

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

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

(ORIGINALLY ISSUED IN TURKISH)



**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 2023 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
Partner

Istanbul, 9 August 2023

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF 30 JUNE 2023 AND 31 DECEMBER 2022

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

	Notes	Reviewed Current period 30 June 2023	Audited Prior period 31 December 2022
Assets			
Current assets			
Cash and cash equivalences	4	216,708	292,369
Financial investments	5	84,005	-
Trade receivables		355,650	56,428
- Trade receivables from related parties	23	61,150	10,469
- Trade receivables from third parties	8	294,500	45,959
Other receivables		9,032	1,846
- Other receivables from related parties	23	-	134
- Other receivables from third parties	9	9,032	1,712
Derivative instruments	25.1	13,757	-
Inventories	10	486,656	240,774
Prepaid expenses	15	62,065	11,551
Current tax-related assets	15	-	24,499
Other current assets	15	8,102	15,017
Total current assets		1,235,975	642,484
Non-current assets			
Financial investments	5	4	4
Other receivables			
- Other receivables from third parties	9	2,560	-
Property, plant and equipment	11	114,746	108,365
Right of use assets	7	20,916	29,994
Intangible assets	12	13,078	15,484
Prepaid expenses	15	2,752	2,838
Deferred tax assets	21	30,309	9,370
Total non-current assets		184,365	166,055
Total assets		1,420,340	808,539

Financial statements for the accounting period 1 January – 30 June 2023 were approved at the Board of Directors meeting on 9 August 2023 and signed by General Manager Ahmet Oğuz Uçanlar and Financial Affairs Director Yasemen Güven Çayırözmez on behalf of the Board of Directors.

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF 30 JUNE 2023 AND 31 DECEMBER 2022

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

	Notes	Reviewed Current period 30 June 2023	Audited Prior period 31 December 2022
Liabilities			
Current liabilities			
Short term borrowings	7	411,759	486,890
Short term portion of long term borrowings		189,668	17,199
- Short term portion of long term borrowings from third parties	7	189,668	17,199
- Bank loans		7,232	7,317
- Lease liabilities		11,734	9,882
- Issued debt instruments		170,702	-
Trade payables		134,333	57,815
- Trade payables due to related parties	23	2,284	695
- Trade payables due to third parties	8	132,049	57,120
Employee benefit obligations	9	20,830	27,636
Other payables		24,823	1,582
- Other payables due to related parties	23	18,002	-
- Other payables due to third parties	9	6,821	1,582
Derivative instruments	25.1	-	5,082
Deferred income	15	201,115	6,360
Current tax liabilities	21	48,216	497
Short term provision		25,374	4,979
- Short term provisions for employee benefits	14	24,582	4,187
- Other short term provisions	13	792	792
Total current liabilities		1,056,118	608,040
Non-current liabilities			
Long term borrowings		42,847	28,260
- Long term borrowings from third parties	7	42,847	28,260
- Bank loans		22,569	7,000
- Lease liabilities		20,278	21,260
Payables due to employee termination benefits	9	3,360	-
Long term provision		26,644	37,938
- Long term provisions for employee benefits	14	26,644	37,938
Total non-current liabilities		72,851	66,198
Equity			
Paid-in capital	16	23,625	23,625
Adjustments to share capital	16	1,584	1,584
Other accumulated comprehensive income and expense not to be reclassified to profit or loss		(8,825)	(6,355)
- Losses on remeasurement of defined benefit obligations		(8,825)	(6,355)
Other comprehensive expenses/(income) that will be reclassified to profit or loss		17,842	(5,336)
- Currency translation differences		(1,455)	(1,455)
- Gains/(loss) on hedge		19,297	(3,881)
Restricted profit reser	16	27,715	27,715
Retained earnings	16	75,065	55,576
Net profit/(loss) for the period		154,365	37,492
Total equity		291,371	134,301
Total liabilities and equity		1,420,340	808,539

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

PROFIT OR LOSS AS OF 30 JUNE 2023 AND 30 JUNE 2022

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

		Reviewed 1 January - 30-June-23	Reviewed 1 January - 30-June-22	Not Reviewed 1 April - 30-June-23	Not Reviewed 1 April- 30-June-22
Profit or loss	Notes				
Revenue	17	768,184	292,716	459,326	168,852
Cost of sales (-)	17	(352,635)	(167,080)	(223,196)	(106,706)
Gross profit		415,549	125,636	236,130	62,146
General administrative expenses (-)		(75,362)	(28,850)	(41,401)	(15,276)
Marketing expenses (-)		(111,364)	(54,854)	(57,101)	(26,838)
Research and development cost (-)		(3,973)	(1,176)	(1,751)	(518)
Other operating income	18	40,314	9,227	35,239	2,888
Other operating expenses (-)	18	(24,633)	(13,183)	(17,823)	(3,560)
Operating profit		240,531	36,800	153,293	18,842
Income from investment activities	19	161	52	115	52
Expens from investment activities (-)	19	(169)	(54)	(2)	(54)
Operating profit before finance costs		240,523	36,798	153,406	18,840
Finance income	20	82,289	32,346	55,722	19,008
Financial expenses (-)	20	(123,388)	(70,755)	(66,745)	(37,028)
Profit before taxation on income		199,424	(1,611)	142,383	820
Taxation on income		(45,059)	7,769	(25,923)	11,793
- Current year tax expense	21	(71,176)	(11,418)	(46,587)	(8,690)
- Deferred tax income	21	26,117	19,187	20,664	20,483
Net profit for the year		154,365	6,158	116,460	12,613
Profit /(loss) per share (1 TRY per share)	22	6.5340	0.2607	4.9295	0.5339

