing economic conditions, the impairment provision is cancelled. The canceled amount is limited to the previously allocated impairment amount.

2.2.3. Loans and borrowing cost

Loans are recorded at their value, on the date they are received, after deducting transaction costs from the loan amount (Note 7). Loans are subsequently stated at discounted cost using the effective interest method. The difference between the remaining amount after deducting transaction costs and the discounted cost value is reflected in the income statement as financing cost during the credit period. Financing costs arising from loans are recorded in the income statement in the period in which they are incurred.

Financial investment income obtained by temporarily utilizing the unspent portion of the investment-related loan in financial investments is offset against borrowing costs eligible for capitalization. All other borrowing costs are recorded in the income statement in the periods in which they are incurred. The Company has no borrowing costs capitalized in the current and previous periods regarding qualifying assets.

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

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

2.2. Significant accounting estimates and decisions (Continued)

2.2.4 Property, plant and equipment

Property, plant and equipment are carried with their cost after subtracting accumulated depreciation and impairment. Property, plant and equipment are depreciated principally on a straight-line basis.

Land is not depreciated as it is deemed to have an infinite life. The estimated useful lifes of assets are as follows:

	Useful lifes
Land improvements	8 - 15
Buildings	5 - 50
Plant, machinery and equipment	3 - 20
Vehicles	3 - 12
Furniture and fixtures	1 - 50

No depreciation is recognized for land and land improvements due to their infinite useful lifes. Gains and losses on disposals of property, plant and equipment are recognized in profit or loss and are determined by comparing the net book value with the sales price and are included in operating profit. Repair and maintenance expenses are recognized as an expense as incurred. Repair and maintenance expenditures are capitalized if they result in an enlargement or a visible improvement to the related asset.

2.2.5 Intangible assets

Intangible assets acquired separately from a business are capitalized at cost. Intangible assets, excluding development costs, created within the business are not capitalized and expenditure is charged against profits in the period in which it is incurred. Useful lifes of intangible assets are determined as either finite or infinite. Intangible assets are amortized on a straight line basis over the estimated useful lifes.
The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. Intangible assets with infinite useful life formed in the financial statements in accordance with purchase method, are not subject to amortization and the carrying amounts of such intangibles are reviewed for impairment at least annually and whenever there is an indication of possible impairment.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized. This difference is recognized in profit or loss when the asset is excluded from balance sheet.

	Useful lifes
Rights	3-15
Research and development expenses	5
Other intangible assets	2-15

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

2.2. Significant accounting estimates and decisions (Continued)

2.2.6. Impairment of assets

For assets subject to depreciation, an impairment test is applied in case of situations or events in which it is not possible to recover the book value. If the book value of the asset exceeds its recoverable amount, an impairment loss provision is recorded. The recoverable amount is the greater of fair value or value in use, less costs to sell. To assess impairment, assets are grouped at the lowest level at which they have separate identifiable cash flows. Non-financial assets other than goodwill that are subject to impairment are reviewed for possible reversal of impairment at each reporting date. There is no impairment associated with profit or loss in the financial statements for the period 31 December 2023.

2.2.7 Research and development expenses

Research expenses are recorded as expense when incurred. Project costs related to the development of new products or the testing and design of developed products are considered intangible assets if the project is commercially and technologically viable and the costs can be reliably determined. Other development expenses are recognized as expense when incurred. Development expenses recorded as expense in the previous period cannot be capitalized in the next period.

2.2.8 Financial instruments

Financial assets

The Company measures the remaining financial assets, except trade receivables, other receivables and cash and cash equivalents, which do not have a significant financing component, at fair value when they are first recognized in the financial statements. If trade receivables do not have a significant financing component in accordance with TFRS 15 (or the Company chooses a facilitating application), these receivables are measured at the transaction price (as defined in TFRS 15) during their initial recognition in the financial statements.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements

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

2.2 Significant accounting estimates and decisions (Continued)

Financial assets carried at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) holding the financial asset under a business model that aim to collect contractual cash flows;
(b) the contractual terms of the financial asset result in cash flows at specified dates that include only payments of principal and interest on the principal outstanding balance.

Interest income on financial assets shown at amortized cost is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset except:

This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except:

(a) Financial assets that are credit-impaired when purchased or created. For such financial assets, the Company applies a credit-adjusted effective interest rate to the amortized cost of the financial asset, as of its initial recognition.
(b) Financial assets that were not credit-impaired financial assets when purchased or created but subsequently become credit-impaired financial assets. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in subsequent reporting periods.

If the contractual cash flows of a financial asset have been changed or otherwise restructured and such modification or restructuring does not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated and the restructuring gain or loss is recognized in profit or loss.

In the absence of reasonable expectations regarding the partial or total recovery of a financial asset's value, the Company deducts the financial asset from the financial statements by directly deducting its gross book value.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) Holding the financial asset under a business model that aims to collect the contractual cash flows and sell the financial asset;
(b) The contractual terms of the financial asset result in cash flows at specified dates that include only payments of principal and interest on the principal outstanding balance.

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

2.2 Significant accounting estimates and decisions (Continued)

Gains or losses on a financial asset measured at fair value through other comprehensive income, other than impairment gains or losses and foreign exchange gains or losse are determined until the financial asset is derecognised or reclassified, reflected in other comprehensive income. When a financial asset is reclassified the total gain or loss previously recognized in other comprehensive income is subtracted from equity as a reclassification adjustment and recognized in profit or loss at the reclassification date. If a financial asset measured at fair value through other comprehensive income is reclassified, the entity recognizes the total gain or loss that it previously recognized in other comprehensive income. Interest calculated using the effective interest method is recognized as profit or loss.

At initial recognition, the Company may make an irreversible choice to present subsequent changes in the fair value of the investment in an equity instrument not held for trading in other comprehensive income.

Financial assets at fair value through profit or loss

If a financial asset is not measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. The financial assets in question, which constitute derivative products that have not been determined as an effective hedge against financial risk, are also classified as financial assets at fair value through profit or loss. Relevant financial assets are shown at their fair values, and gains and losses resulting from the valuation are recognized in the statement of profit or loss.

Impairment

The Company makes a loss provision for expected credit losses related to financial assets carried at amortized cost and financial assets at fair value through other comprehensive income.

The Company applies the impairment provisions when recognizing and measuring the provision for loss for financial assets measured at fair value through other comprehensive income. However. the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

If the credit risk on a financial instrument has increased significantly since initial recognition. Entity measures the loss allowance for that financial instrument at an amount equal to lifetime expected credit losses at each reporting date.

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

2.2 Significant accounting estimates and decisions (Continued)

Gains or losses arising from a financial asset measured at fair value through other comprehensive income, excluding impairment gains or losses and foreign exchange gains or losses, are reflected in other comprehensive income until the financial asset is derecognized or reclassified. When a financial asset is reclassified, the total gain or loss previously recognized in other comprehensive income is removed from equity and recognized in profit or loss as a reclassification adjustment at the reclassification date. In case of reclassification of a financial asset measured at fair value through other comprehensive income, the entity recognizes the total gain or loss previously reflected in other comprehensive income. Interest calculated using the effective interest method is recognized in the financial statements as profit or loss.

The Company uses a simplified approach for trade receivables, contract assets and lease receivables, which are not significant financing elements, and calculates loss provisions always equal to lifetime expected credit losses.

Financial Liabilities

The Company measures the financial liability at its fair value when first recognizing it. In the initial measurement of liabilities other than those at fair value through profit or loss, transaction costs directly attributable to their acquisition or issuance are added to the fair value.

