ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE PERIOD 1 JANUARY 2021 - 31 DECEMBER 2021

(ORIGINALLY ISSUED IN TURKISH)

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)**

INDEPENDENT AUDITOR'S REPORT

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

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Adel Kalemcilik Ticaret ve Sanayi A.Ş ("the Company"), which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (TFRS).

2) Basis for Opinion

We conducted our audit in accordance with the standards on auditing issued by Capital Markets Board and the Standards on Independent Auditing (SIA) which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (POA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the *Code of Ethics for Independent Auditors* (Code of Ethics) as issued by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) Key Audit Matters

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

3) Key Audit Matters (Continued)

Key Audit Matter	How This Matter Was Addressed In the Audit
Sales discounts Revenue at Adel Kalemcilik Ticaret ve Sanayi A.Ş. is measured by taking into consideration the discounts provided by the content of various sales contracts made with customers. Considering the scope and diversity of the related contractual conditions, recognition of sales discounts has been identified as a key audit matter for our audit since the fair and complete calculation of discounts for the sales occurred in period ended 31 December 2021 is a complex area and it is possible for these calculations to contain material errors and inaccuracies, and the sales discount amounting to TL 85,537 (31 December 2020: TL 116,534) is material in terms of the financial statements. The accounting policy for the discounts is explained in Note 2 and related note is presented in Note 17.	Audit procedures have been performed to evaluate the design and implementation of controls designed to ensure that such sales reductions are made in accordance with customer contracts and sales discount circular. In order to determine whether the discounts are recognized in the correct amounts, the compliance of the procedures to the declared conditions were tested and evaluated by sampling method and accuracy and correction of the data which is base of the calculation were checked by recalculating the data. Current account reconciliations with major retailers that are part of the sales discounts are tested by external confirmation method and tests in detail. Furthermore, the adequacy of the information in the financial statements and in Note 17 has been assessed in terms of TAS.

4) Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

-Genel / Public

5) Auditor’s Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the standards on auditing issued by Capital Markets Board and SIA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the standards on auditing issued by Capital Markets Board and SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

5) Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph, four of the Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the auditor's report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 1 March 2022.

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2021 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

The engagement partner on the audit resulting in this independent auditor's report is H. Erdem Selçuk.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

H. Erdem Selçuk
Partner

İstanbul, 1 March 2022

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

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AUDITED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 31 December 2021	Audited 31 December 2020
Assets			
Current assets:			
Cash and cash equivalents	4	342,560	279,347
Trade receivables		92,569	59,496
- Due from related parties	23	18,468	13,584
- Due from third parties	8	74,101	45,912
Other receivables		2,108	560
- Due from third parties	9	2,108	560
Derivative financial instruments	25.2	12,505	-
Inventories	10	113,968	139,751
Prepaid expenses	15	2,941	535
Current tax assets	15	4,704	14,283
Other current assets	15	21,056	19,859
Total current assets		**592,411**	**513,831**
Non-current assets:			
Financial investments	5	234	234
Property, plant and equipment	11	99,115	100,774
Right-of-use assets	7	2,223	5,371
Intangible assets	12	11,749	7,988
Prepaid expenses	15	1,304	2,255
Deferred tax assets	21	1,221	3,966
Total non-currrent assets		**115,846**	**120,588**
Total assets		**708,257**	**634,419**

These financial statements for the period 1 January - 31 December 2021, have been approved for issue by the Board of Directors on 1 March 2022 and signed on its behalf by General Manager Evrim Hizaler Aydın and Finance and Accounting Director Yasemen Güven Çayırezmez.

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

AUDITED STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 31 December 2021	Audited 31 December 2020
Liabilities and equity			
Current liabilities:			
Short-term borrowings	7	303,390	309,336
Short-term portions of long-term borrowings		195,192	15,245
- Short-term borrowings from third parties	7	195,192	15,245
- Bank loans		192,339	11,628
- Lease payables		2,853	3,617
Trade payables		35,895	38,336
- Trade payables to related parties	23	982	1,690
- Trade payables to third parties	8	34,913	36,646
Payables related to employee benefits	9	6,714	6,514
Other payables		1,331	17,407
- Other payables to related parties	23	-	15,002
- Other payables to third parties	9	1,331	2,405
Derivative instruments	25.2	-	4,641
Short-term provisions		3,316	4,045
- Short-term provisions for employee benefits	14	1,870	1,468
- Other short-term provisions	13	1,446	2,577
Other current liabilities	15	2,474	13,916
Total current liabilities		**548,312**	**409,440**
Non-current liabilities:			
Long-term borrowings		14,107	69,673
- Long-term borrowings from third parties	7	14,107	69,673
- Bank Loans		14,000	67,071
- Lease payables		107	2,602
Payables related to employee benefits	9	-	191
Long-term provisions		14,573	9,726
- Long-term provisions for employee benefits	14	14,573	9,726
Total non-current liabilities		**28,680**	**79,590**
Equity:			
Share capital	16	23,625	23,625
Adjustment to share capital	16	1,584	1,584
Accumulated other comprehensive income / (expenses) that will not be reclassified subsequently to profit or loss		(554)	(674)
- Gains / (losses) on revaluation and remeasurement		(554)	(674)
Accumulated other comprehensive income / (expenses) that will be reclassified subsequently to profit or loss		8,317	(5,139)
- Foreign currency translation reserves		(1,455)	(1,455)
- Gains/(losses) on hedge accounting		9,772	(3,684)
Restricted reserves appropriated from profit	16	32,555	68,746
Prior years' profit	16	78,436	55,332
Net profit / (loss) for the period		(12,698)	1,915
Total equity		**131,265**	**145,389**
Total liabilities and equity		**708,257**	**634,419**

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

AUDITED STATEMENTS OF PROFIT OR LOSS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

Profit or loss	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Revenue	17	486,155	391,147
Cost of sales (-)	17	(332,290)	(242,358)
Gross profit		**153,865**	**148,789**
General administrative expenses (-)	18	(39,383)	(35,070)
Marketing expenses (-)	18	(73,567)	(74,414)
Research development expenses (-)	18	(1,334)	(2,176)
Other income from operating activities	19	4,066	5,933
Other expenses from operating activities (-)	19	(6,497)	(8,262)
Operating profit/(loss)		**37,150**	**34,800**
Income from investing activities	19	627	387
Expenses from investing activities (-)	19	(5)	(1)
Share of profit/(loss) investments accounted for using the equity method	19	-	(164)
Operating profit/(loss) before finance income/(expense)		**37,772**	**35,022**
Finance income	20	13,917	7,530
Finance expenses (-)	20	(65,465)	(38,827)
Profit / (loss) before tax from continuing operations		**(13,776)**	**3,725**
Continuing operating tax expense		**1,078**	**(1,810)**
- Current tax expense	21	(43)	-
- Deferred tax income	21	1,121	(1,810)
Profit / (loss) for the period		**(12,698)**	**1,915**
Earnings/(loss) per share (total TL)	22	**(0.5375)**	**0.0811**

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

AUDITED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Net profit / (loss) for the period		**(12,698)**	**1,915**
Other comprehensive income/expenses			
Items that will not be reclassified to profit or loss		120	335
- Gains/(losses) on remeasurement of defined benefits plans	14	150	419
- Taxes related to other comprehensive income that will not be reclassified in profit or loss		(30)	(84)
-Deferred tax (expense) income		(30)	(84)
Items that will be reclassified to profit or loss		13,456	(5,078)
- Foreing currency translation differences		-	(326)
-Other comprehensive income / (expense) related to cash flow hedges		17,292	(5,961)
- Taxes related to other comprehensive income that will be reclassified in profit or loss		(3,836)	1,209
-Deferred tax (expense)/income		(3,836)	1,209
Other comprehensive income/(expense)		**13,576**	**(4,743)**
Total comprehensive (expense)/income		**878**	**(2,828)**

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

AUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

			Accumulated other comprehensive income and expenses that will not be reclassified to profit or loss	Accumulated other comprehensive income and expenses that will be reclassified to profit or loss			Retained earnings		
	Share capital	Adjustments to share capital	Gains/(losses) on remeasurement of defined benefit plans	Foreign currency translation differences	Hedging gains (losses)	Restricted reserves appropriated from profit	Prior years' profit	Net profit / (loss) for the period	Total equity
Balances as of 1 January 2020	**23,625**	**1,584**	**(1,009)**	**(1,129)**	**1,068**	**68,293**	**85,460**	**(14,673)**	**163,219**
Transfers	-	-	-	-	-	453	(15,126)	14,673	-
Dividends	-	-	-	-	-	-	(15,002)	-	(15,002)
Total comprehensive (expense) / income	-	-	335	(326)	(4,752)	-	-	1,915	(2,828)
Balances as of 31 December 2020	**23,625**	**1,584**	**(674)**	**(1,455)**	**(3,684)**	**68,746**	**55,332**	**1,915**	**145,389**
Balances as of 1 January 2021	**23,625**	**1,584**	**(674)**	**(1,455)**	**(3,684)**	**68,746**	**55,332**	**1,915**	**145,389**
Transfers	-	-	-	-	-	(36,191)	38,106	(1,915)	-
Dividends (Note 23)	-	-	-	-	-	-	(15,002)	-	(15,002)
Total comprehensive (expense) / income	-	-	120	-	13,456	-	-	(12,698)	878
Balances as of 31 December 2021	**23,625**	**1,584**	**(554)**	**(1,455)**	**9,772**	**32,555**	**78,436**	**(12,698)**	**131,265**

