

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**INTERIM CONDENSED
FINANCIAL STATEMENTS AS OF JUNE 30, 2024**



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

**REPORT ON REVIEW OF INTERIM CONDENSED
FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed statement of financial position of Adel Kalemcilik Ticaret ve Sanayi A.Ş. (the "Company") as at 30 June 2024 and the related condensed statements of profit or loss, other comprehensive income, changes in equity and cash flows for the six-month period then ended. The management of the Company is responsible for the preparation and fair presentation of this interim condensed financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of review

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim condensed financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim condensed financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim condensed financial information is not prepared, in all material respects, in accordance with TAS 34.

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

Salim Alyanak, SMMM
Independent Auditor

Istanbul, 19 August 2024

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ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira (“TRL”) in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

	Notes	Reviewed 30 June 2024	Audited 31 December 2023
Assets			
Current assets			
Cash and cash equivalents	4	89.344	990.403
Financial investments	5	292.469	163.644
Trade receivables		759.136	147.754
- Trade receivables from related parties	23	89.499	64.713
- Trade receivables from third parties	8	669.637	83.041
Other receivables		3.663	9.207
- Other receivables from third parties	9	3.663	9.207
Inventories	10	841.005	767.869
Prepaid expenses	15	105.727	21.766
Current tax assets	15	49.589	124.625
Other current assets		182	55.293
- Other current assets from third parties	15	182	55.293
Total current assets		2.141.115	2.280.561
Non-current assets			
Financial investments	5	889	968
Other receivables		-	478
- Other receivables from third parties	9	-	478
Property, plant and equipment	11	686.127	695.017
Right of use assets	7	135.897	168.119
Intangible assets	12	82.252	98.537
Prepaid expenses	15	12.163	8.271
Deferred tax assets	21	36.242	30.062
Total non-current assets		953.570	1.001.452
Total assets		3.094.685	3.282.013

The accompanying notes form an integral part of these interim condensed financial statements.

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ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira (“TRL”) in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

	Notes	Reviewed 30 June 2024	Audited 31 December 2023
Liabilities			
Current liabilities			
Current borrowings		973.088	972.810
- Current borrowings from third parties		973.088	972.810
- Bank loans	7	466.919	381.090
- Issued debt instruments	7	506.169	591.720
Current portion of long-term borrowings		44.172	326.208
- Current portion of long-term borrowings from third parties	7	44.172	326.208
- Bank loans		23.495	33.773
- Lease liabilities		20.677	48.856
- Issued debt instruments		-	243.579
Trade payables		171.734	174.171
- Trade payables to related parties	23	4.718	8.305
- Trade payables to third parties	8	167.016	165.866
Employee benefit obligations	9	45.305	74.968
Other payables		169.057	494
- Other payables to related parties	23	150.002	-
- Other payables to third parties	9	19.055	494
Derivative instruments	25.2	-	2.147
Deferred income	15	121.381	197.992
Current provisions		39.403	10.684
- Provisions for employment benefits	14	37.617	10.451
- Other current provisions	13	1.786	233
Total current liabilities		1.564.140	1.759.474
Non-current liabilities			
Non-current borrowings		102.716	88.906
- Non-current borrowings from third parties	7	102.716	88.906
- Lease liabilities		102.716	88.906
Employee benefit obligations	9	9.754	12.001
Non-current provisions		28.942	36.036
- Provisions for employment benefits	14	28.942	36.036
Total non-current liabilities		141.412	136.943
Equity			
Issued Capital	16	23.625	23.625
Inflation Adjustment on Capital	16	474.972	474.972
Other comprehensive income/(expenses) that will be reclassified to profit or loss		(10.156)	(17.273)
- Losses on remeasurement of defined benefit obligations		(10.156)	(17.273)
Other comprehensive income/(expenses) that will be reclassified to profit or loss		12.350	7.278
- Currency translation differences		-	(4.912)
- Gains/(loss) on hedge		12.350	12.190
Restricted reserves appropriated from profits	16	246.669	246.287
Prior years' profits/(losses)	16	492.728	106.905
Net profit/(loss) for the period		148.945	543.802
Total equity		1.389.133	1.385.596
Total liabilities		3.094.685	3.282.013

The accompanying notes form an integral part of these interim condensed financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS
AS AT JUNE 30, 2024

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

		Reviewed	Reviewed	Not	Not
		1 January -	1 January -	Reviewed	Reviewed
		30-June-24	30-June-23	1 April -	1 April-
Profit or loss	Notes	30-June-24	30-June-23	30-June-24	30-June-23
Revenue	17	1.281.133	1.353.072	561.893	764.497
Cost of sales (-)	17	(567.924)	(717.241)	(261.958)	(414.280)
Gross profit / (loss)		713.209	635.831	299.935	350.217
General administrative expenses (-)		(193.317)	(136.574)	(105.227)	(70.218)
Marketing expenses (-)		(238.175)	(242.419)	(105.452)	(105.021)
Research and development cost (-)		(6.310)	(7.276)	(3.013)	(2.582)
Other income from operating activities	18	11.607	71.592	462	62.079
Other expenses from operating activities (-)	18	(13.258)	(43.919)	34.515	(31.017)
Operating profit / (loss)		273.756	277.235	121.220	203.458
Investment activity income	19	14.984	5.307	14.919	174
Investment activity expenses (-)	19	(47.151)	(316)	(42.113)	(11)
Operating profit / (loss) before financing income / (expenses)		241.589	282.226	94.026	203.621
Finance income	20	175.454	143.474	79.152	94.356
Finance expenses (-)	20	(297.651)	(200.098)	(132.655)	(71.613)
Monetary gain / (loss)		66.075	86.296	18.239	(43.157)
Profit / (loss) before tax from continuing operations		185.467	311.898	58.762	183.207
Tax expense from continuing operations		(36.522)	(92.818)	(4.642)	(57.287)
- Current period tax expense	21	(45.126)	(126.961)	(5.654)	(81.883)
- Deferred tax income / (expense)	21	8.604	34.143	1.012	24.596
Net profit / (loss)		148.945	219.080	54.120	125.920
Earnings / (loss) per share (Full TRL)	22	6,3046	9,2732	2,2908	5,3299

The accompanying notes form an integral part of these interim condensed financial statements.

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FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**INTERIM CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

		Reviewed	Reviewed	Not Reviewed	Not Reviewed
		1 January -	1 January -	1 April -	1 April -
	Notes	30-June-24	30-June-23	30-June-24	30-June-23
Net profit / (loss) for the year		148.945	219.080	54.120	125.920
Other comprehensive expenses that will not be reclassified to profit or loss		7.117	(5.498)	(1.882)	(405)
- Gains / (losses) on remeasurements of defined benefit plans	14	9.488	(6.404)	(2.511)	(506)
Other comprehensive expenses that will not be reclassified to profit or loss, tax effect		(2.371)	906	629	101
- Deferred tax (expense) / income		(2.371)	906	629	101
Other comprehensive expenses that will be reclassified to profit or loss		160	39.766	(1.455)	31.996
- Other comprehensive income / (expense) on cash flow hedge		213	46.233	(1.941)	36.518
-Other comprehensive expenses that will be reclassified to profit or loss, tax effect		(53)	(6.467)	486	(4.522)
- Deferred tax income /(expense)		(53)	(6.467)	486	(4.522)
Other comprehensive income / (expense)		7.277	34.268	(3.337)	31.591
Total comprehensive income / (expense)		156.222	253.348	50.783	157.511