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

	Notes	Reviewed 1 January - 30-June-23	Reviewed 1 January - 30-June-22	Not Reviewed 1 April - 30-June-23	Not Reviewed 1 April- 30-June-22
Net profit for the year		154,365	6,158	116,460	12,613
Other comprehensive income/expense					
Other comprehensive expenses that will not be reclassified to profit or loss					
- Remeasurements of defined benefit assets/liabilities	14	(2,470)	170	(235)	483
- Other comprehensive expenses that will not be reclassified to profit or loss, tax effect		617	(42)	58	(120)
- Deferred tax income /(expense)		617	(42)	58	(120)
Other comprehensive expenses that will be reclassified to profit or loss					
- Currency translation differences		23,178	(3,184)	18,924	(2,444)
- Other comprehensive income (expense) on cash flow hedge	25. 1	-	-	-	-
- Other comprehensive expenses that will be reclassified to profit or loss, tax effect		28,973	(4,135)	23,654	(3,363)
- Deferred tax income /(expense)		(5,795)	951	(4,730)	919
		(5,795)	951	(4,730)	919
Other comprehensive income /(expense)		20,708	(3,014)	18,689	(1,961)
Total comprehensive income		175,073	3,144	135,149	10,652

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

	Paid in capital	Adjustment to share capital	Other comprehensive income (loss) that will not be reclassified in profit or loss	Other comprehensive loss/(income) that will be reclassified in profit or loss	Gains on hedge	Restricted reserves	Retained earnings	Net profit for the period	Total equity
			Defined benefit plans revaluation and measurement losses	Currency translation differences					
Balances as of 1 January 2022	23,625	1,584	(554)	(1,455)	9,772	32,555	78,436	(12,698)	131,265
Transfers	-	-	-	-	-	(6,341)	(6,357)	12,698	-
Dividends	-	-	-	-	-	-	(15,002)	-	(15,002)
Total comprehensive income	-	-	170	-	(3,184)	-	-	6,158	3,144
Balances as of 30 June 2022	23,625	1,584	(384)	(1,455)	6,588	26,214	57,077	6,158	119,407
Balances as of 1 January 2023	23,625	1,584	(6,355)	(1,455)	(3,881)	27,715	55,576	37,492	134,301
Transfers	-	-	-	-	-	-	37,492	(37,492)	-
Dividends	-	-	-	-	-	-	(18,003)	-	(18,003)
Total comprehensive income	-	-	(2,470)	-	23,178	-	-	154,365	175,073
Balances as of 30 June 2023	23,625	1,584	(8,825)	(1,455)	19,297	27,715	75,065	154,365	291,371

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

	Notes	Revised 2023	Revised 2022
Cash flow from operating activities		(28,617)	(239,470)
Net profit for the period		154,365	6,158
Adjustments to reconcile net profit for the period		185,870	73,475
Adjustments for depreciation and amortization expense	11,12	19,757	12,137
Adjustments for impairment loss/(reversal)		15,076	(764)
- Allowance for doubtful receivables	8	(7)	257
- Adjustments for inventory impairment/(cancellation)	10	15,083	(1,021)
Adjustments for provisions		27,524	12,465
- Adjustments for employment termination benefits	18	27,524	12,516
- Adjustments for lawsuit and other provisions		-	(51)
Adjustments for interest income/expense		63,018	46,701
- Adjustments for interest income	20	(67,426)	(23,179)
- Adjustments for interest expense	20	117,619	61,591
- Rediscount on interest loss	18	14,628	9,874
- Rediscount on interest income	18	(1,803)	(1,585)
Adjustments for fair value gains		15,428	10,703
Adjustments for tax incomes	21	45,059	(7,769)
Gain on sale of tangible and intangible assets		8	2
Changes in working capital		(348,384)	(317,924)
Increases in trade receivables		(313,843)	(188,552)
Increases/(decreases) in other receivables		(9,746)	278
Increases in inventory		(260,965)	(178,186)
Increases in prepaid expenses		(50,428)	(35,603)
Increases in trade payables		78,321	83,337
Increases in employment termination benefits		(3,445)	(159)
Adjustments Related to Increases in Other Payables from Operations		5,238	869
Increases in Deferred Revenues (Excluding Liabilities Arising from Customer Contracts)		194,755	17,651
Adjustments Related to Increase/(Decrease) in Other Working Capital from Operations		11,729	(17,559)
- Increases in other assets related to operations		(35,990)	(23,604)
- Increases in other liabilities related to operations		47,719	6,045
Cash used in operating activities		(8,149)	(238,291)
Employee termination benefits paid	14	(21,510)	(986)
Tax paid		1,042	(193)
Cash flow from investing activities		(11,830)	(10,629)
Proceeds from sale of property, plant and equipment		183	81
Acquisition of property, plant and equipment and intangible assets	11,12	(12,013)	(10,710)
Cash flow from financing activities		(36,358)	(17,041)
Proceeds from bank borrowings	7	471,726	327,500
Repayment of borrowings	7	(354,120)	(253,796)
Repayment of lease liabilities		(14,570)	(6,781)
Interest paid	7	(120,159)	(58,244)
Interest received		46,641	23,105
Other cash inflow		(65,876)	(48,825)
Decreases in cash and cash equivalents		(76,805)	(267,140)
Cash and cash equivalents at the beginning of the year	4	290,857	340,547
Cash and cash equivalents at the end of the year	4	214,052	73,407

Accompanying notes are an integral part of these financial statements.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

NOTE 1 – ORGANISATION AND THE NATURE OF OPERATIONS

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

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

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

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

The Company is registered to the Capital Markets Board (“CMB”) and its shares have been traded on Borsa Istanbul (“BIST”) since 1996. As of 30 June 2023, the Company has 27,71% of its shares registered in the BIST. The shareholders holding the majority of the Company's shares and their share ratios are as follows:

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

The average number of employees of the Company as at 30 June 2023 is 402 (31 December 2022: 383).

As of 30 June 2023, the joint venture of the Company accounted for using the equity method and its shareholding ratios are as follows:

Company name	Field of Activity	Country	(%)
LLC Faber-Castell Anadolu	All types of stationery buying and selling products	Russia	50.00

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

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of preparation and presentation of financial statements

2.1.1 Statement of compliance with TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board (“CMB”) Communiqué Serial II, No: 14.1 “Basis of Financial Reporting in Capital Markets”, which was published in the Official Gazette No:28676 on June 13, 2013. The accompanying financial statements are prepared based on the Turkish Accounting Standards and interpretations (“TAS”) issued by the Public Oversight Accounting and Auditing Standards Authority (“POA”) under Article 5 of the Communiqué.