The company classifies all financial liabilities as measured at amortized cost at subsequent recognition, except for:

(a) Financial liabilities at fair value through profit or loss: These liabilities are measured at fair value at subsequent recognition, including derivatives.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the requirements for derecognition or if the continuing relationship approach is applied: If the company continues to present an asset in the financial statements to the extent of its continuing relationship. It also reflects a related liability in the financial statements. The transferred asset and the associated liability are measured to reflect the rights and obligations that the entity continues to hold. The liability attached to the transferred asset is measured in the same manner as the net book value of the transferred asset.

(c) Contingent consideration recognized by the acquirer in a business combination to which TFRS 3 applies: After initial recognition, the fair value changes in such contingent consideration are measured through profit or loss.

The Company does not reclassify any financial liabilities.

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

2.2 Significant accounting estimates and decisions (Continued)

Recognition and derecognition of financial assets and liabilities

The company records financial assets and liabilities only if it is a party to the contract of financial instruments. The Company derecognises the financial asset when its contractual rights to cash flows from the financial asset expire or transfer the related financial asset and all the risks and rewards of ownership of that asset to another party. In cases where all the risks and rewards of ownership of the asset are not transferred to another party and the control of the asset is retained by the Company. the Company continues to account for its remaining share in the asset and the liabilities arising from and due to this asset. In the event that the Company retains all the risks and rewards of ownership of a transferred asset. the financial asset continues to be accounted for and a collateralized liability against the transferred financial asset is also recognized for the revenues obtained. The company derecognises the financial liability only if the obligation defined in the contract is eliminated canceled or expired.

2.2.9. Transactions in foreign currency

In the statutory accounts of the Company, transactions in foreign currencies (currencies other than Turkish lira) are translated into Turkish Lira ("TL") at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

2.2.10. Earnings per shares

Earnings/loss per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average unit of common share. In Turkey, companies, can increase their capitals by the "bonus share" method that they distributed from the prior year profits. This type of "bonus share" distribution, is considered as issued share in the earnings per share calculations. Accordingly, weighted average share amount used in this calculations are computed by considering the prior effects of the distributed shares as well.

2.2.11. Events after the reporting period

It refers to events that occur in favor of or against the enterprise between the balance sheet date and the date of authorization for the publication of the balance sheet. In case there is new evidence of the existence of the said events as of the balance sheet date or if the related events occur after the balance sheet date, the company discloses the said issues in the related footnotes.

In case of occurrence of events requiring adjustment after the balance sheet date, the company adjusts the amounts included in the financial statements in accordance with this new situation.

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

2.2 Significant accounting estimates and decisions (Continued)

2.2.12 Provisions, contingent liabilities and contingent assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation.The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

An asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain events that are not under the full control of the enterprise is considered a contingent asset. If the possibility of resources containing economic benefits entering the business is high, contingent assets are disclosed in the footnotes.

If contingent liabilities become probable but no reliable estimate can be made about the amount of resources containing economic benefits, the Company presents the relevant liability in the footnotes.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of receivable can be measured reliably.

2.2.13 Related parties

A related party is a person or entity that is related to the entity that prepares its financial statements.

a) A person or a member of that person's immediate family is related to a reporting entity if: This person:

(i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries).
(ii) Has an interest in the entity that gives it significant influence over the entity; or
(iii) Has joint control over the entity.

(b) An entity is related to a reporting entity if any of the following conditions exist:

(i) The entity and the reporting entity are members of the same group (that is, each parent, subsidiary and other subsidiary is related to the others).
(ii) The entity is a subsidiary or joint venture of the other entity (or a member of a group of which the other entity is a member).
(iii) If both businesses are joint ventures of the same third party.
(iv) If one of the entities is a joint venture of a third entity and the other entity is a subsidiary of that third entity.

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

2.2 Significant accounting estimates and decisions (Continued)

(v) If the entity, the reporting entity, or an entity related to the reporting entity has post-employment benefit plans for employees, the sponsoring employers are also related to the reporting entity if the reporting entity itself has such a plan.
(vi) A person, who identified in (a) controll the entity or joint entity.
(vii) A person identified in subparagraph (i) of (a) has significant influence over the entity or is a member of the key management personnel of that entity (or its parent).

A related party transaction is the transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a fee is charged.

2.2.14 Current and deferred income tax

Current year tax liability is calculated on the taxable portion of the period profit. Taxable profit differs from the profit included in the statement of profit or loss because it excludes items that are taxable or deductible in other years and items that cannot be taxed or deducted. The Company's current tax liability is calculated using the tax rate that has been legalized or substantially legalized as of the balance sheet date.

Deferred tax is calculated using the liability method, based on temporary differences between the recorded values of assets and liabilities in the financial statements and their tax values. These temporary differences generally arise from the recognition of income and expenses in different reporting periods in accordance with CMB Financial Reporting Standards and Tax Laws.

In calculating deferred tax, tax rates enacted as of the balance sheet date in accordance with the tax legislation in the period in which it will occur are used.

While deferred tax liabilities are recognized for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are recognized provided that it is highly probable that these differences will be benefited from by generating taxable profits in the future.

If there is a legally enforceable right to offset current tax assets against current tax liabilities, deferred tax assets and deferred tax liabilities are offset against each other.

Tax is included in the statement of profit or loss provided that it does not relate directly to a transaction recognized in equity. Otherwise, the tax is accounted under equity along with the relevant transaction.

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

2.2 Significant accounting estimates and decisions (Continued)

2.2.15 Provision for retirement and severance pay

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard 19 (revised) "Employee Benefits" ("TAS 19"). The retirement benefit obligation recognised in the balance sheet represents the net present value of the total due to retirement of all employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.2.16 Statement of cash flow

Cash and cash equivalents are reflected in the balance sheet at cost. Cash and cash equivalents considered for the cash flow statement include cash on hand, bank deposits and highly liquid investments. In the cash flow statement, cash flows for the period are classified and reported based on operating, investment and financing activities.

Cash flows from operating activities represent the cash flows from the Company's main activities. Cash flows related to investing activities show the cash flows used and obtained by the Company in its investment activities (asset investments and financial investments). Cash flows related to financing activities show the resources used by the Company in financing activities and the repayments of these resources.

2.2.17 Capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.2.18 Netting/offset

All items that are significant in terms of content and amount are shown separately in the financial statements, even if they are similar in nature. Amounts that are not significant are shown by adding up items that are similar in terms of their principles and functions. As a result of the nature of the transactions and events requiring offset, showing these transactions and events over their net amounts or monitoring the assets at their amounts after deducting the impairment loss is not considered a violation of the non-offsetting rule.

2.2.19 Trade receivables and provisions for doubtful trade receivables

Trade receivables resulting from the supply of a product to a buyer by the Company are shown net of unaccrued financial income. Trade receivables after unaccrued financial income are calculated by discounting the amounts to be obtained in the following periods of the receivables recorded from the original invoice value using the effective interest method. Short-term receivables with no specified interest rate are shown at cost, unless the effect of the original effective interest rate is significant. The Company allocates provision for doubtful receivables for related trade receivables. If there is an objective finding that collection is not possible.

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

2.2 Significant accounting estimates and decisions (Continued)

The amount of this provision is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows including the amounts that can be collected from guarantees and guarantees based on the original effective interest rate of the trade receivable.

Following the provision for doubtful receivables. If all or part of the amount is collected, the collected amount is deducted from the doubtful receivables provision and accounted for under other operating income.