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

			Other comprehensive income / (loss) that will not be reclassified in profit or loss	Other comprehensive income / (loss) that will be reclassified in profit or loss			Accumulated profits		
	Issued capital	Inflation adjustment on capital	Defined benefit plans revaluation and measurement gains / (losses)	Currency translation differences	Gains / (losses) on hedge	Restricted reserves	Retained earnings	Net profit / (loss) for the period	Total equity
Balances as of 1 January 2023	23.625	474.972	(12.488)	(4.912)	4.930	243.005	159.113	(24.231)	864.014
Transfers	-	-	-	-	-	-	(24.231)	24.231	-
Dividends	-	-	-	-	-	-	(32.120)	-	(32.120)
Total comprehensive income / (loss)	-	-	(5.498)	-	39.766	-	-	219.080	253.348
Balances as of 30 June 2023	23.625	474.972	(17.986)	(4.912)	44.696	243.005	102.762	219.080	1.085.242
Balances as of 1 January 2024	23.625	474.972	(17.273)	(4.912)	12.190	246.287	106.905	543.802	1.385.596
Liquidation effect	-	-	-	4.912	-	-	-	-	4.912
Transfers	-	-	-	-	-	382	543.420	(543.802)	-
Dividends	-	-	-	-	-	-	(157.597)	-	(157.597)
Total comprehensive income / (loss)	-	-	7.117	-	160	-	-	148.945	156.222
Balances as of 30 June 2024	23.625	474.972	(10.156)	-	12.350	246.669	492.728	148.945	1.389.133

The accompanying notes form an integral part of these interim condensed financial statements.

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ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

		Reviewed	Reviewed
		January 1- June 30, 2024	January 1- June 30, 2023
	Notes		
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		(442.017)	(80.476)
Net profit / (loss) for the period		148.945	219.080
Adjustments to reconcile net profit / (loss) for the period		189.844	259.961
Adjustments for depreciation and amortization expense	7,11,12	78.186	69.325
Adjustments for impairment loss / (reversal)		700	46.761
- <i>Adjustments for impairment / (reversal) of receivables</i>	8	700	-
- <i>Adjustments for impairment / (reversal) of inventory</i>	10	-	46.761
Adjustments for provisions		45.078	56.265
- <i>Adjustments for provisions / (reversal) for employee benefits</i>	18	43.428	56.265
- <i>Adjustments for provisions / (reversal) for lawsuit</i>		1.650	-
Adjustments for interest income / (expenses)		133.897	95.701
- <i>Adjustments for interest income</i>	20	(134.940)	(116.393)
- <i>Adjustments for interest expenses</i>	20	269.149	189.138
- <i>Rediscount on interest loss</i>	18	-	26.158
- <i>Rediscount on interest income</i>	18	(312)	(3.202)
Adjustments for fair value gain / (loss)		(3.115)	8.022
Adjustments for tax income / (loss)	21	36.521	92.818
Adjustments for gain / (loss) on sale of tangible and intangible assets		(77)	16
Monetary gain / loss		(101.346)	(108.947)
Changes in working capital		(555.302)	(521.962)
Adjustments for increase / (decrease) in trade receivables		(612.082)	(520.467)
Adjustments for increase / (decrease) in other receivables		6.022	(16.098)
Adjustments for increase / (decrease) in inventory		(73.137)	(400.080)
Adjustments for increase / (decrease) in prepaid expenses		(87.853)	(80.656)
Adjustments for increase / (decrease) in trade payables		(2.125)	114.886
Adjustments for increase / (decrease) in employee benefit obligations		(31.910)	(15.289)
Adjustments for increase / (decrease) in other payables from operations		18.561	8.453
Increase / (decrease) in deferred income (other than obligations arising from customer contracts)		(76.611)	366.886
Adjustments for other increase / (decrease) in working capital		303.833	20.403
- <i>Increase / (decrease) in other operating assets</i>		303.931	(35.939)
- <i>Increase / (decrease) in other operating liabilities</i>		(98)	56.342
Cash flows from (used in) operating activities		(216.513)	(42.921)
Payments related with provisions for employee benefits	14	(6.165)	(42.662)
Income taxes (paid) return		(219.339)	5.107
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		(20.035)	(15.725)
Cash inflows arising from sale of tangible and intangible assets		818	6.439
Cash outflows arising from purchase of tangible and intangible assets	11,12	(20.853)	(22.164)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		(249.202)	(15.388)
Proceeds from borrowings	7	236.195	891.357
Repayments of borrowings	7	(275.485)	(651.342)
Repayment of lease liabilities		1.747	(35.436)
Interest paid	7	(231.500)	(193.498)
Interest received		134.866	81.762
Other cash inflows (outflows)		(115.025)	(108.231)
EFFECT OF MONETARY GAIN/ (LOSS) ON CASH AND CASH EQUIVALENTS		(176.080)	(118.896)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		(887.334)	(230.485)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	975.484	597.794
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	88.150	367.309

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ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira (“TRL”) in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

NOTE 1 – COMPANY’S ORGANIZATON AND NATURE OF OPERATIONS

Adel Kalemcilik Ticaret ve Sanayi A.Ş. (“the Company”) ‘s fields of activity are the production of wooden wall pencils, colored pencils, toy products and other stationery products, sale of hygiene products, the sale and export of the products manufactured in the facilities and importing purchasing and selling of all kinds of raw, semi-finished and finished products.

The company was established on 17 July 1967 and registered with the Istanbul Chamber of Industry (ICI) and the Istanbul Chamber of Commerce (ICOC) 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 30 June 2024, the Company has 27.71% of its shares registered in the BIST. The shareholders holding the majority of the Company's shares and their share ratios are as follows:

List of Shareholders

	30 June 2024		31 December 2023	
	(%)	TRL	(%)	TRL
AG Anadolu Grubu Holding A.Ş.	56,89	13.439	56,89	13.439
Faber-Castell Aktiengesellschaft	15,40	3.638	15,40	3.638
Shares publicly held	27,21	6.548	27,21	6.548
		23.625		23.625

The average number of employees of the Company as at 30 June 2024 is 341 (31 December 2023: 367).

As of 30 June 2024, the joint venture of the Company accounted for using the equity method and its shareholding ratios are as follows:

			June 30, 2024		December 31, 2023	
Company name	Field of Activity		Country	%	Country	%
LLC Faber-Castell Anadolu	All types of stationery buying and selling products		Russia	-	Russia	50,00

LLC Faber-Castell Anadolu has completed the liquidation process as of February 8, 2024 and will be liquidated in 2019. The current situation, which has been inactive since then, is over and closed.

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.

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NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS AS AT JUNE 30, 2024

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

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. It is also presented in accordance with the 2024 TFRS Taxonomy updated by POA on July 3, 2024.

The Company's companies operating in Türkiye maintain their books of account and prepare their statutory financial statements in Turkish Lira in accordance with the principles and requirements issued by the Capital Markets Board ("CMB"), the Turkish Commercial Code ("TCC") and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. Subsidiaries and joint ventures operating abroad maintain their books of account and prepare their statutory financial statements in accordance with the laws and regulations of the countries in which they operate.

In accordance with TAS 34 "Interim Financial Reporting", entities are free to prepare their interim financial statements as a full set or condensed. In this context, the Company has preferred to prepare condensed interim financial statements. The condensed interim financial statements and notes are presented including the information required by the CMB.