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

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

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

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

These financial statements of the Company as of 30 June 2023 have been approved for issue by the Board of Directors (“BOD”) on 9 August 2023. The owners of the Company and regulatory bodies have the power to amend the consolidated financial statements after the issue in the General Assembly meeting of the Company.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

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

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

2.1.2 Functional and reporting currency

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

2.1.3 Adjustment of financial statements during periods of high inflation

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

2.1.4 Shares in affiliates and joint ventures

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

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sales, in which case it is accounted for in accordance with 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.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ ANONİM ŞİRKETİ

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

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

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

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

2.1.5 Comparative information and restatement of prior period financial statements

Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and significant changes are explained. The financial statements of the Company include comparative financial information to enable the determination of the trends in the financial position and performance. The Company has prepared its financial position statement as of 30 June 2023 with the financial position statement prepared as of 31 December 2022; The profit or loss statement for the period 1 January- 30 June 2023, the profit or loss statement for the 1 January- 30 June 2022 accounting period, and the other comprehensive income statement for the 1 January- 30 June 2023 accounting period, the 1 January- 30 June 2022 accounting period, other comprehensive income statement, cash flow statement for the accounting period 1 January-30 June 2023 and statements of changes in shareholders' equity are prepared comparatively with the related financial statements for the accounting period 1 January – 30 June 2022.

2.2 New and revised turkish financial reporting standards

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

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

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

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

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

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

- **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.
- **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 TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendments to 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 is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- **TFRS 2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

2.3 Changes in accounting estimates and errors

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

The nature and amount of a change in the accounting estimate that has an effect on the current period's operating result or is expected to have an effect on the following periods is disclosed in the footnotes of the financial statements, unless it is not possible to estimate the effect on future periods. There has been no change or error in the accounting estimates of the financial statements for the 30 June 2023 accounting period.

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

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

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

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

2.5 Seasonality of activities

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

2.6 Significant accounting judgments, estimates and assumptions

Fair values of derivatives and other financial instruments

Derivatives are recognized initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Expected credit losses

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

NOTE 3 – FINANSIAL REPORTING ON BASIS OF OPERATING SEGMENTS

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

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

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NOTE 4 – CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Demand deposit	5,020	3,350
Time deposit	208,628	285,746
Other cash equivalents	404	1,761
Cash and cash equivalents in the statement of cash flows	214,052	290,857
Interest income accruals	2,656	1,512
	216,708	292,369

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

As of 30 June 2023, the Company has reserved a portion of 1,886,783 USD equivalent to 48,722 TRY of its bank deposits for the payments related to the purchases of raw materials and commercial goods to be made in the future. (31 December 2022: 2,656,889 USD equivalent 49,661 TRY)

NOTE 5 – FINANCIAL INVESTMENTS

	30 June 2023		31 December 2022	
	%	TRY	%	TRY
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7.67	4	7.67	4
		4		4
		TRY		TRY
Financial investments (*)		84,005		-
		84,005		-

(*) The maturity dates of currency protected deposit accounts opened by converting USD 500,000, 1,000,000, 1,000,000 and 800,000 with interest rates of 11.00%, 9.0%, 11.95% and 11.95%, respectively, are August 23, 2023, August 10, 2023, August 14, 2023 and August 18, 2023.

NOTE 6 – INVESTMENTS ACCOUNTED THROUGH EQUITY METHOD

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

	30 June 2023	Pay (%)	31 December 2022	Pay (%)
LLC Faber-Castell Anadolu	-	50.00	-	50.00
	-		-	
30 June 2023	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	977	3,536	-	(944)
31 December 2022	Assets	Liabilities	Net sales	Profit/(loss)
Faber-Castell Anadolu LLC	779	2,025	-	(167)

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NOTE 7 – BORROWINGS AND RIGHT OF USE ASSETS

30 June 2023	Interest rate %	Balance
Short term borrowings		
TRY loans	12 – 33.3	411,759
		411,759

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

30 June 2023	Interest rate %	Balance
Short-term portions of long-term borrowings		
Short-term portions of long-term lease liabilities	8-21.10	11,734
Short-term portions of long term loans	16.50	7,232
Short-term portions of long-term debt instruments issued (*)	32.50	170,702
		189,668

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

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

30 June 2023	Interest rate %	Balance
Long term borrowings		
TRY Loans	12-12	22,569
Lease liabilities of long-term right-of-use assets	14.89 – 21.10	20,278
		42,847

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

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

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

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

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

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

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

	Total liabilities
30 June 2023	
1-2 years	40,520
2-3 years	2,327
	42,847
31 December 2022	
1-2 years	24,760
2-3 years	3,500
	28,260

The movement table of bank loans is as follows:

	2023	2022
1 January	501,207	509,729
Cash inflows from borrowing	471,726	327,500
Cash outflows related to debt payments	(354,120)	(253,796)
Interest expense	113,608	59,449
Interest paid	(120,159)	(58,244)
30 June	612,262	584,638

Movement table of lease payables is as follows:

	2023	2022
1 January	31,142	3,163
Cash inflows from borrowing	11,368	22,247
Cash outflows related to lease payments for the period	(14,570)	(6,781)
Interest expense	4,011	1,938
Interest paid	(2)	(2)
Currency translation differences	63	5
30 June	32,012	20,570

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

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

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2023,	15,609	14,385	29,994
Additions	1,990	9,379	11,368
Changes on the lease	-	(8,536)	(8,536)
Current depreciation expense(*)	(5,043)	(6,867)	(11,910)
As of 30 June 2023	12,556	8,360	20,916

(*) 107 TRY of depreciation expenses is included in the cost of goods sold, 1,491 TRY is included in general administrative expenses and 10,312 TRY is included in marketing, selling and distribution expenses.

Right of use assets	Vehicles	Buildings	Total
As of 1 January 2022,	2,223	-	2,223
Additions	669	21,578	22,247
Current depreciation expense	(1,701)	(3,596)	(5,297)
As of 30 June 2022,	1,191	17,982	19,173

(*) 32 TRY of depreciation expenses is included in the cost of goods sold, 471 TRY is included in general administrative expenses and 4,794 TRY is included in marketing, selling and distribution expenses.