2.2.20 Leases

As a lesse

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Company assess whether:

The company considers the following conditions when assessing whether a contract transfers the right to control the use of an identified asset for a specified period of time:

a) the contract involved the use of an identified asset - this may be specified explicitly or implicitly.
b) the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
c) the Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) the Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:

After the above-mentioned assessments, the Company reflects a right-of-use asset and a lease liability in its financial statements at the actual commencement date of the lease.

a) The Company has the right to manage and change how and for what purpose the asset will be used throughout the period of use. or
b) Decisions on how and for what purpose the asset will be used are predetermined:

   i. the Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
   ii. ii. the Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

2.2 Significant accounting estimates and decisions (Continued)

Right-of-use asset

The company measures the right-of-use asset at its cost at the actual commencement date of the lease. The cost of the right-of-use asset includes:

a) amount of the initial measurement of the lease liability;
b) any lease payments made at or before the commencement date, less any lease incentives received;
c) any initial direct costs incurred by the Company; and
d) to apply a cost model, the Company measure the right-of-use asset at cost:

When applying the company cost method. the right-of-use asset:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

While depreciating the right of use asset, the company applies the depreciation provisions in TAS 16 Property, Plant and Equipment standard.

Company applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) The amount obtained by deducting all kinds of leasing incentive receivables from fixed payments,
b) Lease payments that are dependent on an index or rate, the first measurement of which is made using an index or rate on the date when the lease actually begins,
c) The lease period indicates that the lessee will exercise an option to terminate the lease. Penalty payments for termination of the lease, if it is shown.

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

2.2 Significant accounting estimates and decisions (Continued)

After the commencement date, the Company measure the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability;
b) reducing the carrying amount to reflect the lease payments made; and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in- substance fixed lease payments.

Facilitating applications

Short-term lease contracts with a lease term of 12 months or less and contracts for information technology equipment leases (predominantly printers, laptop computers, mobile phones, etc.) determined by the Company as low value are considered within the scope of the exception recognized by TFRS 16 Leases Standard. Payments related to contracts continue to be recognized as expenses in the period in which they occur.

As a lessor

All leases for which the Company is a lessor are classified as operating leases. In operating leases, the leased assets are classified under investment properties, tangible fixed assets or other current assets in the balance sheet and the rental income obtained is reflected in the income statement in equal amounts during the lease period. Rental income is reflected to the income statement on a straight-line basis throughout the rental period.

Additions to right-of-use assets, depreciation expenses and book values are presented in Note 7 by underlying asset class.

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

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

2.3 New and Revised Turkish Financial Reporting Standards

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

a. Standards, amendments, and interpretations applicable as of 31 December 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 permited a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.

- **Amendment to IAS 12 - International tax reform ;** The temporary exception is effective for December 2023 year ends and the disclosure requirements are effective for accounting periods beginning on or after 1 January 2023, with early application permitted. These amendments give companies temporary relief from accounting for deferred taxes arising from the Minimum Tax Implementation Handbook international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 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. 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.

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

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

- **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 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.

- However, in the Board Decision of the POA published in the Official Gazette dated 29 December 2023, it was announced that certain businesses will be subject to mandatory sustainability reporting as of 1 January 2024. Businesses that fall within the scope of sustainability practice are counted for the purpose of determining the businesses that will be subject to Sustainability Reporting within the scope of the "Board Decision on the Scope of Application of Turkish Sustainability Reporting Standards (TSRS)" dated 5 January 2024.

2.4 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 December 2023 accounting period.

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

2.5. 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.

2.6. 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.

2.7. 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 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.

2.8. 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.

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

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

	31 December 2023	31 December 2022
Demand deposit	141	5.521
Time deposit	779.191	470.832
Other cash equivalents	2.713	2.900
Cash and cash equivalents in the statement of cash flows	**782.045**	**479.253**
Interest income accruals	11.961	2.492
	794.006	**481.745**

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

As of 31 December 2023, the Company has allocated USD 2.600.000 equivalent of TL 76.539 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 2022: USD 2.656.889 equivalent of TL 81.828)

NOTE 5 - Financial investments

	31 December 2023	31 December 2022
	TL	**TL**
Short-term financial investment (*)	131.193	-
	131.193	**-**

(*) Opened by converting 1.000.0000, 1.000.000, 1.000.000, 500.000, 800.000 USD, with interest of 39,00%, 35,00%, 35,00%, 18,00% and 18,00% respectively. The maturity dates of exchange rate protected deposit accounts are 15 April 2024, 8 May 2024, 15 May 2024, 12 February 2024 and 15 February 2024.

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

NOTE 5 - Financial investments (Continued)

	31 December 2023		31 December 2022	
	%	TL	%	TL
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7,67	63	7,67	234
Other long-term investments (*)	-	713	-	-
		776		**63**

(*) 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 December 2023 and 31 December 2022, the joint venture of the Company is as follows:

	31 December 2023	Share (%)	31 December 2022	Share (%)
LLC Faber-Castell Anadolu	-	50,00	-	50,00
	-		**-**	

31 December 2023	**Assets**	**Liabilities**	**Net sales**	**Profit/(loss)**
Faber-Castell Anadolu LLC	1.734	3.691	-	(1.911)
31 December 2022	**Assets**	**Liabilities**	**Net sales**	**Profit/(loss)**
Faber-Castell Anadolu LLC	779	2.025	-	(167)

	2023	2022
1 January	**-**	**-**
Jointly controlled partnership capital increase	1.121	-
Shares in profits/(losses) of investments valued by equity method (Note 19)	(1.121)	-
31 December	**-**	**-**

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

NOTE 7 - Borrowings and right of use assets

31 December 2023	**Interest rate %**	**Balance**
Short term borrowings		
TL loans	17,64 - 49,87	305.519
Issued Debt Instruments (*)	42,5-46,00	474.382
		779.901

(*) 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 December 2023, 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 December 2023	**Interest rate %**	**Balance**
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	8,45	39.168
Short-term portions of long-term loans	12 - 17,32	27.076
Short-term portions of long-term issued debt instruments (*)	32,50	195.277
		261.521

(*) The Company has 150,000 TL bonds with a maturity of 376 days, a simple 32.50% fixed interest, and a single coupon payment at redemption dated 07.02.2024, to be sold to qualified investors without public offering in the country.

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	71.276
		71.276

The details of the Company's short and long-term borrowings as of 31 December 2022 are as follows;

31 December 2022	**Interest rate %**	**Balance**
Short term borrowings		
TL loans	14,6 - 26,57	802.263
		802.263

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

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

31 December 2022	**Interest rate %**	**Balance**
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	8,00	16.283
Short-term portions of long-term loans	16,50	12.056
		28.339

As of 31 December 2022, the interest accrual calculated for the Company's short-term loans is classified within the relevant short-term bank loans.

As of 31 December 2022, 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 2022	**Interest rate %**	**Balance**
Long term borrowings		
TL Loans	16,50	11.534
Long term lease liabilities	8,00	35.031
		46.565

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

31 December 2023	**Total liabilities**
1-2 years	71.276
	71.276

31 December 2022	**Total liabilities**
1-2 years	40.798
2-3 years	5.767
	46.565

The movement table of bank loans is as follows:

	2023	**2022**
1 January	**825.853**	**1.379.690**
Cash inflows from borrowing	1.653.797	1.029.252
Cash outflows related to debt payments	(1.109.702)	(1.048.154)
Interest expense	299.048	274.016
Interest paid	(221.916)	(241.483)
Foreign exchances gain/(loss)	-	13.337
Inflation differences	(444.826)	(580.805)
31 December	**1.002.254**	**825.853**

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

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

The movement table of lease liabilities is as follows:

	2023	2022
1 January	**51.221**	**7.799**
Cash inflow within the period	118.626	87.353
Cash outflows related to lease payments for the period	(43.070)	(28.297)
Interest expense	9.888	8.141
Interest paid	(2)	(7)
Foreign exchances gain/(loss)	(50)	(42)
Inflation differences	(26.169)	(23.633)
31 December	**110.444**	**51.314**

The movement table of the right-of-use assets of the Company as of 31 December 2023 and 31 December 2022 is given below.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2023,	34.293	35.045	69.338
Additions	10.925	4.619	15.544
Disposal	-	(12.316)	(12.316)
Changes in contracts	-	103.082	103.082
Current depreciation expense (*)	(17.241)	(23.626)	(40.867)
As of 31 December 2023,	**27.977**	**106.804**	**134.781**

(*) 394 TL of depreciation expenses are included in the cost of goods sold, 5.512 TL in general administrative expenses, and 34.961 TL in marketing, sales and distribution expenses.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2022,	9.571	-	9.571
Addition	34.784	52.568	87.352
Current depreciation expense	(10.062)	(17.523)	(27.585)
As of 31 December 2022,	**34.293**	**35.045**	**69.338**

(*) 160 TL of depreciation expenses are included in the cost of goods sold, 2.520 TL in general administrative expenses, and 24.905 TL in marketing, sales and distribution expenses.