The financial statements of the Company as of June 30, 2024 were approved by the Board of Directors of the Company on August 19, 2024. The General Assembly is authorized to amend the financial statements.

2.1.2 Adjustment of financial statements in hyperinflationary periods

The Company prepared its financial statements as at and for the period ended June 30, 2024 by applying TAS 29 "Financial Reporting in Hyperinflationary Economies" in accordance with the announcement made by POA on 23 November 2023 and the "Implementation Guide on Financial Reporting in High Inflation Economies". The standard requires that financial statements prepared in the currency of a hyperinflationary economy be expressed in terms of the purchasing power of that currency at the balance sheet date and that comparative figures for prior period financial statements be expressed in terms of the measuring unit current at the end of the reporting period. Accordingly, the Company has also presented its financial statements as of 31 December 2023 in terms of the purchasing power of that currency as of 30 June 2024.

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.

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ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

**NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS
AS AT JUNE 30, 2024**

(Amounts expressed in thousands of Turkish Lira ("TRL") in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

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

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

The restatements in accordance with TAS 29 have been made using the adjustment factor derived from the Consumer Price Index ("CPI") in Türkiye published by the Turkish Statistical Institute ("TSI"). As of June 30, 2024, the indexes and adjustment factors used in the restatement of the financial statements are as follows:

Date	Index	Adjustment Coefficient	Three-Year Compound Inflation Rate
30 June 2024	2.319,29	1,00000	%324
31 December 2023	1.859,38	1,24735	%268
30 June 2023	1.351,59	1,71597	%190

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 TRL 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.

2.1.3 Functional and reporting currency

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

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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 net assets in the joint arrangement. Joint control is based on the control contract on an economic activity. This control is deemed to exist when the decisions of the relevant activities require the parties sharing the control to agree with the unanimity of votes.

The results and assets and liabilities of associates or joint ventures are incorporated in the accompanying financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with TFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the financial statement of financial position at cost and adjusted thereafter to recognize the Company’s share of the profit or loss and other comprehensive income of the associate or a joint venture. When the Company’s share of losses of an associate or a joint venture exceeds the Company’s interest in that associate or a joint venture (which includes any long term interests that, in substance, form part of the Company’s net investment in the associate or a joint venture), the company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

2.1.5 Comparative information and restatement of prior period financial statements

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period financial statements and significant changes are explained. The financial statements of the Company include comparative financial information to enable the determination of the trends in the financial position and performance. The Company has prepared its financial position statement as of 30 June 2024 with the financial position statement prepared as of 31 December 2023; The profit or loss statement for the period 1 January- 30 June 2024, the profit or loss statement for the 1 January- 30 June 2023 accounting period, and the other comprehensive income statement for the 1 January- 30 June 2024 accounting period, the 1 January- 30 June 2023 accounting period, other comprehensive income statement, cash flow statement for the accounting period 1 January- 30 June 2024 and statements of changes in shareholders' equity are prepared comparatively with the related financial statements for the accounting period 1 January – 30 June 2023.

2.2 New and revised Turkish financial reporting standards

a) *Standards, amendments, and interpretations applicable as of 30 June 2024:*

- **Amendment to TFRS 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.

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

2.2 New and revised Turkish financial reporting standards (Continued)

- **Amendment to TAS 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.
- **Amendments to TAS 7 and TFRS 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.
- **TFRS 1, ‘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.
- **TFRS 2, ‘Climate-related disclosures’;** effective from annual periods beginning on or after 1 January 2024. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.
- b) ***Standards, amendments, and interpretations that are issued but not effective as of 30 June 2024:***
 - **TFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after January 1, 2023. This standard replaces TFRS 4, which permitted a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts.
 - **Amendments to TAS 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.
 - **Amendment to TFRS 9 and TFRS 7 - Classification and Measurement of Financial Instruments;** effective from annual reporting periods beginning on or after 1 January 2026 (early adoption is available) These amendments:
 - clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;

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

2.2 New and revised Turkish financial reporting standards (Continued)

- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
 - add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and
 - make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI).
- **IFRS 18 Presentation and Disclosure in Financial Statements;** effective from annual periods beginning on or after 1 January 2027. This is the new standard on presentation and disclosure in financial statements, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:
 - the structure of the statement of profit or loss;
 - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity’s financial statements (that is, management defined performance measures); and
 - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.
 - **IFRS 19 Subsidiaries without Public Accountability: Disclosures;** effective from annual periods beginning on or after 1 January 2027. Earlier application is permitted. This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements and instead applies the reduced disclosure requirements in IFRS 19. IFRS 19’s reduced disclosure requirements balance the information needs of the users of eligible subsidiaries’ financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries. A subsidiary is eligible if:
 - it does not have public accountability; and
 - it has an ultimate or intermediate parent that produces financial statements available for public use that comply with IFRS Accounting Standards.

2.3 Changes and errors in accounting estimates

Accounting estimates are made on the basis of reliable information and reasonable estimation methods. However, estimates are revised if there is a change in the circumstances under which the estimate was made, or if new information becomes available, or if additional developments occur. The effect of a change in an accounting estimate is recognized in the current period in which the change is made, if the change affects only one period, or prospectively in both the current and future periods, if the change affects future periods, in the financial statements in a manner that takes into account in determining the profit or loss for the period.

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

2.3 Changes and errors in accounting estimates (Continued)

The nature and amount of any change in an accounting estimate that has an effect on the result of operations in the current period or is expected to have an effect on subsequent periods is disclosed in the notes to the financial statements, except where it is not possible to estimate the effect on future periods. As of June 30, 2024, there have been no changes and errors in accounting estimates.

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

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

The assets and liabilities of the joint venture operating in a foreign country are translated into TRL at the exchange rate ruling at the balance sheet date. Income and expenses are translated into TRL at average exchange rates. Exchange differences arising from the use of closing and average exchange rates are recognized under "currency translation differences" in equity.

2.5 Seasonality of activities

The Company starts with a sales campaign for certain products at the beginning of the year and then organizes "dealer fairs" in the first quarter of the year to sell the brands it produces and imports. During these sales campaigns and dealer fairs, checks, DDS, credit cards are taken against the order amounts of the customers and most of the shipment of the orders received is realized in the first half of the year.

2.6 Significant accounting judgments, estimates and assumptions

Fair values of derivatives and other financial instruments

The Company calculates the fair values of financial instruments that do not have an active market by using market data, the use of similar transactions without collusion, reference to the fair values of similar instruments and discounted cash flow analysis.

Expected credit losses

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

2.7 Incentives Provided by the Government

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.

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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

	30 June 2024	31 December 2023
Time deposit	69.970	971.924
Demand deposit	16.119	176
Other cash and equivalents	2.061	3.384
Cash and cash equivalents in the statement of cash flows	88.150	975.484
Interest income accruals	1.194	14.919
	89.344	990.403

The Company has no blocked deposits as of 30 June 2024 (31 December 2023: None).

As of 30 June 2024, the Company has reserved a portion of 2.018.641 USD equivalent to 66.264 TRL of its bank deposits for the payments related to the purchases of raw materials and commercial goods to be made in the future. (31 December 2023: 2.600.000 USD equivalent 95.471 TRL)

NOTE 5 – FINANCIAL INVESTMENTS

	30 June 2024 TRL	31 December 2023 TRL
Investment funds	255.510	-
Currency protected deposit (*)	36.959	163.644
	292.469	163.644

(*) USD 513.491 and USD 500.000 currency protected deposits with 50,00% and 50,00% interest rates, respectively. The maturity dates of the accounts are October 15, 2024 and November 14, 2024.