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

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

AUDITED STATEMENTS OF CASH FLOWS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		**40,845**	**90,521**
Profit/(loss) for the period		**(12,698)**	**1,915**
Adjustments related to reconcile net profit (loss) for the period:		**71,196**	**53,665**
Adjustments related to depreciation and amortization	11.12	16,687	17,162
Adjustments related to impairment (reversal)		(1,988)	231
-Adjustments related to impairment (reversal) of receivables	*8*	*867*	*415*
-Adjustments related to impairment (reversal) of inventories	*10*	(2,855)	*(184)*
Adjustments related to provisions		5,271	3,592
-Adjustments related to provisions (reversal) for employee benefits	19	*6,402*	*3,168*
- Adjustments related to provision for lawsuit and/or penalty provisions		*(1,131)*	*424*
Adjustments related to interest (income) expenses		52,790	31,042
-Adjustments related to interest income	*20*	*(13,811)*	*(7,270)*
-Adjustments related to interest expenses	*20*	*64,740*	*38,266*
-Deferred Finance Expense from Forward Purchases	19	1,861	3,096
-Unearned Finance Income from Futures Sales	19	-	*(3,050)*
Adjustments Related to Fair Value Losses (Gains)		136	50
Adjustments related to undistributed (profit)/losses of investments accounted through equity method		-	*164*
Adjustments related to tax (income) expense	21	(1,078)	1,810
Adjustments related to (gains)/losses arised from disposal of non-current assets		(622)	(386)
Changes in working capital		**(26,186)**	**40,206**
Adjustments related to decrease (increase) in trade receivables		(35,800)	19,010
Adjustments related to decrease (increase) in other receivables related to operations		(1,548)	(107)
Adjustments related to decrease (increase) in inventories		28,638	(2,180)
Adjustments related to decrease (increase) in prepaid expenses		(1,456)	929
Adjustments related to increase (decrease) in trade payables		(2,318)	19,052
Adjustments related to increase (decrease) in payables related to employee benefits		9	2,203
Adjustments related to increase (decrease) in other payables related to operations		(1,074)	1,490
Adjustments related to other increase (decrease) in working capital		(12,637)	(191)
-Adjustments related to decrease (increase) in other assets related to operations		*(1,197)*	*(4,063)*
-Adjustments related to increase (decrease) in other liabilities related to operations		*(11,440)*	*3,872*
Cash flows from/(used in) operations		**32,312**	**95,786**
Payments related to provisions for employee benefits	14	(1,003)	(938)
Tax refunds (paid)		9,536	(4,327)
CASH FLOWS FROM INVESTING ACTIVITIES		**(15,019)**	**(9,246)**
Cash outflows due to share purchase or capital increase in associates and/or joint ventures		-	(490)
Cash inflows due to sales of property, plant and equipment and intangible assets		648	989
Cash outflows due to purchase of property, plant and equipment and intangible assets	11.12	(15,667)	(9,745)
CASH FLOWS FROM FINANCING ACTIVITIES		**35,505**	**184,519**
Cash inflows from borrowing	7	805,350	461,285
Cash outflows related to debt payments	7	(693,423)	(246,403)
Cash Outflows Related to Debt Payments from Lease Agreements		(3,818)	(8,385)
Dividend Paid (*)	16	(30,004)	-
Interest paid	7	(54,397)	(29,116)
Interest received		11,797	7,138
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**61,331**	**265,794**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**4**	**279,215**	**13,421**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**340,546**	**279,215**

(*) In accordance with the decision taken at the Ordinary General Assembly Meeting held on 8 April 2020, the dividend payments for the 2019 activity of the Company were made on 5 January 2021.
(*) In accordance with the decision taken at the Ordinary General Assembly Meeting held on 15 April 2021, the dividend payments for the Company's 2020 activities were completed on 30 September 2021.

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

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANIZATION AND OPERATIONS OF THE COMPANY

The principal business activity of Adel Kalemcilik Ticaret ve Sanayi A.Ş. (the "Company") is the production of cedar wood pencils, crayons, toys and other stationery equipment, selling of hygiene products, selling and exportation of goods that are produced in facilities, importation, purchasing and selling of all kind of primary materials, semi-finished goods, finished goods and trade goods that are also in respect to the principal business activity.

The Company was established on 17 July 1967 and at the same date registered with Istanbul Chamber of Industry and Istanbul Chamber of Commerce with the registration number of 96078.

The address of the Company's head office is as follow:

Fatih Sultan Mehmet Mah. Balkan Cad. No: 58 Buyaka E Blok
34771 Tepeüstü-Ümraniye/İstanbul

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on the Istanbul Stock Exchange ("BIST") since 1996. As of 31 December 2021, the publicly quoted shares are 27.71% of the total shares. The principal shareholders and their respective shareholdings in the Company are as follows:

	(%)
AG Anadolu Grubu Holding A.Ş.	56.89
Faber-Castell Aktiengesellschaft	15.40
Publicly traded	27.71
	100.00

As of 31 December 2021, the average number of employees of the Company is 361 (31 December 2020: 371).

As of 31 December 2021, the Company's interest in jointly controlled entity accounted for using the equity method is as follows:

Company name	**Principal activity**	**Country**	**(%)**
LLC Faber-Castell Anadolu	Trade of stationery	Russia	50.00

LLC Faber-Castell Anadolu, a Moscow-based jointly controlled entity registered in the Russian Federation on 13 September 2011, was established to import and export, buy, sell, and distribute all kinds of stationery and office supplies, painting, art and hobby materials, and toys.

In 2019, the activities of LLC Faber-Castell Anadolu have been ceased and our Company continues its activities in the Russian market by exporting.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Statement of compliance to 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 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué.

The financial statements of the Company prepared as of 31 December 2021 have been approved by the Company's Board of Directors on 1 March 2022. The General Assembly has the authority to change the financial statements.

2.1.2 Currency used

The Company takes the Turkish Commercial Code ("TCC"), tax legislation and Uniform Chart of Accounts introduced by Turkish Ministry of Finance as basic for bookkeeping and preparation of the statutory financial statements. Investment accounted through equity method operating in another county has prepared its statutory financial statements in accordance with the laws and regulations of the country in which it operates. The financial statements have been prepared in Turkish Lira based on the historical costs except for the assets and liabilities presented with their fair valus. The financial statements have been restated by applying the required adjustments and classifications to the statutory records prepared on historical cost basis to provide accurate presentation in line with TAS/TFRS.

2.1.3 Preparation of financial statements in hyperinflationary economies

In accordance with the communique issued by CMB, for companies that operate in Turkey and prepare their financial statements applying Turkish Accounting Standards, it is decided not to apply inflation accounting from 1 January 2005 which is published on 17 March 2005 numbered 11/367. Accordingly, as of 1 January 2005 No:29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") was not applied.

Since the cumulative change in the general purchasing power of the last three years has been 74.41% according to the Consumer Price Index ("CPI") rates, with the announcement published by the Public Oversight Accounting and Auditing Standards Authority ("POA") on 20 January 2022, it has been stated that businesses that apply Turkish Financial Reporting Standards ("TFRS") do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 "Financial Reporting in Hyperinflationary Economies". In the accompanying financial statements, no inflation adjustment has been made in accordance with TAS 29.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of presentation (Continued)

2.1.4 Investments in associates and joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 sale, 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 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.

2.2 Significant accounting policies

The significant accounting policies followed in the preparation of these financial statements are summarised below:

2.2.1 Revenue recognition

The Company recognizes revenue when the goods or services is transferred to the customer and when or as performance obligation is fulfilled. Goods is counted to be transferred when (or as) the control belongs to the customer.

The Company recognizes revenue based on the following main principles:

(a) Identify the contracts with a customer
(b) Identify the performance obligations in the contract
(c) Determine the transaction price in the contract
(d) Allocate the transaction price to the performance obligations in the contract
(e) Recognize revenue when (or as) the entity satisfies a performance obligation

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, commissions and provisions. Revenue is recognized in the financial statements at the transaction price. The transaction cost is the price the Company expects to earn in return for transferring pledged cedar wood pencils, crayons and copy pens, pens, mechanical pencils and their mins, markers, pastes, watercolors, erasers, finger paints, play dough, gouache paint, toys and other stationery products to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.2 Inventories

The inventories of the Company mainly composed of raw materials, auxiliary materials, packaging materials, semi-finished goods and pencil and other stationery equipment as finished goods.