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

NOTE 8 - Trade receivables and payables

As of 31 December 2023 and 2022, the Company's trade receivables are as follows:

Trade Receivables	**31 December 2023**	**31 December 2022**
Trade receivables from related parties (Note 24)	51.880	17.250
Trade receivables from third parties	66.574	75.728
	118.454	**92.978**

Trade receivables from third parties	**31 December 2023**	**31 December 2022**
Cheques and notes receivables	963	1.136
Trade receivables	75.690	85.882
Rediscount	(3.701)	(1.640)
Provisions for doubtful trade receivables	(6.378)	(9.650)
	66.574	**75.728**

As of 31 December 2023 and 2022, the movement table for doubtful trade receivables is as follows:

	2023	**2022**
1 January	**9.650**	**15.034**
Provision recognized during the period	544	689
Reversal of provision	(22)	-
Inflation correction differences	(3.794)	(6.073)
31 December	**6.378**	**9.650**

Trade payables	**31 December 2023**	**31 December 2022**
Trade payables to related parties (Note 24)	6.658	1.145
Trade payables to third parties	132.975	94.118
	139.633	**95.263**

Trade payables to third parties	**31 December 2023**	**31 December 2022**
Suppliers	127.810	95.146
Other trade payables	11.188	24
Rediscount (-)	(6.023)	(1.052)
	132.975	**94.118**

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

NOTE 9 - Other receivables and payables

Other receivables	**31 December 2023**	**31 December 2022**
Other receivables from related parties (Note 23)	-	221
Other receivables from third parties	7.381	2.821
	7.381	**3.042**

Other receivables from third parties	**31 December 2023**	**31 December 2022**
Sublease receivables	4.155	-
Deposits and guarantees given	1.138	1.166
Receivables from employees	1.834	429
Other miscellaneous receivables	254	1.226
	7.381	**2.821**

Other long-term receivables	**31 December 2023**	**31 December 2022**
Sublease receviables	383	-
	383	**-**

Other payables	**31 December 2023**	**31 December 2022**
Other payables to third parties	396	2.607
	396	**2.607**

Other payables to third parties	**31 December 2023**	**31 December 2022**
Taxes, fees and deductions payables	-	2.206
Other	396	401
	396	**2.607**

Employee benefit liabilities	**31 December 2023**	**31 December 2022**
Social security premiums payable	12.331	10.024
Due to employees	17.878	18.783
Other withholding tax liabilities	29.893	16.730
	60.102	**45.537**

Long-term employee benefit liabilities	**31 December 2023**	**31 December 2022**
Due to employees	9.621	-
	9.621	**-**

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

NOTE 10 - Inventories

	31 December 2023	31 December 2022
Raw materials	186.383	184.662
Semi-finished goods	67.856	61.574
Finished goods	181.272	114.205
Trade goods	189.715	140.527
Other inventories	6.730	5.579
Impairment of inventories (*)	(16.356)	(13.487)
	615.600	**493.060**

(*) As of 31 December 2023 and 2022, the movement table regarding the stock impairment provision allocated as a result of the evaluation regarding the recoverability of stocks is as follows:

	2023	2022
1 January	**13.487**	**7.280**
Provisions no longer required (-)	(11.040)	(16.077)
Addition	13.909	22.284
31 December	**16.356**	**13.487**

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

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 2023,									
Cost	30.023	14.224	465.616	640.298	10.495	183.774	35.080	1.496	1.381.006
Accumulated depreciation	-	(11.500)	(75.008)	(497.769)	(10.380)	(159.617)	-	(1.341)	(755.615)
Net book value	**30.023**	**2.724**	**390.608**	**142.529**	**115**	**24.157**	**35.080**	**155**	**625.391**
Opening balance	**30.023**	**2.724**	**390.608**	**142.529**	**115**	**24.157**	**35.080**	**155**	**625.391**
Additions	-	-	2.108	7.014	-	7.014	-	2.123	18.259
Disposal cost	-	-	-	(389)	-	(15.613)	(3.592)	-	(19.594)
Disposal depreciation	-	-	-	251	-	13.024	-	-	13.275
Transfers	-	-	-	-	-	-	(31.488)	-	(31.488)
Depreciation (*)	-	(1.373)	(10.418)	(28.110)	(90)	(8.517)	-	(140)	(48.648)
Closing balance	**30.023**	**1.351**	**382.298**	**121.295**	**25**	**20.065**	**-**	**2.138**	**557.195**
As of 31 December 2023,									
Cost	30.023	14.224	467.724	646.923	10.495	175.175	-	3.619	1.348.183
Accumulated depreciation	-	(12.873)	(85.426)	(525.628)	(10.470)	(155.110)	-	(1.481)	(790.988)
Net book value	**30.023**	**1.351**	**382.298**	**121.295**	**25**	**20.065**	**-**	**2.138**	**557.195**

(*) 37.946 TL of depreciation expenses are included in the cost of goods sold, 1.043 TL in general administrative expenses, 1.613 TL in research and development expenses and 8.046 TL in marketing, sales and distribution expenses.

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

NOTE 11 - Property, plant and equipment (Continued)

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress		Total
As of 1 January 2022,									
Cost	30.023	14.224	472.306	628.697	10.495	179.532	28.918	1.566	1.365.741
Accumulated depreciation	-	(9.874)	(73.614)	(469.074)	(10.113)	(149.369)	-	(1.273)	(713.317)
									-
Net book value	**30.023**	**4.350**	**398.692**	**159.623**	**382**	**30.163**	**28.918**	**293**	**652.444**
									-
Opening balance	**30.023**	**4.350**	**398.692**	**159.623**	**382**	**30.163**	**28.918**	**293**	**652.444**
									-
Additions	-	-	2.284	16.291	-	6.848	13.167	-	38.590
Disposal cost	-	-	(8.974)	(5.268)	-	(2.606)	-	(70)	(16.918)
Disposal depreciation	-	-	8.974	4.157	-	1.493	-	70	14.694
Transfers	-	-	-	578	-	-	(7.005)	-	(6.427)
Depreciation (*)	-	(1.626)	(10.368)	(32.852)	(267)	(11.741)	-	(138)	(56.992)
									-
Closing balance	**30.023**	**2.724**	**390.608**	**142.529**	**115**	**24.157**	**35.080**	**155**	**625.391**
									-
As of 31 December 2022,									-
Cost	30.023	14.224	465.616	640.298	10.495	183.774	35.080	1.496	1.381.006
Accumulated depreciation	-	(11.500)	(75.008)	(497.769)	(10.380)	(159.617)	-	(1.341)	(755.615)
									-
Net book value	**30.023**	**2.724**	**390.608**	**142.529**	**115**	**24.157**	**35.080**	**155**	**625.391**

(*) 42.878 TL of depreciation expenses is included in the cost of goods sold, 3.250 TL is included in general administrative expenses, 1.194 TL is included in research and development expenses, and 9.670 TL is included in marketing, sales and distribution expenses.