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NOTE 5 – FINANCIAL INVESTMENTS (Continued)

	30 June 2024		31 December 2023	
	%	TRL	%	TRL
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7,67	78	7,67	78
Other long-term investments (*)	-	811	-	890
		889		968

(*) 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 30 June 2024, and 31 December 2023, the joint venture of the Company is as follows:

	30 June 2024	Share (%)	31 December 2023	Share (%)
LLC Faber-Castell Anadolu	-	-	-	50,00
	-		-	

30 June 2024	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	-	-	-	-
31 December 2023	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	2.163	4.604	-	(2.383)

(*) As of February 8, 2024, the liquidation process has been completed in accordance with Russian laws and the current situation, which has been inactive since 2019, has been terminated and closed.

NOTE 7 – BORROWINGS AND RIGHT OF USE ASSETS

30 June 2024	Interest rate %	Balance
Short term borrowings		
TRL loans	45 - 54	466.919
Issued debt instruments (*)	42,5 - 46	506.169
		973.088

(*) The Company will sell to qualified investors without public offering, 150,000 TRL 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 TRL with 2 coupon payments on 13.09.2024.

As of 30 June 2024, the interest accrual calculated for the Company's short-term loans is classified within the relevant short-term bank loans, and the interest accrual calculated for the issued debt instruments is classified within the issued debt instruments.

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

30 June 2024	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	14,89 - 30,97	20.677
Short-term portions of long term loans	12-17,32	23.495
		44.172

As of 30 June 2024, the interest accrual calculated for the Company's short-term loans is classified within the relevant short-term bank loans, and the interest accrual calculated for the issued debt instruments is classified within the issued debt instruments.

30 June 2024	Interest rate %	Balance
Long term borrowings		
Long-term lease liabilities	14,89 - 30,97	102.716
		102.716

31 December 2023	Interest rate %	Balance
Short term borrowings		
TRL loans	17,64 - 49,87	381.090
Issued debt Instruments (*)	42,5-46	591.720
		972.810

As of 31 December 2023, the interest accrual calculated for the short-term loans of the Company has been classified under the related short-term bank loans.

31 December 2023	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term finance leases	8,45 - 21,10	48.856
Short-term portions of long-term loans	12-17,32	33.773
Short-term portions of long-term issued debt instruments (*)	32,50	243.579
		326.208

As of 31 December 2023, the interest accrual calculated for the short-term loans of the Company has been classified under the related short-term bank loans.

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

31 December 2023	Interest rate %	Balance
Long term borrowings		
Long-term lease liabilities	14,89-21,10	88.906
		88.906

As of 30 June 2024, and 31 December 2023, the maturity details of the Company's long-term loans and financial lease borrowings are given below.

30 June 2024	Total liabilities
1-2 years	102.716
	102.716
31 December 2023	Total liabilities
1-2 years	88.906
	88.906

The movement of financial borrowings is as follows:

	2024	2023
1 January	1.250.162	1.030.125
Cash inflows from borrowings	236.195	891.357
Cash outflows related to debt payments	(275.485)	(651.342)
Interest expense	258.064	182.257
Interest paid	(231.500)	(193.498)
Inflation differences	(240.853)	(208.275)
30 June	996.583	1.050.624

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

The movement of lease liabilities is as follows:

	2024	2023
1 January	137.762	64.007
Cash inflows from borrowings	110.212	40.647
Cash outflows related to lease payments for the period	(27.698)	(35.436)
Interest expense	11.085	6.881
Interest paid	-	(2)
Currency translation differences	-	40
Changes in contracts	(80.767)	-
Inflation differences	(27.201)	-
30 June	123.393	76.137

The movement of the Company's right of use assets as of June 30, 2024 and June 30, 2023 is presented below.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2024,	34.897	133.222	168.119
Additions	-	110.212	110.212
Disposals	(1.972)	(107.563)	(109.535)
Current depreciation expense ^(*)	(10.310)	(22.589)	(32.899)
As of 30 June 2024	22.615	113.282	135.897

(*) 199 TRL of depreciation expenses is included in the cost of goods sold, 3.239 TRL is included in general administrative expenses and 29.461 TRL is included in marketing, selling and distribution expenses.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2023,	42.775	43.714	86.489
Additions	10.526	-	10.526
Changes in contracts	-	30.121	30.121
Current depreciation expense ^(*)	(10.593)	(17.797)	(28.390)
As of 30 June 2023	42.708	56.038	98.746

(*) TRL 255 of depreciation expenses is included in the cost of goods sold, TRL 3.555 is included in general administrative expenses and TRL 24.580 is included in marketing, selling and distribution expenses.

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES

Trade Receivables	30 June 2024	31 December 2023
Trade receivables from related parties (Note 23)	89.499	64.713
Trade receivables from third parties	669.637	83.041
	759.136	147.754

Trade receivables from third parties	30 June 2024	31 December 2023
Cheques and notes receivables	179.527	1.201
Trade receivables	497.175	94.412
Less: Rediscount (-)	-	(4.616)
Less: Provisions for doubtful trade receivables (-)	(7.065)	(7.956)
	669.637	83.041

As of 30 June 2024, and 2023, the movement for doubtful trade receivables is as follows:

	2024	2023
1 January	7.956	12.037
Additions	700	-
Inflation correction differences	(1.591)	(2.000)
30 June	7.065	10.037

Trade payables	30 June 2024	31 December 2023
Trade payables to related parties (Note 23)	4.718	8.305
Trade payables to third parties	167.016	165.866
	171.734	174.171

Trade payables to third parties	30 June 2024	31 December 2023
Suppliers	166.952	159.424
Other trade payables	64	13.955
Less: Rediscount (-)	-	(7.513)
	167.016	165.866

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES

Other receivables	30 June 2024	31 December 2023
Other receivables from third parties	3.663	9.207
	3.663	9.207
Other receivables from third parties	30 June 2024	31 December 2023
Receivables from employees	1.392	2.288
Deposits and guarantees given	357	1.419
Sublease receivables	-	5.183
Other miscellaneous receivables	1.914	317
	3.663	9.207
Other long-term receivables	30 June 2024	31 December 2023
Sublease receivables	-	478
	-	478
Other payables	30 June 2024	31 December 2023
Other payables to related parties (Note 23)	150.002	-
Other payables to third parties	19.055	494
	169.057	494
Other payables to third parties	30 June 2024	31 December 2023
Taxes, fees and deductions payables	18.229	-
Other	826	494
	19.055	494
Employee benefit liabilities	30 June 2024	31 December 2023
Due to employees	21.525	22.300
Social security premiums payable	17.546	15.381
Taxes, fees and deductions payables	6.234	37.287
	45.305	74.968

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES (Continued)

Other long-term employee benefit liabilities	30 June 2024	31 December 2023
Due to employees	9.754	12.001
	9.754	12.001

NOTE 10 – INVENTORIES

	30 June 2024	31 December 2023
Raw materials	282.689	232.485
Semi-finished goods	108.130	84.641
Finished goods	226.617	226.110
Trade goods	238.391	236.640
Other inventories	5.580	8.395
Impairment of inventories (*)	(20.402)	(20.402)
	841.005	767.869

As of 30 June 2024 and 2023, the movement table for the provision for inventory impairment, as a result of the assessment of the recoverability of inventories, is as follows:

	2024	2023
1 January	20.402	16.824
Provisions no longer required (-)	-	(4.024)
Addition	-	50.785
31 December	20.402	63.585

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Fixtures	Construction in progress	Special Costs	Total
As of 1 January 2024,									
Cost	37.449	17.743	583.413	806.940	13.091	218.508	-	4.515	1.681.659
Accumulated depreciation	-	(16.057)	(106.557)	(655.644)	(13.060)	(193.477)	-	(1.847)	(986.642)
Net book value	37.449	1.686	476.856	151.296	31	25.031	-	2.668	695.017
Opening balance	37.449	1.686	476.856	151.296	31	25.031	-	2.668	695.017
Additions	-	-	-	3.486	-	3.589	13.653	-	20.728
Disposals cost	-	-	-	(661)	-	(3.664)	-	(22)	(4.347)
Disposals accumulated depreciation	-	-	-	396	-	3.133	-	-	3.529
Transfers	-	-	-	-	-	-	-	-	-
Depreciation (*)	-	(113)	(7.583)	(14.916)	-	(4.946)	-	(1.242)	(28.800)
Closing balance	37.449	1.573	469.273	139.601	31	23.143	13.653	1.404	686.127
As of 30 June 2024,									
Cost	37.449	17.743	583.413	809.765	13.091	218.433	13.653	4.493	1.698.040
Accumulated depreciation	-	(16.170)	(114.140)	(670.164)	(13.060)	(195.290)	-	(3.089)	(1.011.913)
Net book value	37.449	1.573	469.273	139.601	31	23.143	13.653	1.404	686.127

(*) 21.923 TRL of depreciation expenses is included in the cost of goods sold, 1.687 TRL is included in general administrative expenses, 544 TRL is included in research and development expenses, and 4.646 TRL is included in marketing, sales and distribution expenses.

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Fixtures	Construction in progress	Special Costs	Total
As of 1 January 2023,									
Cost	37.449	17.743	580.782	798.672	13.091	229.230	43.757	1.866	1.722.590
Accumulated depreciation	-	(14.344)	(93.561)	(620.889)	(12.946)	(199.097)	-	(1.674)	(942.511)
Net book value	37.449	3.399	487.221	177.783	145	30.133	43.757	192	780.079
Opening balance	37.449	3.399	487.221	177.783	145	30.133	43.757	192	780.079
Additions	-	-	123	3.846	-	3.999	13.312	-	21.280
Disposals cost	-	-	-	(39)	-	(20.158)	-	-	(20.197)
Disposals accumulated depreciation	-	-	-	-	-	13.742	-	-	13.742
Transfers	-	-	-	-	-	-	(1.332)	1.332	-
Depreciation (*)	-	(1.486)	(7.838)	(17.234)	(88)	(5.094)	-	(30)	(31.770)
Closing balance	37.449	1.913	479.506	164.356	57	22.622	55.737	1.494	763.134
As of 30 June 2023,									
Cost	37.449	17.743	580.905	802.479	13.091	213.071	55.737	3.198	1.723.673
Accumulated depreciation	-	(15.830)	(101.399)	(638.123)	(13.034)	(190.449)	-	(1.704)	(960.539)
Net book value	37.449	1.913	479.506	164.356	57	22.622	55.737	1.494	763.134

(*) 25.263 TRL of depreciation expenses is included in the cost of goods sold, 1.115 TRL is included in general administrative expenses, 567 TRL is included in research and development expenses, and 4.825 TRL is included in marketing, sales and distribution expenses.

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NOTE 12 – INTANGIBLE ASSETS

Intangible assets include computer software, rights and development costs.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2024,					
Cost	2.773	74.443	197.906	16.351	291.473
Accumulated amortization	(2.438)	(11.789)	(165.290)	(13.419)	(192.936)
Net book value	335	62.654	32.616	2.932	98.537
Opening balance	335	62.654	32.616	2.932	98.537
Additions	-	-	202	-	202
Transfers	-	-	-	-	-
Depreciation (*)	(78)	(7.534)	(6.857)	(2.018)	(16.487)
Closing balance	257	55.120	25.961	914	82.252
As of 30 June 2024,					
Cost	2.773	74.443	198.108	16.351	291.675
Accumulated amortization	(2.516)	(19.323)	(172.147)	(15.437)	(209.423)
Net book value	257	55.120	25.961	914	82.252

(*) For the current period, 4.903 TRL of amortization is included in the cost of goods sold, 815 TRL is included in the cost of general administrative expenses, 2.829 TRL is included in the cost of research and development expenses, and 7.940 TRL is included in the cost of marketing, sales and distribution expenses.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2023,					
Cost	2.478	18.610	189.323	16.351	226.762
Accumulated amortizations	(2.220)	(6.760)	(150.559)	(8.995)	(168.534)
Net book value	258	11.850	38.764	7.356	58.228
Opening balance	258	11.850	38.764	7.356	58.228
Additions	75	-	809	-	884
Transfers	-	-	-	-	-
Depreciation (*)	(108)	(1.913)	(7.144)	-	(9.165)
Closing balance	225	9.937	32.429	7.356	49.947
As of 30 June 2023,					
Cost	2.553	18.610	190.132	16.351	227.646
Accumulated amortizations	(2.328)	(8.673)	(157.703)	(8.995)	(177.699)
Net book value	225	9.937	32.429	7.356	49.947

(*) For the current period, TRL 272 of amortization is included in the cost of goods sold, TRL 1.430 is included in the cost of general administrative expenses, TRL 1.529 is included in the cost of research and development expenses, and TRL 5.934 is included in the cost of marketing, sales and distribution expenses.

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NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	30 June 2024	31 December 2023
Provisions for lawsuits	1.786	233
	1.786	233

The Company's 11 employees have filed 7 lawsuits against the Company for the cancellation of the termination of their employment contracts, reemployment and other compensation claims and a litigation provision amounting to TRL 1.786 has been set aside as a result of the evaluations of the lawyers in relation to the related lawsuits.

	2024	2023
As of 1 January	233	1.627
Provisions no longer required (-)	-	-
Provision allocated during the period	1.650	-
Inflation difference	(97)	(269)
As of 31 December	1.786	1.358

Contingent liabilities and contingent assets

After Adel Kalemcilik Ticaret ve Sanayi A.Ş. could not collect its receivable of 60 TRL 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 TRL 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 30 June 2024. 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.

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

<i>Deposits and guarantees given</i>	30 June 2024	31 December 2023
Letters of guarantee	108.010	152.035
Letters of credit	5.678	38.246

As of 30 June 2024, and 31 December 2023, the tables regarding the Company's collateral/pledge/mortgage (“CPM”) position are as follows:

30 June 2024

Letters of guarantees, pledge and mortgages provided by the Company	TRL equivalents	TRL
A. Total amount of GPMs given on behalf of the Company’s legal personality	108.010	108.010
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	-	-
	108.010	108.010

31 December 2023

Letters of guarantees, pledge and mortgages provided by the Company	TRL equivalents	TRL
A. Total amount of GPMs given on behalf of the Company’s legal personality	152.035	152.035
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	-	-
	152.035	152.035

The ratio of other CPMs given by the company to the equity of the Company is 0% as of 30 June 2024 (31 December 2023: 0%).