Inventories are valued at the lower of cost or net realizable value. Cost of inventories comprises the purchase cost and the cost of bringing inventories into their present location and condition. Bringing inventories into their present location and condition also includes costs that are directly associated with production such as direct labour expenses. The allocation of fixed production overheads to the costs of conversion is based on the normal capacity of the production facilities.

The cost of inventories is determined on the (monthly) weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2.2.3 Loans and borrowing costs

Borrowings are recognised initially at the proceeds received less any transaction costs incurred (Note 7). In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of income over the period of the borrowings. Finance costs arising from loans are recognized in the income statement in the period they are incurred.

The financial investment income received by temporarily evaluating the unspent amount of credit related to the investment, in financial investments, is offset against the borrowing costs that are appropriate for capitalisation. All other borrowing costs are recorded in the income statement for the period in which they were incurred. The Company does not have any borrowing costs capitalized in the current and previous periods regarding qualifying assets.

The Company have made a sale and lease back agreement for the first time during the year ended 31 December 2016. Related accounting policy is as follows:

(Amounts expressed in thousand Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.3 Loans and borrowing costs (Continued)

Sell and lease back agreement

The Company has made a sale and lease back agreement on 29 June 2016 which is related to property, plant and equipment with a financial leasing company. The relavant agreement has terminated on 8 July 2020. The Company interpreted this contract within the scope of TAS Interpretation 27 "Regarding the Legal Effect of the Appearance of Operations in the Appearance of the Charter" as the substance that the accounting record should reflect the nature of the construction agreement due to;

- the possession of all the risks and benefits arising from the ownership of the assets of the contractual entity and the possession of all the rights of use with regards to the asset before the agreement,
- the primary purpose of the deal is to provide long term financing to the Company, rather than the transfer of the right to use the related asset,
- involving an option that is almost certain to use, the right of early termination for the Company any time during the term of the contract,

evaluating it outside the scope of “TFRS 16 Leases”. In this context, the consideration received from the financial lease, which corresponds to the fair value of the plant, machinery and equipment subject to the contract, is recognized in borrowings in the financial statements. The transaction did not reflect a gain or loss on sale of property, plant and equipment except for the interest expense accrued for the period between the date on which the lease contract is valid and the balance sheet date to the income statement for the year ended 31 December 2021.

2.2.4 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided on restated amounts of property, plant and equipment using the straight-line method based on the estimated useful lives of the assets.

Depreciation is calculated according to straight-line method to carry costs of every fixed asset with following ratios (%) while useful lives are taken as a basis:

	Useful life
Land improvements	3.33-50
Buildings	2-5
Machinery and equipment	8.33-10
Vehicles	20
Fixtures	20

Lands are not depreciated due to their indefinite useful life. Gains or losses on disposals of property, plant and equipment are included in the related income or expense accounts, as appropriate. Repair and maintenance expenditures are capitalized if they result in an enlargement or substantial improvement of the respective asset.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.5 Intangible assets

Intangible assets are presented with their costs after accumulated amortization and depletion and permanent impairment are reduced from the costs. Amortization for these assets is calculated considering their expected useful lives by using straight-line method. Expected useful lives and straight-line methods are revised to determine potential effects of changes of estimations every year and if there is any that change is prudentially booked. Software purchased is capitalized on the spot of purchase considering the costs that are occurred between the purchase date and the date that software becomes ready for use. The costs are depreciated based on their useful lives.

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

2.2.6 Impairment of Assets

When incidents occur that makes book value not likely to be recovered that are depreciable, impairment test is applied on them. An impairment loss is recognised for the amount by which the carrying amount of the asset or a cash generating unit related to the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purpose of assessing the impairment, assets are grouped at the lowest levels in which there are separately identifiable cash flows. Non-financial assets other than goodwill that are subject to impairment are reviewed for possible reversal of the impairment at each reporting date. In the financial statements of 31 December 2021, there is no impairment loss related to profit or loss in the current year.

2.2.7 Research and development expenses

Research expenses are recognized when they are incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognized as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and only if the cost can be measured reliably. Other development expenditures are recognized as an expense as incurred. Development expenditures previously recognized as an expense are not capitalized as an asset in a subsequent period.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.8 Financial instruments

Financial assets

At initial recognition, the Company measures a financial asset at its fair value, except for trade receivables, other receivables and cash and cash equivalents that do not contain significant financing component. The Company measure trade receivables at their transaction price (as determine in TFRS 15) if the trade receivables do not contain a significant financing component in accordance with TFRS 15 (or when the entity applies the practical expedient) at initial recognition.

Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets on initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

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

Financial assets at amortized cost

A financial asset that meets the following conditions are measured subsequently at amortised cost:

(a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
(b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.8 Financial instruments (Continued)

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

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss.

The Company directly reduces the gross carrying amount of a financial asset and derecognizes when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Financial assets at FVTOCI

A financial asset that meets the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):
(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. When the financial asset is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. If the financial asset is reclassified out of the fair value through other comprehensive income measurement category, the Company accounts for the cumulative gain or loss that was previously recognised in other comprehensive income in financial statements. Interest calculated using the effective interest method is recognised in profit or loss.

The Company may make an irrevocable election at initial recognition to present subsequent changes in fair value of an equity investment not held for trading in other comprehensive income.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.8 Financial instruments (Continued)

Financial assets at fair value through profit or loss

If a financial asset is not measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss. Derivative financial instruments which are not designated as effective hedging instruments are also classified as financial assets at fair value through profit or loss. These financial assets are stated at fair value and gains and losses arising from the valuation are recognized in the statement of profit or loss.

Impairment

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortized cost or fair value through other comprehensive income.

The Company applies the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

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

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses except for purchased or originated credit impaired financial assets. For purchased or originated credit-impaired financial assets, the Company only recognises the cumulative changes in lifetime expected credit losses since initial recognition as a loss allowance at the reporting date.

The Company measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables, contract assets and lease receivables that do not contain a significant financing component, which is referred as simplified approach.

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.8 Financial instruments (Continued)

After initial recognition, the Company measures all financial liabilities at amortised cost:

(a) Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

(b) Financial liabilities arising if the transfer of the financial asset does not meet the conditions of derecognition from the financial statements or if the ongoing relationship approach is applied: When the Company continues to present an asset based on the ongoing relationship approach, a liability in relation to this is also recognised in the financial statements. The transferred asset and the related liability are measured to reflect the rights and liabilities that the Company continues to hold. The transferred liability is measured in the same manner as the net book value of the transferred asset.

(c) A contingent consideration recognized in the financial statements by the entity acquired in a business combination where TFRS 3 is applied: After initial recognition, the related contingent consideration is measured as at FVTPL.

The Company does not reclassify any financial liabilities.

Recognition and derecognition of financial assets and liabilities

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only, the entity becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. An entity shall remove a financial liability from its statement of financial position when, and only, the obligation specified in the contract is discharged or cancelled or expires.

2.2.9 Foreign currency transactions

Transactions in foreign currencies have been translated at the exchange rates prevailing at the dates of the transactions, monetary assets and liabilities denominated in foreign currencies have been translated into TL at the buying rate of Central Bank of the Republic of Turkey prevailing at the balance sheet dates. Foreign currency exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of income under finance income and finance expenses and other operating income and expenses.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.10 Earnings per share

Earnings per share are determined by dividing net income by the weighted average number of shares circulating during the period concerned. In Turkey, companies can raise their share capital by distributing "Bonus Shares" to shareholders from retained earnings. In computing earnings per share, such "bonus share" distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

2.2.11 Events after the reporting period

Events after the reportingperiod refers to events occurring in favor or against the entity between the balance sheet date and the date of authorization for the publication of the balance sheet. In case there is new evidence of the existence of the said events as of the balance sheet date or if the related events occur after the balance sheet date, the Company discloses these issues in the relevant notes.

The Company adjusts the amounts recognized in the financial statements to reflect the adjusting events after the balance sheet date.

2.2.12 Provisions, contingent assets and liabilities

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed continuously to determine whether the possibility of an outflow of resources embodying economic benefits is probable. When the possibility of an outflow of resources embodying economic benefits is probable for the accounts classified as contingent liabilities, provision is provided in the financial statements for related contingent liabilities except for the situations there is not a reliable estimation.

The Company discloses the contingent liabilities that are probable but there is not a reliable estimation for the amount of resources embodying economic benefits.