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

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	1.987	14.920	151.779	13.110	181.796
Accumulated amortizations	(1.780)	(5.420)	(120.703)	(7.211)	(135.114)
Net book value	**207**	**9.500**	**31.076**	**5.899**	**46.682**
Opening balance	**207**	**9.500**	**31.076**	**5.899**	**46.682**
Additions	236	15.893	4.260	-	20.389
Transfers	-	28.867	2.621	-	31.488
Depreciation (*)	(174)	(4.032)	(11.810)	(3.546)	(19.562)
Closing balance	**269**	**50.228**	**26.147**	**2.353**	**78.997**
As of 31 December 2023,					
Cost	2.223	59.680	158.660	13.110	233.673
Accumulated amortizations	(1.954)	(9.452)	(132.513)	(10.757)	(154.676)
Net book value	**269**	**50.228**	**26.147**	**2.353**	**78.997**

(*) For the current period, amortization shares include 7.564 TL in the cost of goods sold, 1.168 TL in general administrative expenses, 2.465 TL in research and development expenses and 8.365 TL in marketing, sales and distribution expenses. has been made.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2022,					
Cost	1.987	12.000	140.410	13.110	167.507
Accumulated amortizations	(1.592)	(3.010)	(109.848)	(4.781)	(119.231)
Net book value	**395**	**8.990**	**30.562**	**8.329**	**48.276**
Opening balance	**395**	**8.990**	**30.562**	**8.329**	**48.276**
Additions	-	419	7.676	-	8.095
Cost of disposal	-	-	(233)	-	(233)
Accumulated amortization of disposal	-	-	72	-	72
Transfers	-	2.501	3.926	-	6.427
Amortizations (*)	(188)	(2.410)	(10.927)	(2.430)	(15.955)
Closing balance	**207**	**9.500**	**31.076**	**5.899**	**46.682**
As of 31 December 2022,					
Cost	1.987	14.920	151.779	13.110	181.796
Accumulated amortizations	(1.780)	(5.420)	(120.703)	(7.211)	(135.114)
Net book value	**207**	**9.500**	**31.076**	**5.899**	**46.682**

(*) For the current period, amortization shares include 1,813 TL in the cost of goods sold, 685 TL in general administrative expenses, 2,157 TL in research and development expenses, and 11,300 TL in marketing, sales and distribution expenses, has been made.

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

NOTE 13 - Provisions, contingent assets and liabilities

	31 December 2023	31 December 2022
Provisions for lawsuits	187	1.305
	187	**1.305**

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.

	2023	2022
As of 1 January,	**1.305**	**3.914**
Provisions no longer required (-)	(605)	(1.078)
Inflation difference	(513)	(1.531)
As of 31 December,	**187**	**1.305**

Contingent liabilities and contingent assets

After Adel Kalemcilik 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 Kalemcilik 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 Kalemcilik 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 December 2023. The company has objected to the enforcement proceedings in question and the proceedings are continuing.

Following the failure of Adel Kalemcilik 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 Kalemcilik 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.

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

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

Deposits and guarantees given (Continued)

Deposits and guarantees given	**31 December 2023**	**31 December 2022**
Letters of credit	121.886	41.989
Guarantees letter	30.662	54.322

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

31 December 2023

	Letter of guarantees, pledge and mortgages provided by the Company	**TL equivalents**	**EUR**	**TL**
A.	Total amount of GPMs given on behalf of the Company's legal personality	121.886	-	121.886
B.	Total amount of GPMs given in favor of subsidiaries included in full consolidation	-	-	-
C.	Total amount of GPMs given by the Company for the liabilities of 3rd parties 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	-	-	-
		121.886	**-**	**121.886**

31 December 2022

	Letter of guarantees, pledge and mortgages provided by the Company	**TL equivalents**	**EUR**	**TL**
A.	Total amount of GPMs given on behalf of the Company's legal personality	41.989		41.989
B.	Total amount of GPMs given in favor of subsidiaries included in full consolidation			
C.	Total amount of GPMs given by the Company for the liabilities of 3rd parties 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			
		41.989	**-**	**41.989**

The ratio of other CPMs given by the Company to the Company's equity capital is 0% as of 31 December 2023 (31 December 2022: 0%).

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

NOTE 14 - Employee benefits

Short term employee benefits	**31 December 2023**	**31 December 2022**
Premium accruals	5.803	5.363
Provisions for unused vacations	2.575	1.534
	8.378	**6.897**

Long term employee benefits	**31 December 2023**	**31 December 2022**
Provisons for employee termination benefits	28.890	62.512
	28.890	**62.512**

The movement table of unused vacation accruals as of 31 December 2023 and 2022 is as follows:

	2023	**2022**
As of 1 January,	**1.534**	**2.348**
Addition	11.168	8.396
Charge for the period	(9.528)	(8.293)
Inflation Difference	(599)	(917)
As of 31 December,	**2.575**	**1.534**

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 December 2023 and 2022, provisions in the attached financial statements are calculated by estimating the present value of the possible future liability arising from the retirement of employees.

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

NOTE 14 - Employee benefits (Continued)

	2023	**2022**
As of 1 January,	**62.512**	**39.445**
Service cost	24.177	33.591
Severance pay paid	(38.056)	(3.867)
Actuarial losses	4.366	12.341
Inflation difference	(24.109)	(18.997)
As of 31 December,	**28.890**	**62.513**

	31 December 2023	**31 December 2022**
Discount rate (%)	1,72	0,49
Turnover rate used in retirement probability calculation (%)	92,60	92,73

NOTE 15 - Other assets and liabilities

Short-term prepaid expenses	**31 December 2023**	**31 December 2022**
Advances given	8.591	14.005
Prepaid expenses for the next months	8.859	6.494
	17.450	**20.499**

Current tax assets	**31 December 2023**	**31 December 2022**
Prepaid taxes and funds	99.912	40.368
	99.912	**40.368**

Other current assets	**31 December 2023**	**31 December 2022**
Deffered VAT	44.288	24.147
Advances to personnel	10	39
Work advance	25	389
Other miscellaneous current assets	5	169
	44.328	**24.744**

Long-term prepaid expenses	**31 December 2023**	**31 December 2022**
Prepaid expenses for future years	6.631	8.206
	6.631	**8.206**

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

NOTE 15 - Other assets and liabilities (Continued)

Deffered income	**31 December 2023**	**31 December 2022**
Advances received	154.211	9.015
Short-term deferred income	4.519	1.465
	158.730	**10.480**

NOTE 16 - Capital, reserves and other equity items

Equity

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

	31 December 2023		**31 December 2022**	
	% Share	**Amount**	**% Share**	**Amount**
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		376.100		376.100
Total capital		**399.725**		**399.725**

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

<u>Number of shares, share groups and privileges:</u>

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".

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

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

As of 31 December 2023, the inflation-adjusted amount of legal reserves in the statutory records is 305.336 TL.

	31 December 2023	**31 December 2022**
Legal reserves	193.751	191.901
Real estate and subsidiary shares sales profit	2.916	2.917
R&D investment fund	781	-
	197.448	**194.818**

Retained Earnings

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

	31 December 2023	**31 December 2022**
Extraordinary reserves	95.585	136.149
Other retained earnigs /(loss)	(9.879)	(8.584)
	85.706	**127.565**

As of 31 December 2023 and 2022, the fund items included in shareholders' equity in the financial statements prepared in accordance with the Tax Procedure Law are as follows.