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NOTE 14 – EMPLOYEE BENEFITS

Short term employee benefits	30 June 2024	31 December 2023
Premium accruals	31.551	7.239
Provisions for unused vacations	6.066	3.212
	37.617	10.451
Long term employee benefits	30 June 2024	31 December 2023
Provisions for employee termination benefits	28.942	36.036
	28.942	36.036

The movement table of unused vacation accruals as of 30 June 2024 and 2023 is as follows:

	2024	2023
As of 1 January,	3.212	1.913
Additions	6.395	9.127
Charge for the period	(2.904)	(3.306)
Inflation difference	(637)	(316)
As of 30 June,	6.066	7.418

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 July 2024, the severance pay to be paid is subject to a monthly ceiling of 41,828.42 full TRL (1 January 2024: 35,058.58 TRL). 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:

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the effects of future inflation. Therefore, the provisions in the accompanying financial statements as of 30 June 2024 and 31 December 2023 are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

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NOTE 14 – EMPLOYEE BENEFITS (Continued)

	2024	2023
As of 1 January,	36.036	77.976
Service cost	12.722	19.061
Severance pay paid	(3.261)	(39.356)
Actuarial loss /(gain)	(9.488)	6.404
Inflation difference	(7.067)	(18.365)
As of 31 December,	28.942	45.720

	30 June 2024	31 December 2023
Discount rate (%)	2,72	1,72
Turnover rate used in retirement probability calculation (%)	92,35	92,60

NOTE 15 – OTHER ASSETS AND LIABILITIES

Short-term prepaid expenses	30 June 2024	31 December 2023
Advances given	85.958	10.716
Prepaid expenses for the next months	19.769	11.050
	105.727	21.766

Current tax assets	30 June 2024	31 December 2023
Prepaid taxes and funds	49.589	124.625
	49.589	124.625

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NOTE 15 – OTHER ASSETS AND LIABILITIES (Continued)

Other current assets	30 June 2024	31 December 2023
Work advance	167	13
Deferred VAT	-	55.243
Advances to personnel	-	31
Other miscellaneous current assets	15	6
	182	55.293
Long-term prepaid expenses	30 June 2024	31 December 2023
Prepaid expenses for the next years	12.163	8.271
	12.163	8.271
Deferred income	30 June 2024	31 December 2023
Advances received	121.381	192.355
Short-term deferred income	-	5.637
	121.381	197.992

NOTE 16 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Equity

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

	30 June 2024		31 December 2023	
	% 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 on capital		474.972		474.972
Total capital		498.597		498.597

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

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

Number of shares and share groups and privileges:

3.637.941 shares of the Company, amounting to TRL 3.638 are registered in the name of the holder and 19.987.059 shares, amounting to TRL 19.987 are bearer share certificates in accordance with the Foreign Capital Legislation. There are no privileges granted to shareholders in the election of the Board of Directors.

Restricted reserves

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

	30 June 2024	31 December 2023
Legal reserves	241.675	241.675
Real estate and subsidiary shares sales profit	3.637	3.637
R&D investment fund	1.357	975
	246.669	246.287

Retained Earnings

Retained earnings consist of extraordinary reserves and other retained earnings. Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below:

	30 June 2024	31 December 2023
Other retained earnings /(loss)	397.148	(12.316)
Extraordinary reserves	95.580	119.221
	492.728	106.905

	30 June 2024		
<i>Retained Earning</i>	Statutory Amounts Indexed per PPI	Statutory Amounts Indexed per CPI	Amounts Presented in Prior Years' Profit
Inflation adjustments on capital	622.686	474.972	147.714
Restricted reserves	352.719	246.669	106.050

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

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.

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 Assembly meeting. In case of distribution of these profits, the entire profit distribution amount will be covered from the distributable profit in the legal records.

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

NOTE 17 – REVENUE AND COST OF SALES

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Domestic sales	1.849.953	1.803.111	836.389	1.098.823
Foreign sales	57.010	84.309	16.643	56.241
Sales discounts (-)	(625.830)	(534.348)	(291.139)	(390.567)
Net sales	1.281.133	1.353.072	561.893	764.497
Cost of sales (-)	(567.924)	(717.241)	(261.958)	(414.280)
Gross profit	713.209	635.831	299.935	350.217

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NOTE 17 – REVENUE AND COST OF SALES (Continued)

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

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Direct material cost	168.470	428.492	89.930	182.650
Direct labor costs	109.437	134.137	53.883	57.610
General production expenses	49.290	41.509	22.620	15.700
Depreciation and amortization expenses	27.025	25.263	13.544	21.270
Provision for inventories	-	50.785	-	50.785
Change in semi-finished goods	(23.490)	(40.492)	5.572	(8.472)
Change in finished goods	(506)	(216.112)	(81.700)	(123.128)
Cost of products sold	330.226	423.582	103.849	196.415
Cost of goods sold	237.698	293.659	158.109	217.865
Cost of sales	567.924	717.241	261.958	414.280

NOTE 18 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Other operating income				
Foreign exchange income	7.340	62.029	2.594	59.462
Rediscount on interest income	-	3.202	(4.883)	2.265
Other	4.267	6.361	2.751	352
	11.607	71.592	462	62.079

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**NOTE 18 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES
(Continued)**

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Other operating expenses				
Foreign exchange expenses	4.491	13.134	97	11.939
Donation expenses	1.851	1.813	1.851	1.813
Lawsuit provision expenses (Note 13)	1.650	-	1.650	-
Provision for doubtful trade receivables (Note 8)	700	-	700	-
Rediscount on interest loss	-	26.158	(42.849)	15.158
Other	4.566	2.814	4.036	2.107
	13.258	43.919	(34.515)	31.017

NOTE 19 – INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Income from investment activities				
Other income from investment activities	14.518	5.007	14.474	-
Proceeds from sale of property, plant and equipment	466	300	445	174
	14.984	5.307	14.919	174

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Expenses from investment activities				
Expense arising from cancellation of the rental agreement	41.850	-	41.850	-
Losses from sale of property, plant and equipment	389	316	-	-
Transfer of currency translation differences recognized in other comprehensive income in the prior period to income statement	4.912	-	263	11
	47.151	316	42.113	11

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NOTE 20 – FINANCE INCOME AND EXPENSES

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Finance income				
Interest income	121.554	80.445	44.490	44.491
Foreign exchange income	40.514	27.081	29.228	19.653
Currency protected deposit income	13.251	35.948	5.519	30.212
Interest income from sublease receivables	135	-	(85)	-
	175.454	143.474	79.152	94.356
	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Finance expenses				
Interest expenses	269.149	189.138	104.210	65.882
Foreign exchange expenses	28.502	10.960	28.445	5.731
	297.651	200.098	132.655	71.613

NOTE 21- DEFERRED TAX ASSETS AND LIABILITIES

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

In Türkiye, the corporate tax rate is 25%. Corporate tax is declared until the twenty-fifth day of the fourth month following the end of the accounting period to which it relates and paid in one lump sum until the end of the relevant month. In accordance with the tax legislation, provisional tax is calculated and paid at the corporate tax rate on quarterly earnings, and the amounts paid in this way are deducted from the tax calculated over the annual income.