Assets that result from previous events that cannot be controlled fully by the Company and depend on the realization of one or more uncertain events, is considered as a contingent asset. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

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

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.13 Related parties

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

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

(i) has control or joint control over the reporting entity;
(ii) has significant influence over the reporting entity; or
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2.2.14 Taxation on income

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred income tax is provided, using the liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Such temporary differences are mainly due to recognition of income and expenses in different periods in accordance with CMB Financial Reporting Standards or Tax Laws.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.14 Taxation on income (Continued)

Deferred income tax is measured based on tax rates that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred tax assets and liabilities related to income taxes levied by the same taxation authority are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities.

Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in equity.

2.2.15 Provision for employment termination benefits

Under the Turkish law and union agreements, severance payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per the revised TAS 19 "Employee Benefits". The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses. Interest charges included in the employment termination expenses has been presented as interest expense in operating profit or loss. The actuarial gains and losses are recognized in other comprehensive income.

2.2.16 Statement of cash flows

Cash and cash equivalents are presented on the statement of financial position with their historic costs. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, deposits at which are easily convertible into cash and do not carry any material value changes, have high liquidity. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities represent the cash flows generated from the Company's activities. Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Company (investments in assets and financial investments). Cash flows from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

2.2.17 Share capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared.

NOTE 2 - BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.18 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting.

2.2.19 Trade receivables and provision for doubtful trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost. Trade receivables are stated at face value less allowance for the unearned portion of imputed finance income included in their face values by using the effective interest rate method. Short-time receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant. A credit risk provision for trade receivables is provided if there is objective evidence that the Company will not be able to collect all amounts due.

The amount of the provision is the difference between the carrying amount and the recoverable amount. The recoverable amount is the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

After allocation of provision for doubtful receivables, the amount is deducted from the provision and recorded as other income related to operations when it is partially or fully collected.

2.2.20 TFRS 16 Leases

The Company rents various offices, warehouses, equipment and vehicles. Lease contracts are usually made for certain periods, but may have extension options as described below. Lease terms can be negotiated individually and include a wide range of different terms and conditions. Lease contracts are not subject to any agreement, but leased assets cannot be used as a guarantee for borrowing purposes.

Lease payments are discounted using the interest rate applied to the lease. If this rate cannot be determined, the alternative borrowing rate of the lessee is used as the rate at which the lessor will have to borrow funds required to obtain a similar value asset with similar terms and conditions in a similar economic environment.

Right-of-use assets are measured at cost using:

- the first measurement amount of the lease obligation
- lease payments made on or before the start date, less lease incentives received
- initial direct costs
- restoration costs

(Amounts expressed in thousand Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Significant accounting policies (Continued)

2.2.20 TFRS 16 Leases (Continued)

Payments for short-term lease agreements and lease of low-value assets are recognized as an expense reflected in profit or loss on a straight-line basis. Short-term leases are the leases with a lease period of 12 months or less.

2.2.21 Comparative information and restatement of prior periods’ 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 statement of financial position of the Company as of 31 December 2021 has been presented with the comparative statement of financial position as at 31 December 2020, the statement of profit or loss, statement of other comprehensive income, statement of cash flows and the statement of changes in equity for the period 1 January - 31 December 2021 have been presented with the related comparative financial statements for the period 1 January - 31 December 2020.

2.3 New and Revised Turkish Financial Reporting Standards

a) Amendments and interpretations madatorily effective as of 2021

Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 *Interest Rate Benchmark Reform - Phase 2*

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 are all effective for annual periods beginning on or after 1 January 2021. Early application is permitted.

These changes do not have any impact on the Company's financial statements.

b) New and revised TFRSs in issue but not yet effective

The Company has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (continued)

Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceed before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018- 2020	*Amendments to TFRS 1, TFRS 9, and TAS 41*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TFRS 16	*Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Accounting Estimates Definition*
Amendments to TAS 12	*Asset Arising from a Single Transaction and Deferred Tax on Liabilities*

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 Insurance Contracts as of 1 January 2023.

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment defers the effective date by one year. Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (continued)

Amendments to TAS 16 *Property, Plant and Equipment - Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts - Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020

Amendments to TFRS 1 *First time adoption of Turkish Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.

Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (continued)

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

With the postponement of the effective date of TFRS 17 to 1 January 2023, the expiry date of the temporary exemption period for the application of TFRS 9 provided to insurers has also been revised to 1 January 2023.

Amendments to TFRS 16 *Continuing Concessions in Rent Payments Related to COVID-19 After 30 June 2021*

The Public Oversight Accounting and Auditing Standards Authority ("POA"), published in June 2020, published *Continuing Concessions for COVID-19 Related Lease Payments After 30 June 2021 – Amendments to TFRS 16*, which extends the exemption for lessees to determine whether certain concessions granted due to COVID-19 on lease payments due to COVID-19 have changed by one more year.

When the change was first published, the facilitating practice only applied if any reduction in lease payments would affect payments that would normally be due on or before 30 June 2021. As lessors continue to offer rental concessions related to COVID-19 to tenants and the impact of the COVID-19 pandemic continues and is significant, POA has extended the period during which the facilitator can be used by one year.

This new change will be applied by tenants for annual accounting periods beginning on or after 1 April 2021, but early application is permitted.

The possible effects of the said standards, amendments and improvements on the financial position and performance of the Company are being evaluated.

Amendments to TAS 1 *Disclosure of Accouting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differencesbetween application of an estimate prospectively and corrections of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.3 New and Revised Turkish Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective (continued)

Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

This amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductable and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

2.4 Changes and errors in accounting estimates

Accounting estimates are made based on reliable information and reasonable estimation methods. However, if there are changes in the conditions related to the estimation, new information is obtained, or circumstances change, the estimations are reviewed. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurred; if the changes also apply to future periods, they are applied in both the period when the change occurred and in the future periods. These changes are also reflected in the financial tables when determining the period profit or loss.

The nature and amount of a change in the accounting estimate which is expected to have an effect on the activity results of the current period or future periods are shown in the notes of the financial statement, except in situations where the effect on future periods cannot be estimated. There are no significant changes in the accounting policies for the period 31 December 2021.

2.5 Financial statements of joint ventures operating in other coutries

The financial statements of the joint venture operating in a foreign country have been prepared in accordance with the legislation in the country in which it operates and by reflecting the necessary adjustments and reclassifications in terms of compliance with the Communiqué on Principles of Financial Reporting in Capital Markets". The assets and liabilities of the joint venture operating in a foreign country are translated into TL at the foreign exchange rate at the balance sheet date. Income and expenses are expressed in TL using the average exchange rate. Exchange differences arising from the usage of closing and average exchange rates are followed under "foreign currency translation differences" classified under equity.

2.6 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 February for the sales of the brands that it produces and imports. In these sales campaigns and dealer fairs, checks are received for the order amounts of the customers, and most of the shipment of the orders are carried out in the first half of the year.

NOTE 2 - BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.7 Critical accounting judgments and key sources of estimation uncertainty

Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques based on market-observable data, market comparable approach that reflects recent transaction prices for similar instruments.

Expected Credit Losses

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

2.8 Effect of Covid-19 on the Operations of the Company

The Company management has taken necessary actions to minimize the possible effects of COVID-19, which affects the whole world, on the operations and financial position of the Company.

Due to the COVID-19 pandemic, there have been partial disruptions in the sales processes in parallel with the continuous postponement of the decisions for the full opening of the schools, which deeply affect the stationery industry in which the Company operates, and the developments/slowdowns in the general economic activity. In the third quarter of 2021, schools were opened, and in parallel with this, consumer traction in stationery and retail points started to increase, but it was still below the 2019 level. Parallel to this, there was a short period in which we stopped production in 2021. On the other hand, product costs increased significantly due to the exchange rate increases throughout the year and the effect of the pandemic on the supply chain. Additional discounts and sales campaigns were made in line with the contraction in the purchasing power of the consumer.

While preparing its financial statements as at 31 December 2021, the Company evaluated the possible effects of the COVID-19 pandemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. As a result of the evaluations made, no significant impairment is anticipated in the financial statements prepared as of 31 December 2021.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING

The Company, which is incorporated and domiciled in Turkey, has primary operation of production of cedar wood pencils, crayons, and other stationery equipment, sell and export goods that are produced in facilities, import purchase and sell of any kind of primary materials, semi-finished goods and finished goods. The Company's operating segments, nature and economic characteristics of products, nature of production processes, classification of customers in terms of risk for their products and services and methods used to distribute their products are similar. Furthermore, the Company structure has been organized to operate in one segment rather than separate business segments. Consequently, the business activities of the Company are considered to be in one operating segment and the operating results, resources to be allocated to the segment and assessment of performance are managed in this respect.

NOTE 4 – NOTES TO THE STATEMENT OF CASH FLOWS

	31 December 2021	31 December 2020
Demand deposits	3,989	592
Time deposits	332,008	275,256
Other Cash Equivalents	4,549	3,367
Cash and cash equivalents in the statement of cash flows	**340,546**	**279,215**
Interest income accruals	2,014	132
	342,560	**279,347**

The Company does not have any blocked deposits as of 31 December 2021 (31 December 2020: None). As of 31 December 2021, the Company has allocated TL 2,437, which is a portion of its bank accounts amounting equivalent to USD 187,804 for future payments for purchases of raw material and trade goods.