NOTE 8 – TRADE RECEIVABLES AND PAYABLES

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

Trade Receivables	30 June 2023	31 December 2022
Trade receivables from third parties	294,500	45,959
Trade receivables from related parties (Note 23)	61,150	10,469
	355,650	56,428

Trade receivables from third parties	30 June 2023	31 December 2022
Trade receivables	262,869	52,120
Cheques and notes receivables	52,603	690
Expected credit loss (-)	(5,849)	(5,856)
Interest income on credit sales	(15,123)	(995)
	294,500	45,959

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NOTE 8 – TRADE RECEIVABLES AND PAYABLES (Continued)

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

	<u>2023</u>	<u>2022</u>
1 January	5,856	5,555
Additions	-	257
Reversal of provision (including collections)	(7)	-
30 June	5,849	5,812

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

Trade payables	30 June 2023	31 December 2022
Trade payables to third parties	132,049	57,120
Trade payables to related parties (Note 23)	2,284	695
	134,333	57,815

Trade payables to third parties	30 June 2023	31 December 2022
Suppliers	134,437	57,743
Other trade payables	6	15
Interest expenses on credit purchase (-)	(2,394)	(638)
	132,049	57,120

NOTE 9 – OTHER RECEIVABLES AND PAYABLES

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

Other receivables	30 June 2023	31 December 2022
Other receivables from third parties	9,032	1,712
Other receivables from related parties (Note 23)	-	134
	9,032	1,846

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

Other receivables from third parties	30 June 2023	31 December 2022
Sublease receivables	4,341	-
Receivables from employees	1,843	260
Deposits and guarantees given	1,550	707
Other miscellaneous receivables	1,298	745
	9,032	1,712
Other long-term receivables	30 June 2023	31 December 2022
Other miscellaneous receivables	2,560	-
	2,560	-

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NOTE 9 – OTHER RECEIVABLES AND PAYABLES (Continued)

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

Other payables	30 June 2023	31 December 2022
Other payables to related parties(Note 23)	18,002	-
Other payables to third parties	6,821	1,582
	24,823	1,582
Other payables to third parties	30 June 2023	31 December 2022
Taxes, fees and deductions payables	2,125	1,339
Other	4,696	243
	6,821	1,582
Employee benefit liabilities	30 June 2023	31 December 2022
Social security premiums payable	11,346	6,084
Due to employees	5,980	11,400
Other withholding tax liabilities	3,504	10,152
	20,830	27,636
Payables due to employee termination benefits	30 June 2023	31 December 2022
Payables due to employees	3,360	-
	3,360	-

NOTE 10 – INVENTORIES

	30 June 2023	31 December 2022
Raw materials	133,801	85,316
Semi-finished goods	54,364	35,040
Finished goods	164,431	60,128
Trade goods	152,383	63,744
Other inventories	2,333	2,119
Impairment of inventories (*)	(20,656)	(5,573)
	486,656	240,774

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

	2023	2022
1 January	5,573	1,834
Provisions no longer required (-)	(2,345)	(4,082)
Addition	17,428	7,821
31 December	20,656	5,573

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

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
As of 1 January 2023,								
Cost	1,838	2,122	63,727	84,949	1,364	30,765	14,797	199,562
Accumulated depreciation	-	(1,653)	(10,786)	(54,078)	(1,342)	(23,338)	-	(91,197)
Net book value	1,838	469	52,941	30,871	22	7,427	14,797	108,365
Opening balance	1,838	469	52,941	30,871	22	7,427	14,797	108,365
Additions	-	-	66	2,106	-	1,617	7,757	11,546
Disposal cost	-	-	-	(7)	-	(1,405)	-	(1,412)
Disposal depreciation	-	-	-	7	-	1,214	-	1,221
Transfers	-	-	-	-	-	-	-	-
Depreciation (*)	-	(118)	(703)	(2,783)	(8)	(1,362)	-	(4,974)
Closing balance	1,838	351	52,304	30,194	14	7,491	22,554	114,746
As of 30 June 2023,								
Cost	1,838	2,122	63,793	87,048	1,364	30,977	22,554	209,696
Accumulated depreciation	-	(1,771)	(11,489)	(56,854)	(1,350)	(23,486)	-	(94,950)
Net book value	1,838	351	52,304	30,194	14	7,491	22,554	114,746

(*) 3,483 TRY of depreciation expenses is included in the cost of goods sold, 219 TRY is included in general administrative expenses, 107 TRY is included in research and development expenses, and 1,165 TRY is included in marketing, sales and distribution expenses.

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NOTE 11 – PROPERTY, PLANT AND EQUIPMENT (Continued)

	Lands	Land improvements and buildings	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Construction in progress	Total
As of 1 January 2022,								
Cost	1,838	2,122	62,926	76,626	1,364	27,486	8,503	180,865
Accumulated depreciation	-	(1,417)	(9,249)	(48,732)	(1,307)	(21,045)	-	(81,750)
Net book value	1,838	705	53,677	27,894	57	6,441	8,503	99,115
Opening balance	1,838	705	53,677	27,894	57	6,441	8,503	99,115
Additions	-	-	-	3,344	-	1,774	5,231	10,349
Disposal cost	-	-	-	-	-	(248)	-	(248)
Disposal depreciation	-	-	-	-	-	165	-	165
Transfers	-	-	-	-	-	-	-	-
Depreciation (*)	-	(118)	(693)	(2,764)	(18)	(1,344)	-	(4,937)
Closing balance	1,838	587	52,984	28,474	39	6,788	13,734	104,444
As of 30 June 2022,								
Cost	1,838	2,122	62,926	79,970	1,364	29,012	13,734	190,966
Accumulated depreciation	-	(1,535)	(9,942)	(51,496)	(1,325)	(22,224)	-	(86,522)
Net book value	1,838	587	52,984	28,474	39	6,788	13,734	104,444

(*) 3,273 TRY of depreciation expenses is included in the cost of goods sold, 218 TRY is included in general administrative expenses, 132 TRY is included in research and development expenses, and 1,314 TRY is included in marketing, sales and distribution expenses.