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

	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Current period provision for corporate tax (-)	(45.126)	(126.961)	(5.654)	(81.883)
Deferred tax income/(expense)	8.604	34.143	1.012	24.596
Total deferred tax income, expense (net)	(36.522)	(92.818)	(4.642)	(57.287)

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NOTE 21- DEFERRED TAX ASSETS AND LIABILITIES (Continued)

	30 June 2024	31 December 2023
Current period provision for corporate tax	(45.126)	(166.509)
Less: Prepaid corporate tax	94.715	291.134
Profit for the period tax (liability)/receivable, net	49.589	124.625

Tax Advantages Obtained Under the Investment Incentive System:

The Company's earnings from investments subject to incentive certificates are subject to corporate tax at reduced rates from the accounting period in which the investment starts to be operated partially or fully until the investment contribution amount is reached.

Within the scope of the Company's incentive certificates, there is no discounted corporate tax advantage used in return for the current period's legal tax. (30 June 2023: None)

The company capitalizes the R&D expenditures made within the scope of the law no. 5746 in its statutory books. In accordance with the provisions of the same law, the Company calculates R&D expenditures within the framework of the relevant legislation and utilizes R&D deductions for the portion of the R&D expenditures allowed by law. As of 30 June 2024, the Company has used R&D deduction exemption amounting to TRL 2.398 (30 June 2023: TRL 1.908) against statutory tax.

	Total temporary differences		Deferred tax	
	30 June 2024	31 December 2023	30 June 2024	31 December 2023
Tangible and intangible assets	(10.678)	136.638	(2.669)	34.159
Provisions for employee termination benefits	28.012	44.612	7.003	11.153
Provisions for turnover and dealer premium	260.742	-	65.185	-
Provisions for loyalty expenses	1.574	-	394	-
Inventory, provision for impairment on inventory	(124.699)	(78.506)	(31.175)	(19.627)
Incentive premium accruals	34.768	29.305	8.692	7.326
Right of use assets transactions	(12.504)	(36.094)	(3.126)	(9.023)
Other adjustments	(32.241)	24.307	(8.062)	6.074
Deferred tax asset/(liability)	144.974	120.262	36.242	30.062
As of 1 January			2024 30.062	2023 (127.817)
Deferred tax income			8.604	34.143
Effect of remeasurement of employee termination benefit recognized through other comprehensive income			(2.371)	906
Effect of remeasurement of derivative financial instruments recognized through other comprehensive income			(53)	(9.943)
30 June			36.242	(102.711)

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NOTE 22 – EARNINGS PER SHARE

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

	1 January - 30 June 2024	1 January - 30 June 2023
Profit /(loss) for the period	148.945	219.080
Average number of shares (TRL 1 nominal value weighted average number of shares)	23.625.000	23.625.000
Earnings per share /(loss) (TRL Full)	6,3046	9,2732

NOTE 23 – RELATED PARTY BALANCES AND TRANSACTIONS

a) Related Party Balances

	Receivables from related parties	
	30 June 2024	31 December 2023
Migros Ticaret A.Ş. ⁽²⁾	30.971	56.890
A.W. Faber-Castell Vertrieb GmbH ⁽²⁾	21.580	5.948
A.W.Faber-Castell(Guangzhou) ⁽²⁾	20.174	-
A.W.Faber Castell (M) ⁽²⁾	15.217	-
AEP Anadolu Etap Penkon ⁽²⁾	963	3.186
Other	594	2.440
	89.499	68.464
Less: Rediscount on receivables/ payables (-)	-	(3.751)
	89.499	64.713

	Payables to related parties	
	30 June 2024	31 December 2023
AEH Sigorta Acentalığı A.Ş. ⁽²⁾	3.161	5
AG Anadolu Grubu Holding A.Ş. ⁽¹⁾	1.226	8.675
Other	331	24
	4.718	8.704
Less: Rediscount on receivables/ payables (-)	-	(399)
	4.718	8.305

1) Shareholders

2) Other companies managed by the shareholders

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NOTE 23 – RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

Other payables to related parties	30 June 2024	31 December 2023		
Dividend payables to shareholders	150.002	-		
	150.002	-		
b) Related party transactions				
	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Purchases of goods				
A.W. Faber-Castell Vertrieb GmbH ⁽²⁾	48.467	91.800	45.271	88.322
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd ⁽²⁾	56.803	61.818	56.803	50.782
A.W. Faber Castell (M) Sdn.Bhd ⁽²⁾	53.052	71.962	53.052	56.486
Pt. Pencil Lead Indonesia ⁽²⁾	16.610	11.369	16.610	5.925
Other	2.103	3.021	2.103	1.722
	177.035	239.970	173.839	203.237
	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Sales of goods				
Migros Ticaret A.Ş. ⁽²⁾	22.476	16.757	22.411	(563)
A.W. Faber-Castell Vertrieb GmbH ⁽²⁾	6.650	8.739	5.052	5.221
A.W. Faber Castell Brezilya S.A ⁽²⁾	714	436	-	10
Other	358	1.239	297	27
	30.198	27.171	27.760	4.695
	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Services received				
AG Anadolu Grubu Holding A.Ş. ⁽¹⁾	24.679	16.910	-	-
Migros Ticaret A.Ş. ⁽²⁾	163	627	43	342
Other	5.372	4.805	5.365	2.713
	30.214	22.342	5.408	3.055
	1 January - 30 June 2024	1 January - 30 June 2023	1 April - 30 June 2024	1 April - 30 June 2023
Services given				
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş. ⁽²⁾	6.193	3.803	-	-
Anadolu Kaskasya Enerji Yatırımları A.Ş. ⁽²⁾	1.556	1.219	722	594
A.G.Anadolu Grubu Holding A.Ş. ⁽¹⁾	-	2.045	-	568
Other	877	4.913	222	4.616
	8.626	11.980	944	5.778

1) Shareholders

2) Other companies managed by the shareholders

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NOTE 23 – RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

c) Benefits provided to key management

The Company has determined the key management personnel as members of the board of directors, President of Agriculture Energy and Industry Group, general manager and managers reporting directly to the general manager. Benefits provided to key management personnel are as follows:

	2024	2023
Short term employee benefits	42.893	53.503
Other long-term benefits	2.814	3.510
	45.707	57.013

NOTE 24 – 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, 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 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. Total equity is calculated by adding shareholders equity and net debt, as shown in the balance sheet.

The Company's overall strategy based on equity does not differ from the previous period.

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.

As of June 30, 2024 and December 31, 2023, net debt / (equity + net debt) ratio is as follows;

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

	30 June 2024	31 December 2023
Total borrowings	1.119.976	1.387.924
Less: Cash and cash equivalents	(381.813)	(1.154.047)
Net debt	738.163	233.877
Total equity	1.389.133	1.385.596
Total equity + net debt	2.127.296	1.619.473
Net debt / (total equity+net debt) ratio	35%	14%

(b) Credit risk

The Company's activities expose it to foreign exchange and other risks. The Company is also exposed to the risk that counterparties may not fulfill the requirements of the agreement due to holding financial instruments.

Market risks encountered at the Company level are measured on the basis of sensitivity analysis. In the current year, there has been no change compared to the previous year in the Company's exposure to market risks or in the way the Company handles or measures these risks.