NOTE 5 - FINANCIAL INVESTMENTS

	31 December 2021		31 December 2020	
	%	TL	%	TL
Ülkü Kırtasiye Ticaret ve Sanayi A.Ş.	7.67	234	7.67	234
		234		**234**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 6 - INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The jointly controlled entity of the Company as of 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	Share (%)	31 December 2020	Share (%)
LLC Faber-Castell Anadolu	-	50.00	-	50.00
	-		-	

As of 31 December 2021, the share of jointly controlled entity has been restated in a way that the shares in the losses of the investments accounted through the equity method are adjusted only to reset the balance of joint ventures as the equity of the joint venture becomes negative after the losses incurred in 2021.

	2021	2020
1 January	-	-
Shareholder capital increase subject to common control	-	490
Share of profit/(loss) of the investments accounted for using the equity method (Note 19)	-	(164)
Effect of foreign currency translation differences	-	(326)
31 December	-	-

31 December 2021	**Assets**	**Liabilities**	**Net sales**	**Profit/(loss)**
Faber-Castell Anadolu LLC	774	1,331	-	(106)
31 December 2020	**Assets**	**Liabilities**	**Net sales**	**Profit/(loss)**
Faber-Castell Anadolu LLC	553	772	-	(548)

NOTE 7 – BORROWINGS AND RIGHT-OF-USE ASSETS

31 December 2021	**Interest rate %**	**Amount**
Short-term borrowings		
TL loans (*)	18,15 - 19,5	303,390
		303,390

(*) As of 31 December 2021, interest accruals calculated for short-term TL borrowings was classified in relevant short-term bank loans.

31 December 2021	**Interest rate %**	**Amount**
Short-term portion of long-term borrowings		
Short-term portion of long-term financial lease payables	8.00	96
Short-term portion of long-term lease payables of right-of-use assets	14.89	2,757
Short-term portion of long-term borrowings (*)	9.7 - 22.8	192,339
		195,192

(*) As of 31 December 2021, interest accruals calculated for short-term portions of long-term borrowings is classified in short-term portions of the related long-term borrowings.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

31 December 2021	**Interest rate %**	**Amount**
Long-term borrowings		
TL loans	16.50	14,000
Long-term financial lease payables	8.00	107
Lease payables of long-term right-of-use assets	14.89	-
		14,107

31 December 2020	**Interest rate %**	**Amount**
Short-term borrowings		
TL loans (*)	6.9 - 8.50	309,336
		309,336

(*) As of 31 December 2020, interest accruals calculated for short-term TL borrowings was classified in relevant short-term bank loans.

31 December 2020	**Interest rate %**	**Amount**
Short-term portion of long-term borrowings		
Short-term portion of long-term financial lease payables	8.00	34
Short-term portion of long-term lease payables of right-of-use assets	14.89	3,583
Short-term portion of long-term borrowings	9.70 - 14.89	11,628
		15,245

(*) As of 31 December 2020, interest accruals calculated for short-term portions of long-term borrowings is classified in short-term portions of the related long-term borrowings.

31 December 2020	**Interest rate %**	**Amount**
Long-term borrowings		
TL loans	9.70 - 14.89	67,071
Long-term financial lease payables	8.00	145
Lease payables of long-term right-of-use assets	14.89	2,457
		69,673

Details of maturity of long-term loans and borrowings from leases of the Company as of 31 December 2021 and 31 December 2020 are given below.

31 December 2021	**Total liabilities**
1 to 2 years	7,107
2 to 3 years	7,000
3 to 4 years	-
	14,107

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

31 December 2020	**Total liabilities**
1 to 2 years	55,355
2 to 3 years	7,159
3 to 4 years	7,159
4 to 5 years	-
	69,673

Movement of bank loans is as follows:

	2021	**2020**
1 January	**388,035**	**164,971**
Interest expense	64,164	37,147
Interest paid	(54,397)	(28,965)
Cash inflows from borrowings	805,350	461,285
Cash outflows from repayment of borrowings	(693,423)	(246,403)
31 December	**509,729**	**388,035**

Movement of financial lease payables is as follows:

	2021	**2020**
1 January	**179**	**4,663**
Interest expense	6	150
Interest paid	(6)	(150)
Exchange Difference	68	46
Cash inflows from borrowings	-	-
Cash outflows from repayment of borrowings	(44)	(4,530)
31 December	**203**	**179**

Right-of-use assets	**2021**	**2020**
1 January	**5,371**	**6,904**
Additions	-	1,635
Disposals	-	-
Depreciation expense for the period	(3,148)	(3,168)
31 December	**2,223**	**5,371**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Trade receivables	**31 December 2021**	**31 December 2020**
Notes receivable	15,698	12,326
Trade receivables	67,721	40,527
Less: Discounts	(3,763)	(2,253)
Less: Allowance for doubtful trade receivables	(5,555)	(4,688)
	74,101	**45,912**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Movements of the allowance for doubtful trade receivables as of 31 December 2021 and 2020 are as follows:

	2021	**2020**
1 January	**4,688**	**4,273**
Provision reserved during the period	1,270	415
Provision for impairment released	(403)	-
31 December	**5,555**	**4,688**

Trade payables	**31 December 2021**	**31 December 2020**
Sellers	35,475	37,145
Other trade payables	-	6
Less: Discounts	(562)	(505)
	34,913	**36,646**

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other receivables from third parties	**31 December 2021**	**31 December 2020**
Deposits and guarantees given	940	260
Receivables from personnel	304	203
Other miscellaneous receivables	864	97
	2,108	**560**

Payables related to employee benefits	**31 December 2021**	**31 December 2020**
Payables to personnel	981	2,752
SSI premium payable	1,690	1,447
Taxes, fees and deductions payable	4,043	2,315
	6,714	**6,514**

Payables related to long-term employee benefits	**31 December 2021**	**31 December 2020**
Due to personnel	-	191
	-	**191**

Other payables to third parties	**31 December 2021**	**31 December 2020**
Taxes, fees and deductions payable	1,086	1,374
Other	245	1,031
	1,331	**2,405**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	37,102	40,528
Work in process	6,985	10,155
Finished goods	16,482	39,174
Trade goods	54,159	53,661
Other inventories	1,074	922
Less: Provision for impairment of inventories (*)	(1,834)	(4,689)
	113,968	**139,751**

* The inventory amounting to TL 4,689 recognized as expense by making a provision for impairment on inventory has been eliminated in 2021. Movements of provision for impairment on inventories made upon the evaluation regarding the recoverability of inventories as of 31 December 2021 and 2020 are as follows:

	2021	2020
1 January	**4,689**	**4,873**
Provision for impairment released (-)	(4,689)	(10,088)
Provision reserved during the period	1,834	9,904
31 December	**1,834**	**4,689**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furnitures and fixtures	Construction in progress	Total
As of 1 January 2021								
Cost	1,848	2,122	62,926	73,768	1,364	31,851	5,157	179,036
Accumulated depreciation	-	(1,181)	(7,862)	(43,147)	(1,270)	(24,802)	-	(78,262)
Net book value	**1,848**	**941**	**55,064**	**30,621**	**94**	**7,049**	**5,157**	**100,774**
Beginning of the period	**1,848**	**941**	**55,064**	**30,621**	**94**	**7,049**	**5,157**	**100,774**
Additions	-	-	-	2,807	-	1,995	5,975	10,777
Cost value of disposals	(10)	-	-	-	-	(6,360)	-	(6,370)
Accumulated depreciation of disposals	-	-	-	-	-	6,344	-	6,344
Transfers	-	-	-	51	-	-	(2,629)	(2,578)
Depreciation (*)	-	(236)	(1,387)	(5,585)	(37)	(2,587)	-	(9,832)
End of the period	**1,838**	**705**	**53,677**	**27,894**	**57**	**6,441**	**8,503**	**99,115**
As of 31 December 2021								
Cost	1,838	2,122	62,926	76,626	1,364	27,486	8,503	180,865
Accumulated depreciaition	-	(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**