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NOTE 12 – INTANGIBLE ASSETS

Intangible assets include computer software, rights and development costs.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2023,					
Cost	319	4,595	32,419	2,671	40,004
Accumulated amortizations	(267)	(1,509)	(21,282)	(1,462)	(24,520)
Net book value	52	3,086	11,137	1,209	15,484
Opening balance	52	3,086	11,137	1,209	15,484
Additions	40	-	-	427	467
Disposal cost	-	-	-	-	-
Disposal depreciation	-	-	-	-	-
Transfers	-	-	-	-	-
Depreciation (*)	(21)	(461)	(1,929)	(462)	(2,873)
Closing balance	71	2,625	9,208	1,174	13,078
As of 30 June 2023,					
Cost	359	4,595	32,419	3,098	40,471
Accumulated amortizations	(288)	(1,970)	(23,211)	(1,924)	(27,393)
Net book value	71	2,625	9,208	1,174	13,078

(*) For the current period, 872 TRY of amortization is included in the cost of goods sold, 294 TRY is included in the cost of general administrative expenses, 380 TRY is included in the cost of research and development expenses, and 1,327 TRY is included in the cost of marketing, sales and distribution expenses.

	Rights	Developments	License agreements	Other intangible assets	Total
As of 1 January 2022,					
Cost	319	3,022	25,614	2,671	31,626
Accumulated amortizations	(223)	(745)	(18,017)	(892)	(19,877)
Net book value	96	2,277	7,597	1,779	11,749
Opening balance	96	2,277	7,597	1,779	11,749
Additions	-	-	-	361	361
Transfers	-	-	-	-	-
Amortizations (*)	(22)	(303)	(1,296)	(282)	(1,903)
Closing balance	74	1,974	6,301	1,858	10,207
As of 30 June 2022,					
Cost	319	3,022	25,614	3,032	31,987
Accumulated amortizations	(245)	(1,048)	(19,313)	(1,174)	(21,780)
Net book value	74	1,974	6,301	1,858	10,207

(*) For the current period, 460 TRY of the amortization is included in the cost of goods sold, 146 TRY is included in general administrative expenses, 217 TRY is included in research and development expenses, and 1,080 TRY is included in marketing, sales and distribution expenses.

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NOTE 13 – PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

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

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

	2023	2022
As of 1 January,	792	1,446
Provisions no longer required (-)	-	(51)
As of 31 December,	792	1,395

Contingent liabilities and contingent assets

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

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

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

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

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

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

Deposits and guarantees given (Continued)

<i>Deposits and guarantees given</i>	30 June 2023	31 December 2022
Guarantees letter	176,916	25,483
Letters of credit	-	32,968

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

30 June 2023

Letter of guarantees, pledge and mortgages provided by the Company	TRY equivalents	USD	EUR	TRY
A. Total amount of GPMs given on behalf of the Company's legal personality	176,916	-	-	176,916
. Total amount of GPMs given in favor of subsidiaries included in full consolidation	-	-	-	-
B. Total amount of GPMs given by the Company for the liabilities of 3rd parties in order to run ordinary course of business	-	-	-	-
C. Total amount of other GPM's	-	-	-	-
D. Total amount of other GPM's	-	-	-	-
. 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	-	-	-	-
	176,916	-	-	176,916

31 December 2022

Letter of guarantees, pledge and mortgages provided by the Company	TRY equivalents	USD	EUR	TRY
A. Total amount of GPMs given on behalf of the Company's legal personality	25,483	-	-	25,483
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	-	-	-	-
. Total amount of GPMs given in favor of the parent Company	-	-	-	-
ii. Total amount of GPMs given in favor of other group companies not in the scope of B and C above	-	-	-	-
iii. Total amount of GPMs given in favor of third party companies not in the scope of C above	-	-	-	-
	25,483	-	-	25,483

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

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NOTE 14 – EMPLOYEE BENEFIT OBLIGATIONS

Short term employee benefits	30 June 2023	31 December 2022
Premium accruals	20,259	3,256
Provisions for unused vacations	4,323	931
	24,582	4,187
Long term employee benefits	30 June 2023	31 December 2022
Provisions for employee termination benefits	26,644	37,938
	26,644	37,938

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

	2023	2022
As of 1 January	931	867
Charge for the period	3,392	1,265
As of 30 June	4,323	2,132

Provisions for employee termination benefits

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

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

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

	2023	2022
As of 1 January,	37,938	14,573
Service cost	7,129	6,309
Interest cost	-	314
Actuarial loss /(gain)	3,087	(212)
Severance pay paid	(21,510)	(986)
As of 30 June,	26,644	19,998

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NOTE 14 – EMPLOYEE BENEFIT OBLIGATIONS (Continued)

	30 June 2023	31 December 2022
Discount rate (%)	0.49	0.49
Turnover rate used in retirement probability calculation (%)	94.11	92.73

NOTE 15 – OTHER ASSETS AND LIABILITIES

Short-term prepaid expenses	30 June 2023	31 December 2022
Advances given	43,803	8,500
Prepaid expenses for the next months	18,262	3,051
	62,065	11,551

Current tax assets	30 June 2023	31 December 2022
Prepaid taxes and funds	-	24,499
	-	24,499

Other current assets	30 June 2023	31 December 2022
Deffered vat	7,766	14,655
Work advance	238	24
Advances to personnel	-	236
Other miscellaneous current assets	98	102
	8,102	15,017

Long-term prepaid expenses	30 June 2023	31 December 2022
Prepaid expenses for future years	2,752	2,838
	2,752	2,838

Deffered income	30 June 2023	31 December 2022
Advances received	201,115	5,471
Short-term deferred income	-	889
	201,115	6,360

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NOTE 16 – CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Equity

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

	30 June 2023		31 December 2022	
	% Share	TRY	% Share	TRY
AG Anadolu Grubu Holding A.Ş.	56.89	13,439	56.89	13,439
Faber - Castell Aktiengesellschaft	15.4	3,638	15.4	3,638
Shares publicly held	27.71	6,548	27.71	6,548
Paid in capital	100.00	23,625	100.00	23,625
Inflation adjustment to share capital		1,584		1,584
Total capital		25,209		25,209