Retained Earnings	**CPI Adjusted Statuary Entrys**	**PPI Adjusted Statuary Entrys**	**Followed ammount of profit or loss brought forward**
Adjustments to share capital	517.253	376.100	141.153
Reserves on retained erning	322.353	197.448	124.905

As of 1 January 2022, the Company's previous years' profit / (loss) without inflation accounting is 78.436 TL, while the previous years' profit / (loss) with inflation accounting is 191.849 TL.

As of 31 December 2022, the Company's previous years' profit/(loss) amount without inflation accounting is 55.576 TL while its previous years' profit/(loss) amount with inflation applied is 127.562 TL.

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.

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

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 Meeting held on 13 April 2023, since there was no Net Distributable Period Profit according to the statutory records in the Profit Distribution Table prepared within the scope of the Capital Markets Board Dividend Guide for the 2022 activity year of our Company, the previous year's profits will be used as the other source planned to be distributed on 31 December 2023. As of the date, the gross profit share of 19.802 full TL, calculated on the basis of purchasing power, will be distributed to full taxpayer institutions at the rate of 76,2% gross amounting to 0,8381 full TL for each share with a nominal value of 1 full TL and 0,7543 for each share with a nominal value of 1 full TL. It was decided to distribute a net cash dividend of 68,58% in full TL, and dividend payments started and were completed on 27 September 2023.

	31 December 2023	**31 December 2022**
Dividends distributed to shareholders	19.802	16.171
	19.802	**16.171**

NOTE 17 - Revenue and cost of sales

	1 January - 31 December 2023	**1 January - 31 December 2022**
Domestic sales	2.752.885	1.962.486
Foreign sales	156.234	125.404
Sales discounts (-)	(647.364)	(412.768)
Net sales	**2.261.755**	**1.675.122**
Cost of sales (-)	**(1.205.803)**	**(1.253.242)**
Gross profit	**1.055.952**	**421.880**

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

NOTE 17 - Revenue and cost of sales (Continued)

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

	1 January - 31 December 2023	**1 January - 31 December 2022**
Direct material cost	530.964	647.010
General production expenses	203.067	140.326
Direct labour costs	105.328	107.198
Depreciation and amortization expenses	45.904	44.850
Provision for inventories	13.909	22.284
Change in semi-finished goods	(6.283)	(50.063)
Change in finished goods	(78.107)	(103.124)
Cost of products sold	**814.782**	**808.481**
Cost of goods sold	391.021	444.761
Cost of sales	**1.205.803**	**1.253.242**

NOTE 18 - Expenses by natures

The operating expenses of the Company are as follows.

	1 January - 31 December 2023	**1 January - 31 December 2022**
Raw materials, supplies and merchandise	837.595	938.584
Personnel expenses	562.401	352.924
Domestic sales expenses	58.499	43.879
Depreciation and amortization expenses	109.077	100.532
Service expenses received	91.385	42.902
Informaiton systems expenses	21.046	17.812
Other expenses	221.098	194.668
	1.901.101	**1.691.301**

By nature expenses include cost of sales, research and development expenses, marketing, selling and distribution expenses and general administrative expenses.

	1 January - 31 December 2023	**1 January - 31 December 2022**
Cost of sales	1.205.803	1.253.242
Research and development expenses	12.383	10.152
Marketing, selling and distribution expenses	398.264	282.259
General administration expenses	284.651	145.648
	1.901.101	**1.691.301**

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

NOTE 18 - Expenses by natures (Continued)

The distribution of personnel expenses in research and development expenses, cost of sales, general administrative expenses and marketing, selling and distribution expenses is as follows:

Personnel expenses	**2023**	**2022**
Research and development expenses	7.620	6.146
Cost of sales	239.401	159.516
Marketing, selling and distribution expenses	150.499	100.521
General administrative expenses	164.881	86.741
	562.401	**352.924**

Research and development expenses

	2023	**2022**
Personnel expenses	7.620	6.146
Depreciation and amortization expenses	4.078	3.351
Other expenses	685	655
	12.383	**10.152**

Marketing sales distrubution expenses

	2023	**2022**
Personnel expenses	150.499	100.521
Domestic sales expenses	56.048	41.691
Advertising expenses	27.583	15.157
Depreciation and amortization expenses	51.372	45.875
Business and services license expenses	33.724	18.583
Other expenses	79.038	60.432
	398.264	**282.259**

General administrative expenses

	2023	**2022**
Personnel expenses	164.881	86.740
Depreciation and amortization expenses	7.723	6.454
Business and services	73.067	28.628
Other expenses	38.980	23.826
	284.651	**145.648**

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

NOTE 19 - Other operating and investment activities income and expenses

	1 January - 31 December 2023	1 January - 31 December 2022
Other income from main operations		
Currency translation income	56.528	16.622
Rediscount interes gains	7.980	6.517
Other	9.090	9.997
	73.598	**33.136**

	1 January - 31 December 2023	1 January - 31 December 2022
Other operating expense		
Rediscount interes loss	7.142	-
Currency translation expense	12.821	10.778
Donation expenses	16.733	7.528
Other	12.043	5.815
	48.739	**24.121**

NOTE 20 - Income and expense from investment activities

	1 January - 31 December 2023	1 January - 31 December 2022
Income from investment activities		
Gain on sale of investment funds	4.015	-
Dividend income from subsidiaries	25	133
Profit on sale of other property, plant and equipment, net	495	703
	4.535	**836**

	1 January - 31 December 2023	1 January - 31 December 2022
Expenses from investment activities		
Loss on sale of other property, plant and equipment (-)	(162)	(137)
	(162)	**(137)**

	1 January - 31 December 2023	1 January - 31 December 2022
Share from income/(loss) of investment valued by equity method		
LCC Faber-Castell Anadolu	(1.121)	-
	(1.121)	**-**

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

NOTE 21 - Finance income and expenses

Finance income	**1 January - 31 December 2023**	**1 January - 31 December 2022**
Foreign exchange income	46.611	23.810
Interest income	123.439	52.042
Interest income from sublease	1.240	-
Income on hedge	-	3.075
Income on currency-protected interest	43.051	19.403
	214.341	**98.330**

Finance expenses	**1 January - 31 December 2023**	**1 January - 31 December 2022**
Interest expenses	310.177	281.663
Foreign exchange expenses	12.820	1.109
Expenses on hedge	-	13.337
	322.997	**296.109**

NOTE 22- 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 December 2023	**1 January - 31 December 2022**
Current period statutory tax provision (-)	(133.491)	(819)
Deferred tax income	127.658	(6.657)
Total deferred tax income, net	**(5.833)**	**(7.476)**

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

NOTE 22- Income taxes (Continued)

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

	2023	**2023**
Profit / (loss) before tax	**441.799**	**(11.952)**
Tax rate	%25	23%
Calcuulated tax expenses	110.450	(2.749)
Non tax deductible expenses	10.231	4.615
Investment allowances	-	(5.835)
Research and development allowances	(3.185)	(8.169)
Tax exempt income	(14.289)	(760)
Other	239	(255)
Inflation difference	(97.613)	20.629
Tax income	**5.833**	**7.476**

	31 December 2023	**31 December 2022**
Period income tax provision	(133.491)	(819)
Prepaid tax expenses (-)	233.403	40.368
Profit for the period tax (liability)/receivable, net	**99.912**	**39.549**

NOTE 22- Income taxes

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 2022: 5.624 TL)

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 December 2023, the Company used an R&D discount advantage of 3.185 TL (31 December 2022: 8.169 TL) in return for legal tax.