(*) TL 6,432 of the depreciation expense is included in the cost of goods sold, TL 463 is included in general administrative expenses, TL 268 is included in research and development expenses and TL 2,669 is included in marketing, sales and distribution expenses.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Land improvements	Buildings	Machinery and equipment	Vehicles	Furnitures and fixtures	Construction in progress	Total
As of 1 January 2020								
Cost	1,856	2,166	62,905	72,935	1,337	31,050	984	173,233
Accumulated depreciation	-	(987)	(6,475)	(37,501)	(1,226)	(21,704)	-	(67,893)
Net book value	**1,856**	**1,179**	**56,430**	**35,434**	**111**	**9,346**	**984**	**105,340**
Beginning of the period	**1,856**	**1,179**	**56,430**	**35,434**	**111**	**9,346**	**984**	**105,340**
Additions	-	-	21	981	27	845	5,466	7,340
Cost value of disposals	(8)	(44)	-	(193)	-	(44)	(592)	(881)
Accumulated depreciation of disposals	-	44	-	192	-	42	-	278
Transfers	-	-	-	45	-	-	(701)	(656)
Depreciation (*)	-	(238)	(1,387)	(5,838)	(44)	(3,140)	-	(10,647)
End of the period	**1,848**	**941**	**55,064**	**30,621**	**94**	**7,049**	**5,157**	**100,774**
As of 31 December 2020								
Cost	1,848	2,122	62,926	73,768	1,364	31,851	5,157	179,036
Accumulated depreciaition	-	(1,181)	(7,862)	(43,147)	(1,270)	(24,802)	-	(78,262)
Net book value	**1,848**	**941**	**55,064**	**30,621**	**94**	**7,049**	**5,157**	**100,774**

(*) TL 6,707 of the depreciation expense is included in the cost of goods sold, TL 642 is included in general administrative expenses, TL 227 is included in research and development expenses and TL 3,071 is included in marketing, sales and distribution expenses.
(**) The financial lease agreement that the Company signed on 29 June 2016 has terminated and the relevant fixed assets have been acquired back on 8 July 2020.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

Intangible assets include software, rights and development costs.

	2021	2020
As of 1 January		
Cost	24,158	21,096
Accumulated amortization	(16,170)	(12,823)
Net book value	**7,988**	**8,273**
Net book value at the beginning of the period	**7,988**	**8,273**
Additions	4,890	2,405
Transfers	2,578	657
Disposals	-	-
Amortization (*)	(3,707)	(3,347)
Net book value at the end of the period	**11,749**	**7,988**
As of 31 December		
Cost	31,626	24,158
Accumulated amortization	(19,877)	(16,170)
Net book value	**11,749**	**7,988**

(*) TL 909 of amortisation expense was allocated to cost of sales, TL 429 was allocated to general administrative expenses, TL 343 was allocated to research and development expenses, and TL 2,026 was allocated to marketing, selling and distribution expenses (31 December 2020: TL 1,125 to cost of sales, TL 569 to general administrative expenses, TL 203 to research and development expenses and TL 1,450 to marketing, selling and distribution expenses).

NOTE 13 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Provision for Legal Cases	1,446	2,577
	1,446	**2,577**

36 employees of the Company filed 21 separate lawsuits against the Company for the annulment of the cancellation of employment contract, reinstatement claim and other claims for damages, and provision for lawsuit amounting to TL 1,446 was made for the lawsuits upon the evaluations made by the lawyers. For the current period, provision amounting to TL 1,131 was included in other expenses from operating activities.

	31 December 2021	31 December 2020
Beginning of the Period	**2,577**	**2,153**
Provision released (-)	(1,131)	(260)
Provision reserved during the period	-	684
	1,446	**2,577**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

Contingent assets and liabilities

Since the Adel Kalemcilik Ticaret ve Sanayi A.Ş. could not collect its receivables due to its current account relationship with its client, amounting to TL 60, executive proceedings were started with the İstanbul 18th Enforcement Office with file number 2012/20785E and 2012/18797E and with the Kartal 1st Enforcement Office with file number 2012/6142E and on 7 October 2013, a request was made to auction the real estate which had been sequestrated.

The Company has an ongoing lawsuit with the General Directorate of Highways in relation to the expropriation price of the assets of the Company located in Giresun, Ulper, 640B14C3C section, 134 block 1 parcel. The Company was decided to have TL 720 as expropriation price and the lawsuits are ongoing.

Since Adel Kalemcilik Ticaret ve Sanayi A.Ş could not collect its receivables due to its current account relationship with its client, amounting to TL 594, an executive proceeding was started with the İzmir 2nd, 8th, 10th and 14th Enforcement Office with file numbers 2014/14137E, 2014/15246E, 2014/1689E and 2015/574E. The debtor company was notified about their debts and payment order issued by going through the sequestration of their exchange notes.

The Company terminated the contracts of two subcontractors as of 31 August 2013. 29 lawsuits were opened against the Company within the scope of joint liability by the employees of these two subcontractors on the grounds that the legal obligations to the employees were not fulfilled. The potential compensation to be paid due to these lawsuits is TL 879. The Company has allocated a provision for the total of the amount of the lawsuit as of 31 December 2021. The Company has objected to these lawsuits and these cases are still on trial.

A lawsuit has been filed with the file number 2016/12354 E, which was opened in the 17th Executive Directorate of Istanbul Anatolia, after the lacked payment of TL 79 due to the current account relationship with the customers of Adel Kalemcilik Ticaret ve Sanayi A.Ş. The Company has allocated a provision for the total of the amount of the lawsuit as of 31 December 2021, the case is still ongoing.

As Adel Kalemcilik Ticaret ve Sanayi A.Ş. was unable to collect the receivable of TL 361 due to the current account relationship with the customers, receivable entry was made in bankruptcy estate with file number 2017/32 to İstanbul Anatolian 3rd Bankruptcy Office. Provision was made for the whole of the concerned amount.

Collaterals and commitments given	**31 December 2021**	**31 December 2020**
Letters of credit commitments	-	3,624
Letters of guarantee	31,751	25,106

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

Collaterals and commitments given (Continued)

The tables related to the positions of collaterals, pledges and mortgages ("CPM") of the Company as of 31 December 2021 and 31 December 2020 are as follows:

31 December 2021

CPM given by the Company	TL Equivalents	USD	Euro	TL
A. Total Amount of CPM Given on Behalf of the Company's legal personality	31,751	-	1,066	16,102
B. Total Amount of CPM Given on Behalf of Fully Consolidated Subsidiaries	-	-	-	-
C. Total amount of CPM Given for Continuation of Its Economic Activities on Behalf of Third Parties	-	-	-	-
D. Total Amount of Other CPM	-	-	-	-
i. Total Amount of CPM's Given in Favor of the Parent Company	-	-	-	-
ii. Total Amount of CPM's Given in Favor of Other Group Companies that are not within the Scope of Articles B and C	-	-	-	-
iii. Total Amount of CPMs Given to Third Persons Not Covered by Article C	-	-	-	-
	31,751	**-**	**1,066**	**16,102**

31 December 2020

CPM given by the Company	TL Equivalents	USD	Euro	TL
A. Total Amount of CPM Given on Behalf of the Company's legal personality	25,106	-	1,949	7,550
B. Total Amount of CPM Given on Behalf of Fully Consolidated Subsidiaries	-	-	-	-
C. Total amount of CPM Given for Continuation of Its Economic Activities on Behalf of Third Parties	-	-	-	-
D. Total Amount of Other CPM	-	-	-	-
i. Total Amount of CPM's Given in Favor of the Parent Company	-	-	-	-
ii. Total Amount of CPM's Given in Favor of Other Group Companies that are not within the Scope of Articles B and C	-	-	-	-
iii. Total Amount of CPMs Given to Third Persons Not Covered by Article C	-	-	-	-
	25,106	**-**	**1,949**	**7,550**

The ratio of other CPM to Company's equity as of 31 December 2021 is 0.00% (31 December 2020: 0.00%).

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 14 - EMPLOYEE BENEFITS

Short-term employee benefits	**31 December 2021**	**31 December 2020**
Premium accruals	1,002	795
Provision for unused vacation	868	673
	1,870	**1,468**

Long-term employee benefits	**31 December 2021**	**31 December 2020**
Provision for employment termination benefits	14,573	9,726
	14,573	**9,726**

The movements of provision for unused vacation as of 31 December 2021 and 2020 are as follows:

	2021	**2020**
1 January	**673**	**403**
Provision reserved during the period	195	270
31 December	**868**	**673**

Provision for employment termination benefits

In accordance with the provisions of the Labor Law in effect, the Company is legally obliged to pay termination benefits to employees whose employment contract expires in a way to be entitled to termination benefit. In addition, in line with the current legislation, there is an obligation to pay the legal termination benefits to those who are entitled to leave of employment by receiving termination benefits. As of 1 January 2022, the ceiling amount for the termination benefit is TL 10,848.59 per month (1 January 2021: TL 8,284.51). Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees of the Company. TAS 19 ("Employee Benefits") stipulates the development of the Company's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As of 31 December 2021 and 31 December 2020, provisions in the financial statements have been calculated by estimating the current value of potential future liabilities resulting from employee retirement.