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

Number of shares and share groups and privileges:

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

Restricted reserves

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

	30 June 2023	31 December 2022
Legal reserves	26,725	26,725
Real estate and subsidiary shares sales profit	990	990
	27,715	27,715

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

Retained Earnings

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

	30 June 2023	31 December 2022
Extraordinary reserves	82,623	82,625
Other retained earnings /(loss)	(7,558)	(27,049)
	75,065	55,576

Dividend distribution

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

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

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

In accordance with the Ordinary General Assembly held on 13 April 2023 as there is no net distributable period profit according to the legal records in the profit distribution table prepared within the scope of the Capital Markets Board Dividend Guide for the operating year of 2022, the other source foreseen to be distributed is the gross of 18,002,250 TRY from the previous years' profits for each share with a nominal value of 1 TRY, at a gross rate of 76,2% and 1 TRY in the amount of 0.762 TRY. As of 28 September 2022, it was decided to distribute in cash at a net rate of 68.58%, amounting to TRY 0.6858 for each share with a nominal value and was completed on 27 September 2023.

NOTE 17 – REVENUE AND COST OF SALES

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Domestic sales	1,008,402	375,896	625,959	217,172
Foreign sales	47,157	31,984	32,404	22,270
Sales discounts (-)	(287,375)	(115,164)	(199,037)	(70,590)
Net sales	768,184	292,716	459,326	168,852
Cost of sales (-)	(352,635)	(167,080)	(223,196)	(106,706)
Gross profit	415,549	125,636	236,130	62,146

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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 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Direct material cost	193,805	100,006	109,753	64,422
Direct labour costs	78,170	24,479	36,274	15,892
General production expenses	34,557	30,721	20,428	17,665
Provision for inventories	17,428	2,668	17,428	1,168
Depreciation expenses	4,355	3,273	2,169	1,409
Change in semi-finished goods	(19,324)	(18,151)	(5,473)	(4,869)
Change in finished goods	(106,649)	(62,668)	(72,327)	(43,077)
Cost of products sold	202,342	80,328	108,252	52,610
Cost of goods sold	150,293	86,752	114,944	54,096
Cost of sales	352,635	167,080	223,196	106,706

NOTE 18 – OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

The operating income of the Company are as follows.

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Foreign exchange income	34,937	6,184	33,569	2,276
Rediscount on interest income	1,803	1,585	1,304	932
Other expenses	3,574	1,458	366	(320)
	40,314	9,227	35,239	2,888

The operating expenses of the Company are as follows.

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Rediscount on interest loss	14,628	9,874	8,748	3,545
Foreign exchange expenses	7,457	1,853	6,819	(679)
Donation expenses	1,028	-	1,028	-
Other expenses	1,520	1,456	1,228	694
	24,633	13,183	17,823	3,560

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NOTE 19 – INVESTMENT ACTIVITIES INCOME AND EXPENSES

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Other income from investment activities				
Proceeds from sale of property, plant and equipment	161	52	115	52
	161	52	115	52
	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Other expense from investment activities				
Acquisition of property, plant and equipment and intangible assets	(169)	(54)	(2)	(54)
	(169)	(54)	(2)	(54)

NOTE 20 – FINANCE INCOME AND EXPENSES

Finance income	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Interest income	48,595	18,305	25,933	5,748
Income on currency-protected interest	18,129	4,784	15,758	4,784
Foreign exchange income	14,863	7,550	13,329	6,769
Income on hedge	-	1,617	-	1,617
Interest income from sublease receivables	702	-	702	-
	82,289	32,346	55,722	19,008
Finance expenses	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Interest expenses	117,619	61,591	61,620	29,483
Foreign exchange expenses	5,769	2,178	5,125	715
Expenses on hedge	-	6,672	-	6,672
Other	-	314	-	158
	123,388	70,755	66,745	37,028

NOTE 21- INCOME TAXES

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

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NOTE 21- INCOME TAXES (Continued)

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

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

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Current period statutory tax provision (-)(*)	(71,176)	(11,418)	(46,587)	(8,690)
Deferred tax income/expense	26,117	19,187	20,664	20,483
Total deferred tax expense (net)	(45,059)	7,769	(25,923)	11,793

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

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

	30 June 2023	31 December 2022
Period income tax provision	(71,176)	(497)
Prepaid tax expenses (-)	22,960	24,499
Profit for the period tax (liability)/receivable, net	(48,216)	24,002

Tax Advantages Obtained Under the Investment Incentive System:

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

Within the scope of the Company's incentive certificates, there is no discounted corporate tax advantage used in return for the current period's legal tax. (30 June 2022: 3,762 TRY)

The company capitalizes the R&D expenditures it has made within the scope of the law no. 5746 in its legal books. According to the the same law, the Company makes calculations over the R&D expenditures made within the framework of the relevant legislation and uses exemption for the part of the expenditures permitted by the law. As of 30 June 2023, the Company has used R&D deduction exemption amounting to TRY 1,099 (30 June 2022: TRY 5,271) against legal tax.

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NOTE 21- INCOME TAXES (Continued)

	Total temporary differences		Deferred tax	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
Adjustments to tangible and intangible assets	(19,578)	(20,240)	(3,916)	(4,048)
Adjustments related to provision for severance pay	26,644	37,939	5,329	7,588
Adjustments related to provision for dealer and revenue	106,646	-	21,329	-
Adjustments related to royalty expense provision	2,577	380	515	76
Adjustments related to derivative instruments	(16,409)	4,731	(3,281)	946
Adjustments related to doubtful receivable provision	3,167	3,167	633	633
Adjustments for unused vacation provision	4,323	931	865	186
Adjustments to the provision for inventory impairment	20,656	11,147	4,131	2,229
Adjustments for litigation	792	792	158	158
Adjustments for promotional materials	1,902	2,300	380	460
Adjustments for mass consumption sales return provision	2,282	-	456	-
Adjustments regarding the accrual of incentive premiums	11,030	4,254	2,206	851
Adjustments for leases	4,006	1,002	801	200
Other	3,517	450	703	91
Deferred tax asset/(liability)-,net	151,555	46,853	30,309	9,370
		2023		2022
As of 1 January		9,370		1,221
Deferred tax revenue		26,117		19,187
Effect of remeasurement differences in severance pay recognized in comprehensive income		617		(42)
Derivative instruments effect		(5,795)		951
30 June		30,309		21,317