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

	30 June 2024	31 December 2023
Assets	190.837	151.193
Liabilities	(31.227)	(51.991)
Net balance sheet foreign currency position	159.610	99.202

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

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

(c) Currency risk and management (Continued)

	Appreciation of foreign currency	Depreciation Foreign currency
Profit/Loss 30 June 2024		
If the US Dollar changes 20% +/- against TRL:		
1- USD net asset/liability	27.563	(27.563)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	27.563	(27.563)
In case the Euro changes 20% +/- against TRL:		
4- Euro net asset/liability	4.359	(4.359)
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	4.359	(4.359)
On average 20% +/- change in other exchange rates against TRL:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	31.922	(31.922)
	Appreciation of Foreign currency	Depreciation of Foreign currency
Profit/(Loss) 31 December 2023		
If the US Dollar changes 20% +/- against TRL:		
1- USD net asset/liability	19.275	(19.275)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	19.275	(19.275)
In case the Euro changes 20% +/- against TRL:		
4- Euro net asset/liability	565	(565)
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	565	(565)
On average 20% +/- change in other exchange rates against TRL:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	19.840	(19.840)

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

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

(c) Currency risk and management (Continued)

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

	30 June 2024					31 December 2023				
	TRL equivalent	USD	Avro	GBP	Other	TRL equivalent	USD	Avro	GBP	Other
1. Trade receivables	22.888	528	158	-	-	31.266	668	166	-	-
2a. Monetary financial assets	66.264	2.004	14	-	-	95.471	2.600	-	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	101.685	2.420	633	-	-	24.456	582	76	-	-
4. Total current assets (1+2+3)	190.837	4.952	805	-	-	151.193	3.850	242	-	-
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total non-current assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total assets (4+8)	190.837	4.952	805	-	-	151.193	3.850	242	-	-
10. Trade payables	29.536	710	177	-	-	49.894	1.177	164	-	-
11. Financial liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other monetary liabilities	1.691	44	7	-	-	2.097	48	8	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	31.227	754	184	-	-	51.991	1.225	172	-	-
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Total non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	31.227	754	184	-	-	51.991	1.225	172	-	-
19. Net asset/ (liability) position of off-balance sheet derivative instruments (19a-19b)	33.269	1.013	-	-	-	470.013	12.800	-	-	-
19a. Total asset amount hedged	33.269	1.013	-	-	-	470.013	12.800	-	-	-
19b. Total liabilities amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	192.879	5.211	621	-	-	569.214	15.425	70	-	-
21. Monetary items net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)	159.610	4.198	621	-	-	99.202	2.625	70	-	-
22. Exports	57.010	958	338	-	11.370	194.878	3.608	786	-	-
23. Imports	308.348	7.247	1.663	51	9.154	539.554	14.759	3.943	105	16.369

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

(d) Interest rate risk and management

As of 30 June 2024, the Company does not have any floating rate borrowings. (31 December 2023: None).

(e) Credit risk management

Holding financial instruments also carries the risk that the other party will not be able to fulfill the requirements of the agreement. The Company's collection risk mainly arises from its trade receivables. Trade receivables are evaluated in accordance with the Company's policies and procedures and are recognized net of 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 58% 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 96% 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 (DDS) and other collection instruments. The Company mainly uses the direct debit system (DBS) as a collection tool. Since the issuers of the checks received in general are the customers of the dealers, risk distribution is provided. Since the Company operates in this system, there is no significant risk arising from its receivables.

(f) Liquidity risk and management

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

Liquidity risk tables

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

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

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NOTE 25 – FINANCIAL INSTRUMENTS

25.1 Fair value

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

	30 June 2024	Level 1	Level 2	Level 3
Derivative financial liabilities	-	-	-	-

	31 December 2023	Level 1	Level 2	Seviye 3
Derivative financial liabilities	2.147	-	2.147	-

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

25.2 Derivative financial instruments and hedge accounting

The Company has started to apply cash flow hedge accounting as of October 1, 2018.

As of June 30, 2024, the Company has a forward transaction. (31 December 2023: Nominal value of TRL 287.919 amounting to USD 8.500.000).

As of 30 June 2024, the Company has allocated USD 2.018.641 equivalent of TRL 66.264 from its bank deposits for the payments related to raw material and trade goods purchases to be made in the future periods in order to hedge against fluctuations in foreign exchange rates and the related amount has been subject to hedge accounting. (31 December 2023: USD 2.600.000 equivalent of TRL 95.471)

At the inception of a hedging transaction, the Company documents the relationship between the hedging instrument and the hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company recognizes the hedging instruments used in hedging transactions both at the inception of the hedging transaction and at regular intervals in the hedged items. whether they are highly effective in offsetting changes in their values.

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 denominated in foreign currencies in the markets in which the Company operates for inventory purchases, purchases of machinery and equipment denominated in foreign currencies and other service contracts denominated in foreign currencies.

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.2 Derivative financial instruments and hedging transactions (Continued)

	Contract Amount	2024 <u>Fair Value</u>		Contract Amount	2023 <u>Fair Value</u>	
		Assets	Liabilities		Assets	Liabilities
For hedging purposes:						
Forward transactions	33.269	-	-	312.118	-	2.147
	33.269	-	-	312.118	-	2.147
Short term	33.269	-	-	312.118	-	2.147
	33.269	-	-	312.118	-	2.147

Objectives in financial risk management:

The Company's finance department is responsible for ensuring regular access to financial markets and monitoring and managing the financial risks incurred in connection with the Company's activities. These risks are; It includes market risk (including currency risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company does not have speculative financial instruments (including derivative financial instruments) and does not have any activity related to the purchase and sale of such instruments.

30 June 2024	Note	Fair value differences reflected in other comprehensive income	Financial assets shown at amortized cost	Financial liabilities shown at amortized value	Book value	Fair value
<u>Financial assets</u>						
Cash and cash equivalents	4	-	89.344	-	89.344	89.344
Trade receivables from third parties	8	-	669.637	-	669.637	669.637
Receivables from related parties	23	-	89.499	-	89.499	89.499
Derivative instruments	25.1	-	-	-	-	-
Other financial assets	5	-	899	-	899	899
<u>Financial liabilities</u>						
Financial borrowings	7	-	-	996.583	996.583	996.583
Lease liabilities	7	-	-	123.393	123.393	123.393
Trade payables due to third parties	8	-	-	167.016	167.016	167.016
Payables due to related parties	23	-	-	4.718	4.718	4.718
Derivative instruments	25.1	-	-	-	-	-
Other financial liabilities	9	-	-	169.057	169.057	169.057

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE INTERIM PERIOD
30 JUNE 2024

(Amounts expressed in thousands of Turkish Lira (“TRL”) in terms of the purchasing power of the TRL at June 30, 2024 unless otherwise indicated)

NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.2 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 equivalents	4	-	990.403	-	990.403	990.403
Trade receivables from third parties	8	-	83.041	-	83.041	83.041
Receivables from related parties	23	-	64.713	-	64.713	64.713
Other financial assets	5	-	968	-	968	968
Financial liabilities						
Financial borrowings	7	-	-	1.250.162	1.250.162	1.250.162
Lease liabilities	7	-	-	137.762	137.762	137.762
Trade payables due to third parties	8	-	-	165.866	165.866	165.866
Payables due to related parties	23	-	-	8.305	8.305	8.305
Derivative instruments	25.1	-	-	2.147	2.147	2.147
Other financial liabilities	9	-	-	494	494	494

NOTE 26 – EVENTS AFTER THE REPORTING PERIOD

According to the decision taken by the Board of Directors on 01.07.2024, it has been decided to increase our company's paid-in (issued) capital of TRL 23.625 to a total of TRL 259.875 by increasing it by TRL 236.250 at a rate of 1000%, within the Registered Capital Ceiling of TRL 1,450,000 pursuant to Article 10 of our Articles of Association, which will be covered entirely from internal resources, an application was made to the Capital Markets Board on July 22, 2024.

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