	2021	**2020**
1 January	**9,726**	**8,558**
Service cost	5,597	2,206
Interest cost	403	319
Employment termination benefits paid	(1,003)	(938)
Remeasurement differences	(150)	(419)
31 December	**14,573**	**9,726**

	31 December 2021	**31 December 2020**
Real Discount Rate (%)	4.35	4.15
Turnover Rate to Estimate the Probability of Retirement (%)	95.08	94.84

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - OTHER ASSETS AND LIABILITIES

Short-term prepaid expenses	31 December 2021	31 December 2020
Prepaid expenses	2,941	535
	2,941	**535**

Current tax assets	31 December 2021	31 December 2020
Prepaid taxes and funds	4,704	14,283
	4,704	**14,283**

Other current assets	31 December 2021	31 December 2020
Deferred value added tax	8,030	12,960
Order advances given	12,400	6,459
Business advances	10	6
Other miscellaneous current assets	616	434
	21,056	**19,859**

Long-term prepaid expenses	31 December 2021	31 December 2020
Prepaid expenses	1,304	2,255
	1,304	**2,255**

Other short-term liabilities	31 December 2021	31 December 2020
Advances received	1,998	13,829
Deferred income	476	87
	2,474	**13,916**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Paid-in capital

The Company's shareholders and their shares in paid-in capital are as follows.

	31 December 2021		31 December 2020	
	% Rate	**Amount**	**% Rate**	**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
Public	27.71	6,548	27.71	6,548
Share capital	**100.00**	**23,625**	**100.00**	**23,625**
Capital adjustment differences		1,584		1,584
Total capital		**25,209**		**25,209**

Adjustment to share capital represents the effect of restating the cash additions to paid-in capital according to the purchasing power at the end of the year.

Number of shares, share groups and concessions:

While 3,637,941 of total shares of the Company amounting to TL 3,638 are registered in accordance with Foreign Capital Regulations, 19,987,059 of the total shares amounting to TL 19,987 are bearer shares. There are no privileges to the shareholders regarding Board of Directors election.

Restricted reserves appropriated from profit

According to Turkish Commercial Code ("TCC"), legal reserves are consisting of two parts as the first and second reserves. According to TCC, the first legal reserves is allocated from the 5% of net profit for the year until the amount reaches to 20% of paid in capital. The second legal reserves are allocated from the 10% of the dividend distributed which exceeds the 5% of the paid in capital. According to TCC, unless the legal reserves exceed the 50% of paid in capital, they could be utilised solely through offsetting the net losses incurred. In the context of Corporate Tax Law 5520 Article 5/e, as a result of sales of property and financial investments, 75% of gain on sales was classified as "Profit from the sale of participation shares and property".

	31 December 2021	**31 December 2020**
Legal reserves	25,225	22,225
Profit from the sale of participation and properties	7,330	46,521
	32,555	**68,746**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

Retained earnings

Retained earnings consist of extraordinary reserves and other retained earnings. Based on CMB regulations, details of the Company's retained earnings are as follows:

	31 December 2021	31 December 2020
Extraordinary reserves	75,030	53,841
Other prior years' profit	3,406	1,491
	78,436	**55,332**

Dividend distribution

Based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the total amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the total amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements. Based on CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange.

Equity inflation adjustment differences and recorded values of extraordinary reserves can be used for free capital increase, in cash dividend distribution or loss deduction. However, equity inflation adjustment differences are subject to corporate tax if used in cash dividend distribution.

The Company management's profit distribution decision has been taken in General Assembly meeting. If the profit is going to be distributed, the total amount should be funded from statutory distributable profits.

In the Ordinary General Assembly meeting held on 15 April 2021, it has been decided to distribute the dividend with gross amount of TL 15,002 from the prior years' profit as other resource anticipated to be distributed as our Company has no Net Profit for the Period according to the statutory records in the Statement of Profit Distribution prepared in accordance with the Capital Markets Board's Dividend Guideline for the 2020 operating year, to to fully liable corporations, at the rate of 63.5% in gross at the amount of TL 0.635 for each share with nominal value of TL 1, and at the rate of 53.98% in net at the amount of TL 0.53975 for each share with nominal value of TL 1 as of 30 September 2021 in cash, and the dividends are distributed as of 30 September 2021.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	541,627	484,025
Export sales	30,065	23,656
Sales discounts (-)	(85,537)	(116,534)
Net sales	**486,155**	**391,147**
Cost of sales (-)	**(332,290)**	**(242,358)**
Gross profit	**153,865**	**148,789**

Breakdown of cost of sales for the periods is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Raw material expenses	144,556	86,852
Direct labour expenses	28,071	22,673
Overhead expenses	23,303	22,886
Depreciation expenses	7,341	7,832
Provision for impairment of inventories	1,834	9,903
Change in work-in-progress invetories	3,169	808
Change in finished goods inventories	18,004	(13,006)
Cost of goods sold	**226,278**	**137,948**
Cost of trade goods sold	106,012	104,410
Cost of sales	**332,290**	**242,358**

NOTE 18 - EXPENSES BY NATURE

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

	1 January - 31 December 2021	1 January - 31 December 2020
Cost of sales	332,290	242,358
Research and development expenses	1,334	2,176
Marketing, sales and distribution expenses	73,567	74,414
General administrative expenses	39,383	35,070
	446,574	**354,018**

Distribution of personnel expenses within research and development expenses, cost of sales, general administrative expenses, marketing, sales, and distribution expenses and is as follows:

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - EXPENSES BY NATURE (Continued)

Personnel Expenses:

	2021	2020
Research and development expenses	723	1,741
Cost of sales	34,099	30,970
Marketing, sales and distribution expenses	23,886	21,152
General administrative expenses	24,533	20,231
	83,241	**74,094**

Research and Development Expenses

	2021	2020
Personnel Expenses	723	1,746
Depreciation Expenses	611	430
	1,334	**2,176**

Marketing, Sales and Distribution Expenses

	2021	2020
Personnel Expenses	23,886	21,152
Domestic Sales Expenses	11,273	12,436
Announcement and Advertisement Expenses	5,540	7,758
Depreciation Expenses	7,843	7,689
License and Similar Expenses	5,652	5,837
Lease Expenses	4,867	7,820
Business and Services	4,500	6,399
Other Expenses	10,006	5,323
	73,567	**74,414**

General Administrative Expenses

	2021	2020
Personnel Expenses	24,533	20,231
Depreciation Expenses	892	1,211
Business and Services	7,914	9,356
Other Expenses	6,044	4,272
	39,383	**35,070**

NOTE 19 - OTHER INCOME AND EXPENSES FROM OPERATING AND INVESTING ACTIVITIES

	1 January - 31 December 2021	1 January - 31 December 2020
Other income from operating activities		
Foreign exchange gains	2,033	865
Income from discount interest	-	3,050
Provision for legal case income (Note:13)	-	260
Cancellation of doubtful trade receivable provision (Note:8)	403	-
Other	1,630	1,758
	4,066	**5,933**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - OTHER INCOME AND EXPENSES FROM OPERATING AND INVESTING ACTIVITIES (Continued)

	1 January - 31 December 2021	1 January - 31 December 2020
Other expenses from operating activities		
Expenses from discount interest	1,861	3,096
Foreign exchange losses	1,695	1,580
Provisions for legal case expenses (Note:13)	-	684
Allowance for doubtful receivables (Note:8)	1,270	415
Sales of scrap and other material	-	509
Other	1,671	1,978
	6,497	**8,262**

Other income of the Company from its investing activities are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Income/expenses from investing activities, net		
Property sales profit	472	240
Dividend income from associates	83	-
Profit on sales of other property, plant and equipment	67	146
	622	**386**

	1 January - 31 December 2021	1 January - 31 December 2020
Shares from profit (losses) of investments valued by equity method		
LLC Faber-Castell Anadolu (Note 6)	-	(164)
	-	**(164)**

NOTE 20 - FINANCE INCOME AND EXPENSES

Finance income	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gains	106	260
Interest income	13,811	7,270
	13,917	**7,530**

Finance expense	1 January - 31 December 2021	1 January - 31 December 2020
Interest expenses	64,737	38,266
Foreign exchange losses	325	242
Interest cost on employment termination benefits	403	319
	65,465	**38,827**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	1 January - 31 December 2021	1 January - 31 December 2020
Current tax provision (-)	(43)	-
Deferred tax income/(expense)	1,121	(1,810)
Total tax expense (net)	**1,078**	**(1,810)**

Reconciliation between current year tax expense and profit for the period is as follows:

	2021	2020
Profit / loss before tax	**(13,776)**	**3,725**
Tax rate	25%	22%
Calculated tax expense	(3,444)	819
Discounts and additions	2,366	991
Tax income / (expense)	**(1,078)**	**1,810**

	31 December 2021	31 December 2020
Current income tax liabilities	(43)	-
Less: Prepaid corporate tax	4,747	14,283
Current income tax (liabilities)/receivables, net	**4,704**	**14,283**