NOTE 22 – EARNINGS/ (LOSS) PER SHARE

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

	1 January - 30 June 2023	1 January - 30 June 2022
Profit /(loss) for the period	154,365	6,158
Average number of shares (1-TRY nominal value weighted average number of shares)	23,625,000	23,625,000
Earnings per share /(loss) (Full TRY)	6.5340	(0.2607)

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NOTE 23 – RELATED PARTY DISCLOSURES

a) Related Parties' Balances

	Receivables from related parties	
	30 June 2023	31 December 2022
A.W.Faber Castell (M)(3)	17,379	-
A.W.Faber Castell (Guangzhou)(3)	15,618	-
A.W.Faber Castell Vertrieb GmbH (3)	14,250	572
Migros Ticaret A.Ş. (3)	11,981	6,462
LLC Faber-Castell Anadolu (2)	905	655
A.W.Faber Castell Peruana SA(3)	825	822
Diğer	972	2,254
	61,930	10,765
Finance expense (-)	(780)	(296)
	61,150	10,469

Related Parties' Balances

	Payable to related parties	
	30 June 2023	31 December 2022
AG Anadolu Grubu Holding A.Ş. (1)	1,699	661
AEH Sigorta Acentalığı A.Ş. (3)	354	20
A.W.Faber Castell Brezilya SA (3)	158	2
Other	110	17
	2,321	700
Finance income (-)	(37)	(5)
	2,284	695

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

	30 June 2023	31 December 2022
Other receivables from related parties		
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	-	134
	-	134

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NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

b) Transactions with related parties

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Product purchase				
A.W. Faber-Castell Vertrieb GmbH(3)	52,319	37,239	50,485	37,239
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd(3)	35,500	6,750	29,594	6,750
A.W. Faber Castell (M) Sdn.Bhd(3) Pt Faber-Castell International Indonesia(3)	40,450	11,129	31,977	11,129
Other	6,219	1,712	3,222	1,407
	1,639	795	965	795
	136,127	57,625	116,343	57,320
	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Product sales				
Migros Ticaret A.Ş. (3)	11,859	4,724	(151)	2,614
A.W. Faber-Castell Vertrieb GmbH (3)	2,379	3,693	453	3,693
A.W. Faber Castell Brezilya S.A (3)	233	374	-	374
Other	1,369	1,520	615	1,268
	15,840	10,311	917	7,949
	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Services received				
AG Anadolu Grubu Holding A.Ş. (1)	9,304	4,360	4,560	4,360
Migros Ticaret A.Ş. (3)	2,984	3,291	64	2,964
Anadolu Efes Spor Kulübü (3)	1,493	25	1,493	13
Other	1,151	28	494	27
	14,932	7,704	6,611	7,364
	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Services given				
A.W. Faber-Castell Vertrieb GmbH (3)	4,996	2,703	4,996	2,703
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş (3)	2,092	1,200	92	101
Anadolu Kaskasya Enerji Yatırımları A.Ş.(3)	671	347	337	179
A.G.Anadolu Grubu Holding(1)	1,125	15	-	15
Other	252	705	385	306
	9,136	4,970	5,810	3,304

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NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

	1 January - 30 June 2023	1 January - 30 June 2022	1 April - 30 June 2023	1 April - 30 June 2022
Other				
Anadolu Eğitim ve Sosyal Yardım Vakfı (3)	1,000	-	1,000	-
	1,000	-	1,000	-

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

	1 January - 30 June 2023	1 January - 31 December 2022
Other payables to related parties		
Dividend payables to shareholders	18,002	-
	18,002	-

c) Benefits provided to key management

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

	2023	2022
Short-term employee benefits	9,763	6,439
Other long-term benefits	3,360	791
Post-employment benefits	440	-
	13,563	7,230

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

(a) Capital risk management

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

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

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

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

	30 June 2023	31 December 2022
Total borrowings	644,274	532,349
Less: Cash and cash equivalents	(300,713)	(292,369)
Net dept	343,561	239,980
Total equity	291,371	134,301
Total equity + net dept	634,932	374,281
Net dept / total equity ratio	%54	%64

(b) Credit risk

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

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

(c) Currency risk and management

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

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

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

	30 June 2023	31 December 2022
Assets	193,216	66,029
Liabilities	(30,689)	(8,511)
Net balance sheet foreign currency position	162,527	57,518

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

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

(c) Currency risk and management (Continued)

	Appreciation of foreign currency	Depreciation Foreign currency
Profit/(Loss) 30 June 2023		
If the US Dollar changes 20% +/- against TRY:		
1- USD net asset/liability	29,482	(29,482)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	29,482	(29,482)
In case the Euro changes 20% +/- against TRY:		
4- Euro net asset/liability	2,997	(2,997)
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	2,997	(2,997)
On average 20% +/- change in other exchange rates against TRY:		
7- Other foreign currency net asset/liability	60	(60)
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	60	(60)
	32,539	(32,539)
	Appreciation of Foreign currency	Depreciation of Foreign currency
Profit/(Loss) 31 December 2022		
If the US Dollar changes 20% +/- against TRY:		
1- USD net asset/liability	11.841	(11.841)
2- Part hedged against USD risk (-) (*)	-	-
3- USD net effect (1+2)	11.841	(11.841)
In case the Euro changes 20% +/- against TRY:		
4- Euro net asset/liability	(338)	338
5- Hedged portion from Euro risk (-)	-	-
6- Euro net effect (4+5)	(338)	338
On average 20% +/- change in other exchange rates against TRY:		
7- Other foreign currency net asset/liability	-	-
8- Hedged portion from other exchange rate risk (-)	-	-
9- Net effect on other FX assets (7+8)	-	-
	11.503	(11.503)