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

NOTE 22- Income taxes (Continued)

	Total temprorary differences		Deferred tax	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Tangible and intangible assets	109.543	(501.354)	27.386	(100.271)
Provisions for employee termination benefits	35.765	62.201	8.941	12.440
Provisions for subsidiary premium	-	-	-	-
Provision for loyalty	-	625	-	125
Provision for decrease in value of inventories	(62.939)	(77.963)	(15.735)	(15.593)
Incentive premium accurals	23.494	2.014	5.874	403
Other adjustment	(9.445)	2.121	(2.365)	425
Deferred tax receviable/(liability)	**96.418**	**(512.356)**	**24.101**	**(102.471)**

NOTE 23 - 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 December 2023	**1 January - 31 December 2022**
Profit /(loss) for the period	435.966	(19.427)
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)	**18,4536**	**(0,8223)**

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

NOTE 24 - Related parties transactions

a) Related Parties' Balances

	Receivables from related parties	
	31 December 2023	**31 December 2022**
A.W. Faber-Castell Vertrieb GmbH (3)	4.768	943
Migros Ticaret A.Ş. (3)	45.609	10.648
LLC Faber-Castell Anadolu (2)	1.032	1.079
A.W. Faber Castell Peruana SA (3)	1	1.354
Aep Anadolu Etap Penkon (3)	2.554	1.788
Aep Anadolu Etap Penkon Gıda ve İçecek (3)	-	211
Coca Cola Satış ve Dağıtım A.Ş.	204	-
Other	719	1.523
	54.887	**17.546**
Less: Rediscount on receivables/ payables (-)	(3.007)	(296)
	51.880	**17.250**

Related Parties' Balances

	Payable to related parties	
	31 December 2023	**31 December 2022**
AG Anadolu Grubu Holding A.Ş. (1)	6.955	1.089
AEH Sigorta Acentalığı A.Ş. (3)	4	33
Other	19	28
	6.978	**1.150**
Less: Rediscount on receivables/ payables (-)	(320)	(5)
	6.658	**1.145**

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

Other receivables from related parties	**31 December 2023**	**31 December 2022**
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	-	221
	-	**221**

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

NOTE 24 - Related parties transactions (Continued)

b) Related Parties' transactions

Product purchase	1 January - 31 December 2023	1 January - 31 December 2022
A.W. Faber-Castell Vertrieb GmbH (3)	102.057	132.981
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd. (3)	69.525	50.335
A.W. Faber Castell (M) Sdn.Bhd. (3)	84.820	33.911
Pt. Pencil Lead Indonesıa (3)	20.747	17.462
Others	3.125	3.593
	280.274	**238.282**

Product sales	1 January - 31 December 2023	1 January - 31 December 2022
Migros Ticaret A.Ş. (3)	83.768	31.067
A.W. Faber Castell Peruana (3)	6.431	4.728
A.W. Faber-Castell Vertrieb GmbH (3)	12.828	11.674
A.W. Faber Castell Brezilya S.A. (3)	1.365	1.109
Others	3.287	1.664
	107.679	**50.242**

Services received	1 January - 31 December 2023	1 January - 31 December 2022
AG Anadolu Grubu Holding A.Ş. (1)	32.290	20.297
Moneypay Ödeme ve Elektronık Para hizmetlerı A.Ş.	2.944	-
Migros Ticaret A.Ş. (3)	1.958	1.395
Anadolu Efes Spor Kulübü (3)	2.030	3.559
Aep Anadolu Etap Penkon A.Ş. (3)	-	564
Others	636	318
	39.858	**26.133**

Services given	1 January - 31 December 2023	1 January - 31 December 2022
A.W. Faber-Castell Vetrieb Gmbh. (3)	3.572	5.559
AG Anadolu Grubu Holding A.Ş. (1)	2.421	25
Anadolu Kafkasya Enerjı Yatırımları A.Ş. (3)	3.551	1.912
Kartal Anadolu Gayrımenkul Yatırımları A.S. (3)	603	533
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş (3)	12.638	6.509
Efes Pazarlama (3)	-	640
Others	691	16
	23.476	**15.194**

Other transactions	1 January - 31 December 2023	1 January - 31 December 2022
Donations and grants (*)	**15.575**	**5.438**

(*) Consists of donations made to Anadolu Education and Social Assistance Foundation.

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

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

NOTE 24 - 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:

	2023	**2022**
Short-term employee benefits	86.160	50.394
Other long-term benefits	21.879	2.202
Benefits due terminations	6.351	74
	114.390	**52.670**

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.

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

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

(a) Capital risk management (Continued)

As of 31 December 2023 and 31 December 2022, net debt/(equity+net debt) ratio is as follows:

	31 December 2023	31 December 2022
Total borrowings	1.112.698	877.168
Less: Cash and cash equivalents	(925.199)	(481.745)
Net dept	187.499	395.423
Total equity	1.110.832	692.684
Total equity + net dept	**1.298.331**	**1.088.107**
Net dept / (total equity+net dept) ratio	**%14**	**%36**

(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 December 2022	31 December 2022
Assets	121.211	108.797
Liabilities	(41.681)	(14.024)
Net balance sheet foreign currency position	**79.530**	**94.773**

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

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

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

(c) Currency risk and management (Continued)

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	15.453	(15.453)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	**15.453**	**(15.453)**
In case the Euro changes 20% +/- against TL:		
4- Euro net asset/liability	453	(453)
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	**453**	**(453)**
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)	**-**	**-**
	15.906	**(15.906)**

Profit/(Loss) 31 December 2022	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
If the US Dollar changes 20% +/- against TL:		
1- USD net asset/liability	19.511	(19.511)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	**19.511**	**(19.511)**
In case the Euro changes 20% +/- against TL:		
4- - Euro net asset/liability	(557)	557
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	**(557)**	**557**
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)	**-**	**-**
	18.954	**(18.954)**

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

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

NOTE 25 - 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 December 2023					31 December 2022				
	TL equivalent	**USD**	**Avro**	**GBP**	**Other**	**TL equivalent**	**USD**	**Avro**	**GBP**	**Other**
1. Trade receivables	25.066	668	166	-	-	26.309	751	97	-	10
2a. Monetary financial assets	76.539	2.600	-	-	-	81.839	2.608	45	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	19.606	582	76	-	-	649	1	19	-	-
4. Total current assets (1+2+3)	**121.211**	**3.850**	**242**	**-**	**-**	**108.797**	**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)	**121.211**	**3.850**	**242**	**-**	**-**	**108.797**	**3.360**	**161**	**-**	**10**
10. Ticari payables	40.000	1.177	164	-	-	13.668	183	244	-	6
11. Financial liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other monetary liabilities	1.681	48	8	-	-	356	10	1	-	-
12b. Othre non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	**41.681**	**1.225**	**172**	**-**	**-**	**14.024**	**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)	**41.681**	**1.225**	**172**	**-**	**-**	**14.024**	**193**	**245**	**-**	**6**
19. Net asset/ (liability) position of off-balance sheet derivative instruments (19a-19b)	**376.809**	**12.800**	**-**	**-**	**-**	**303.476**	**9.850**	**-**	**-**	**-**
19a. Total asset amount hedged	376.809	12.800	-	-	-	303.476	9.850	-	-	-
19b. Total liabilities amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	**356.339**	**15.425**	**70**	**-**	**-**	**398.249**	**13.017**	**(84)**	**-**	**4**
21. Monetary items net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)	**79.530**	**2.625**	**70**	**-**	**-**	**94.773**	**3.167**	**(84)**	**-**	**4**
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	**156.234**	**3.608**	**786**	**-**	**-**	**125.404**	**2.928**	**860**		**1.677**
24. Imports	**432.560**	**14.759**	**3.943**	**105**	**16.369**	**445.956**	**11.242**	**4.756**	**54**	**34.620**
						0	0	0	0	0
%20 increase	**-**	**15.453**	**453**	**-**	**-**	**-**	**11.841**	**(338)**	**-**	**-**

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

(d) Interest rate risk and management

As of 31 December 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 67% 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 93% 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.