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

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

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

	30 June 2023					31 December 2022				
	TRY equivalent	USD	EUR	GBP	Other	TRY equivalent	USD	EUR	GBP	Other
1. Trade receivables	121,879	3,800	834	-	1,560	15,967	751	97	-	10
2a. Monetary financial assets	71,131	2,738	15	-	-	49,668	2,608	45	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
3. Other	296	3	4	1	-	394	1	19	-	-
4. Total current assets (1+2+3)	193,216	6,541	853	1	1,560	66,029	3,360	161	-	10
5. Trade receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total non-current assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total assets (4+8)	193,216	6,541	853	1	1,560	66,029	3,360	161	-	10
10. Trade payables	29,285	785	314	-	6	8,295	183	244	-	6
11. Financial liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other monetary liabilities	1,404	48	6	-	-	216	10	1	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
13. Total current liabilities (10+11+12)	30,689	833	320	-	6	8,511	193	245	-	6
14. Trade payables	-	-	-	-	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-	-	-	-	-
17. Total non-current liabilities (14+15+16)	-	-	-	-	-	-	-	-	-	-
18. Total liabilities (13+17)	30,689	833	320	-	6	8,511	193	245	-	6
19. Net asset/ (liability) position of off-balance sheet derivative instruments (19a-19b)	183,860	7,120	-	-	-	184,178	9,850	-	-	-
19a. Total asset amount hedged	183,860	7,120	-	-	-	184,178	9,850	-	-	-
19b. Total liabilities amount hedged	-	-	-	-	-	-	-	-	-	-
20. Net foreign currency asset / (liability) position (9-18+19)	346,387	12,828	533	1	1,554	241,696	13,017	(84)	-	4
21. Monetary items net foreign currency asset / (liability) position (1+2a+3+5+6a-10-11-12a-14-15-16a)	162,527	5,708	533	1	1,554	57,518	3,167	(84)	-	4
22. Total fair value of financial instruments used for currency hedge	13,757	533	-	-	-	-	-	-	-	-
23. Amount of Hedged Part of Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-
23. Amount of hedged part of foreign currency liabilities	-	-	-	-	-	-	-	-	-	-
23. Exports	47,157	1,681	355	-	1,743	65,498	2,928	860	-	1,677
24. Imports	281,817	10,054	3,351	84	10,000	270,649	11,242	4,756	54	34,620
%20 increase	-	29,482	2,997	4	56	-	11,841	(338)	-	-

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

(d) Interest rate risk and management

As of 30 June 2023, the Company does not have any floating rate borrowings.
(31 December 2022: None).

(e) Credit risk management

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

The majority of the Company's sales are for the domestic market and it is mainly carried out through dealers and wholesalers. About 55% of the sales are due to the sales of the manufactured products. The commercial goods sold by the Company are of foreign origin. Therefore the company's merchandise costs are sensitive to the exchange rate. The cost of raw materials depends on the general price trend in the country. Approximately 94% of the Company's net sales are domestically oriented and the fluctuations in exchange rates are taken into account when determining price levels.

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

(f) Liquidity risk and management

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

Liquidity risk tables

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

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

NOTE 25 – FINANCIAL INSTRUMENTS

25.1 Fair value

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

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

Fair value hedge accounting

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

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

Level 3: Valuation techniques not containing observable market inputs

	30 June 2023	Level 1	Level 2	Level 3
Derivative financial liabilities	-	-	-	-

	31 December 2022	Level 1	Level 2	Seviye 3
Derivative financial liabilities	5,082	-	5,082	-

	30 June 2023	Level 1	Level 2	Level 3
Derivative financial assets	13,757	-	13,757	-

	31 December 2022	Level 1	Level 2	Level 3
Derivative financial assets	-	-	-	-

25.2 Derivative financial instruments and hedge accounting

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

As of 30 June 2023, the Company has a forward purchase transaction with a nominal value of TRY 98,644 amounting to USD 3,820,000. (As of 31 December 2022, the Company has a forward purchase transaction amounting to USD 9,850,000 with a nominal value of TRY 184,178).

As of 30 June 2023, Adel has a foreign exchange forward transaction with a nominal value of TRY 48,722 amounting to USD 1.886,783 (31 December 2022: Nominal value of TRY 49,661 amounting to USD 2,656,889).

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

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

25.2 Derivative financial instruments and hedging transactions (Continued)

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

	Contract Amount	2023 Fair Value		Contract Amount	2022 Fair Value	
		Assets	Liabilities		Assets	Liabilities
For hedging purposes:						
Forward transactions	183,860	13,757	-	184,178	-	5,082
	183,860	13,757	-	184,178	-	5,082
Short term	183,860	13,757	-	184,178	-	5,082
	183,860	13,757	-	184,178	-	5,082

Objectives in financial risk management:

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

30 June 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	-	216,708	-	216,708	216,708
Trade receivables	8	-	294,500	-	294,500	294,500
Receivables from related parties	23	-	61,150	-	61,150	61,150
Derivative financial instruments	25.1	13,757	-	-	13,757	13,757
Financial liabilities						
Financial borrowings	7	-	-	612,262	612,262	612,262
Lease liabilities	7	-	-	32,012	32,012	32,012
Trade payables	8	-	-	132,049	132,049	132,049
Payables from related parties	23	-	-	2,284	2,284	2,284
Other financial liabilities	9	-	-	24,823	24,823	24,823

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NOTE 25 – FINANCIAL INSTRUMENTS (Continued)

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

NOTE 26 – SUBSEQUENT EVENTS

On 15 July 2023, with the "Legislative Proposal on the Amendment of Certain Laws and the Decree Law No. 375 on the Amendment of Certain Laws and the Decree Law No. 375 on Additional Motor Vehicles Tax for the Compensation of Economic Losses Caused by the Earthquakes Occurring on 6 February 2023", the corporate tax rate has been increased from 20% to 25% (from 25% to 30% for financial institutions) and the new rate is valid for declarations that must be submitted as of October 1, 2023. The Company continues to evaluate the possible effects of the related law on the financial statements as of the date of publication of these financial statements.