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

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

(e) Credit risk management (Continued)

	Trade receivables		Other receivables			
31 December 2023	**Related parties**	**Other**	**Related parties**	**Other**	**Cash in banks**	**Other financial assets**
Maximum net credit risk as of balance sheet date	**51.880**	**66.574**	**-**	**7.381**	**794.006**	**-**
- The part of maximum risk under guarantee with collateral etc.	**-**	**38.236**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	51.880	28.338	-	7.381	794.006	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired						
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross carrying amount)		6.378				
- Impairment (-)	-	(6.378)	-	-	-	-
- The part of net value under guarantee with collateral etc.						
- Not past due (gross carrying amount)	-		-	-	-	-
- Impairment (-)	-		-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

(e) Credit risk management (Continued)

	Trade receivables		**Other receivables**			
31 December 2022	**Related parties**	**Other**	**Related parties**	**Other**	**Cash in banks**	**Other financial assets**
Maximum net credit risk as of balance sheet date	**17.250**	**75.728**	**221**	**2.821**	**481.746**	**-**
	-	-	-	-	-	-
- The part of maximum risk under guarantee with collateral etc.	**-**	**29.823**	**-**	**-**	**-**	**-**
A. Net book value of financial assets that are neither past due nor impaired	17.250	45.905	-	2.821	-	-
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired						
- The part under guarantee with collateral etc.	-	-	-	-	-	-
D. Net book value of impaired assets						
	-	-	-	-	-	-
- Past due (gross carrying amount)		9.650				
- Impairment (-)	-	(9.650)	-	-	-	-
- The part of net value under guarantee with collateral etc.						
- Not past due (gross carrying amount)	-		-	-	-	-
- Impairment (-)	-		-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-	-
	-	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

(e) Credit risk management (Continued)

The details of the mortgages and guarantees received for the receivables with or without a balance are explained below.

	31 December 2023	31 December 2022
Mortgages	1.810	2.982
Pledge agreements	30	49
Letter of guarantees	11.263	18.022
	13.103	**21.053**

(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.

31 December 2023	Book Value	Total Cash Outflow	Less than 3 Months	Between 3-12 Months	Between 1-5 Years	More than 5 Years
Financial Liabilities	1.112.698	1.124.375	256.513	867.862	-	-
Trade Payables	132.975	139.003	139.003	-	-	-
Other Payables	60.498	60.498	60.498	-	-	-

31 December 2022	Book Value	Total Cash Outflow	Less than 3 Months	Between 3-12 Months	Between 1-5 Years	More than 5 Years
Financial Liabilities	877.167	906.751	444.162	428.268	34.321	-
Trade Payables	94.118	95.170	95.170	-	-	-
Other Payables	48.144	48.145	48.145	-	-	-

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

NOTE 26 - Financial instruments

26.1 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 December 2023	Level 1	Level 2	Level 3
Derivative financial liabilities	1.721	-	1.721	-
	31 Decmber 2022	**Level 1**	**Level 2**	**Seviye 3**
Derivative financial liabilities	8.374	-	8.374	-

26.2 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 December 2023, Adel has a foreign exchange forward transaction with a nominal value of TL 250.255 amounting to USD 8.500.000 (31 December 2022: Nominal value of TL 303.476 amounting to USD 9.850.000).

As of 31 December 2023, the Company has allocated USD 2.600.000 equivalent of TL 76.539 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 2022: USD 2.656.889 equivalent of TL 81.828)

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.

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.

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

NOTE 26 - Financial instruments (Continued)

26.2 Derivative financial instruments and hedging transactions (Continued)

	2023			2022		
		Fair Value			Fair Value	
	Contract Amount	Assets	Liabilities	Contract Amount	Assets	Liabilities
For hedging purposes:						
Forward transaction	250.225	-	1.721	303.476	-	8.374
	250.225	**-**	**1.721**	**303.476**	**-**	**8.374**
Short term	250.225	-	1.721	303.476	-	8.374
	250.225	**-**	**1.721**	**303.476**	**-**	**8.374**

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.

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

NOTE 26 - Financial instruments (Continued)

26.2 Derivative financial instruments and hedging transactions (Continued)

31 December 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 equivalences	4	-	794.006	-	794.006	794.006
Trade receivables from third parties	8	-	66.574	-	66.574	66.574
Receivables from related parties	24	-	51.880	-	51.880	51.880
Other financial assets	5 , 9	-	776	-	776	776
Financial liabilities						
Financial borrowings	7	-	-	1.002.254	1.002.254	1.002.254
Lease liabilities		-	-	110.444	110.444	110.444
Trade payables	8	-	-	132.975	132.975	132.975
Payables from related parties	23	-	-	6.658	6.658	6.658
Derivatives	26. 1	-	-	1.721	1.721	1.721
Other financial liabilities	9	-	-	396	396	396

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
Financial assets						
Cash and cash equivalences	4	-	481.745	-	481.745	481.745
Trade receivables from third parties	8	-	75.728	-	75.728	75.728
Receivables from related parties	24	-	17.250	-	17.250	17.250
Other financial assets	5	-	63	-	63	63
Financial liabilities						
Financial borrowings	7	-	-	825.854	825.854	825.854
Lease liabilities	7	-	-	51.314	51.314	51.314
Trade payables	8	-	-	94.118	94.118	94.118
Payables from related parties	24	-	-	1.145	1.145	1.145
Derivatives	26.1			8.374	8.374	8.374
Other financial liabilities	9	-	-	2.607	2.607	2.607

NOTE 27 - Government incentives and grants

There is no cash support amount collected from Scientific and Technological Research Council of Turkey "TUBITAK" regarding the research and development activities of the Company in 2023. (31 December 2023: None).

As of 31 December 2023, the amount of research and development deduction that the Company can use in tax calculation due to its expenditures on research and development studies is 12.740 TL. (31 December 2022: 35.519 TL).

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

NOTE 27 - Government incentives and grants (Continued)

The company applied for an research and development center in order to benefit from the incentives and exemptions provided within the framework of the Law No. 5746, and as a result of the examination made by the Ministry of Industry and Technology, the research and development center certificate was given to be effective as of 19 June 2019.

The company realizes fixed asset investments with incentives within the scope of the "Council of Ministers Decisions on State Aids in Investments" numbered 2012/3305, which regulates the investment legislation. The investment projects whose investment process continues and which continue to benefit from the investment contribution amounts are as follows;

As of 31 December 2023, the Corporate Tax deduction within the scope of incentive certificate numbered 502680 has not been benefited from. (31 December 2022: 5.624 TL)

Within the scope of the incentive certificate numbered 502790, 660 TL was spent. The incentive certificate is subject to VAT and customs tax exemption, and there is no corporate tax support. (31 December 2023: 4.525 TL)

NOTE 28 - Fees for service received from the independent auditor

The fees related to the services received by the Company from the Independent Auditing Firm (IAF) for the periods 1 January-31 December 2023 and 1 January -31 December 2022 are as follows:

	31 December 2023	**31 December 2022**
Independent audit fee for the reporting period	1.417	487
Fee for tax consulting services	-	-
Fee for other assurance services	50	28
Fee for non-audit services	-	-
	1.467	**516**

NOTE 29 - Events after the reporting period

None.

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