	Total temporary differences		Deferred tax	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Property,plant and equipment and intangible assets	(18,178)	(17,788)	(3,636)	(3,558)
Provision for employment termination benefits	14,573	9,726	2,915	1,945
Discount	2,406	1,256	553	254
Deferred financial loss	979	441	196	88
R&D discount	11,871	5,414	2,374	1,083
Investment incentive	4,457	3,762	891	752
Provision for doubtful receivables	2,910	2,256	669	451
Provision for unused vacation	867	673	199	135
Provision for impairment on inventory	1,834	4,689	422	938
Provision for litigation	1,446	2,577	333	515
Promotional materials	1,876	1,925	432	385
Derivative financial instruments	(12,691)	4,592	(2,918)	918
Incentive premium accrual	1,002	411	231	82
Other	(6,306)	(100)	(1,440)	(22)
Deferred tax asset/(liability), net	**7,046**	**19,834**	**1,221**	**3,966**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 21 – INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

	2021	2020
1 January	**3,966**	**3,967**
Deferred tax expense / (income)	1,121	(1,810)
Effect of remeasurement differences of employment termination benefit recognized under equity	(30)	(84)
Effect of derivative financial instruments	(3,836)	1,209
31 December	**1,221**	**3,282**

NOTE 22 - EARNINGS / (LOSS) PER SHARE

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

	1 January - 31 December 2021	1 January - 31 December 2020
Profit / (loss) for the period	(12,698)	1,915
Average number of shares (weighted average number of ordinary shares with nominal value TL 1 each)	23,625,000	23,625,000
Earnings / (loss) per share (Total TL)	**(0.5375)**	**0.0811**

NOTE 23 – RELATED PARTY DISCLOSURES

a) Related party balances

	Receivables from Related Parties	
	31 December 2021	31 December 2020
Migros Ticaret A.Ş. (3)	16,241	10,553
LLC Faber-Castell Anadolu (2)	505	294
A.W.Faber-Castell Vertrieb GmbH (3)	496	911
Aep Anadolu Etap Penkon (3)	-	380
A.W.Faber Castell (1)	7	1,664
Other	1,930	390
	19,179	**14,192**
Less: Rediscount of receivables/payables (-)	(711)	(608)
	18,468	**13,584**

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

a) Related party balances (Continued)

	Payables to Related Parties	
	31 December 2021	**31 December 2020**
AG Anadolu Grubu Holding A.Ş. (1)	661	22
Çelik Motor Tic.A.Ş. (3)	-	1
Efestur Turizm İşletmeleri A.Ş. (3)	1	58
AEH Sigorta Acentalığı A.Ş. (3)	126	154
A.W.Faber Castell Brezilya S.A. (3)	79	45
Migros Ticaret A.Ş. (3)	72	55
PT Faber Castell Marketing Ind. (3)	26	-
Mimeda Medya Platform A.Ş. (3)	9	-
Ülkü Kırtasiye Tic. A.Ş. (3)	15	9
A.W.Faber-Castell(Guangzhou) (3)	-	1,656
Other	30	6
	995	**2,006**
Less: Rediscount of receivables/payables (-)	(13)	(316)
	982	**1,690**

1) Shareholders
2) Joint venture
3) Other companies controlled by the shareholders

Other payables to related parties	**31 December 2021**	**31 December 2020**
Dividends payable to shareholders (*)	-	15,002
	-	**15,002**

(*) At the Ordinary General Assembly meeting held on 8 April 2020, dividend amounting to TL 15,001,875 from the net profit of 2019 was decided to be distributed however, the deferred dividend payments were made on 5 January 2021, in line with the President's Decision published in the Official Gazette dated 18 September 2020 and the relevant Communiqué of the Ministry of Commerce published in the Official Gazette dated 28 October 2020.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 – RELATED PARTY DISCLOSURES (Continued)

b) Transactions with related parties

Purchases of goods	1 January - 31 December 2021	1 January - 31 December 2020
A.W.Faber-Castell Vertrieb GmbH (3)	37,143	32,846
A.W. Faber-Castell (Guangzhou) Stationery Co. Ltd. (3)	18,948	17,446
A.W.Faber Castell (M) Sdn.Bhd. (3)	14,745	22,959
Pt Faber-Castell International Indonesia (3)	741	390
Other	253	833
	71,830	**74,474**

Sales of goods	1 January - 31 December 2021	1 January - 31 December 2020
Migros Ticaret A.Ş. (3)	17,093	12,935
A.W.Faber-Castell Vertrieb GmbH (3)	2,801	5,542
A.W.Faber Castell Brezilya S.A.	271	210
Anadolu Restoran İşletmeleri Ltd. Şti.	1,237	-
A.W. Faber Castell (Aust) (3)	1,081	-
A.W.Faber Castell Peruana SA (3)	897	221
Faber-Castell U.S.A. Inc. (3)	325	573
Other	270	213
	23,975	**19,694**

Services received	1 January - 31 December 2021	1 January - 31 December 2020
Efestur Turizm İşletmeleri A.Ş. (3)	162	3,174
AG Anadolu Grubu Holding A.Ş. (1)	6,301	5,246
Migros Ticaret A.Ş. (3)	3,806	4,137
Anadolu Efes Spor Kulübü (3)	1,493	-
Other	49	164
	11,811	**12,721**

Services given	1 January - 31 December 2021	1 January - 31 December 2020
A.W.Faber-Castell Vertrieb GmbH (3)	313	1,088
AEP Anadolu Etap Penkon Gıda ve Tarım Ürün San ve Tic A.Ş (3)	-	1,219
Anadolu Restoran İşletmeleri Ltd. Şti. (3)	564	-
Anadolu Kaskasya Enerji Yatırımları A.Ş.(3)	1,314	457
Other	1,692	328
	3,883	**3,092**

1) Shareholders
2) Joint venture
3) Other companies controlled by the shareholders

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 23 - RELATED PARTY DISCLOSURES (Continued)

c) Key management compensation

Key management consists of the Head of Tarım, Enerji ve Sanayi Group, the General Manager and other management reporting directly to General Manager. Key management compensation is as follows:

	2021	2020
Salaries and other short-term employee benefits	13,480	9,829
Employment termination benefits	418	329
	13,898	**10,158**

NOTE 24 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital to ensure that entities in the Company will be able to continue as a going concern while maximizing its profit and market value through the optimization of the debt and equity balance.

The Company's capital structure comprises of borrowings -including loans- , cash and cash equivalents and equity items.

Risks, associated with each capital class, and the top management evaluates the capital cost. It is aimed that the capital structure will be set in balance by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the top management evaluations.

The Company monitors capital by using debt to total capital ratio. This ratio is calculated by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including borrowings, leasing and trade payables as indicated in the balance sheet). Total capital is calculated by adding net debt to shareholders' equity as indicated in the balance sheet.

General strategy of the Company based on shareholders' equity is not different from previous periods.

The Company does not conduct hedging contracts (including derivative financial instruments) and does not have any activities related to the purchase-sell of such instruments.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

(a) Capital risk management (Continued)

As of 31 December 2021 and 31 December 2020 net debt/(equity+net debt) ratio is as follows:

	31 December 2021	31 December 2020
Total borrowings (*)	545,624	426,371
Less: Cash and cash equivalents	(342,560)	(279,347)
Net debt	203,064	147,024
Equity	131,265	145,389
Equity+net debt	**334,329**	**292,413**
Net debt/(Equity+net debt) ratio	**61%**	**50%**

(*) Within the total borrowings, the right-of-use assets under the scope of TFRS 16 are not included in the financial lease liabilities.

(b) The Company's exposure to risks

The Company is exposed to foreign exchange rate and other risks due to its activities. The Company also has the risk that the counterparty will be unable to meet the requirements of the agreement due to the possession of financial instruments.

Market risks encountered at the Company level are measured based on sensitivity analysis. In the current year, there has been no change in the Company's exposure to market risk or the manner in which it is dealt with or how it measures it, when compared with the prior period.

(c) Foreign currency risk and management

Certain transactions denominated in foreign currencies results in foreign currency risk.

The Company is exposed to currency risk as the mismatch between foreign currency denominated assets and liabilities. Currency risk arises from the forward trade transactions and the difference between assets and liabilities recognised.

TL equivalents of the Company's assets and liabilities denominated in foreign currencies are as follows:

	31 December 2021	31 December 2020
Assets	29,046	35,428
Liabilities	(6,805)	(5,931)
Net balance foreign currency position	**22,241**	**29,497**

The Company is mainly exposed to foreign currency risk in USD and Euro.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

(c) Foreign currency risk and management (Continued)

Profit/(loss) 31 December 2021	**Foreign currency appreciation**	**Foreign currency depreciation**
Change in USD against TL by +/- 20%:		
1- USD net asset/liabilities	3,656	(3,656)
2- USD net hedged amount (-) (*)	-	-
3- USD net effect (1+2)	**3,656**	**(3,656)**
Change in EUR against TL by +/- 20%:		
4- Euro net asset/liabilities	748	(748)
5- Euro net hedged amount (-)	-	-
6- Euro net effect (4+5)	**748**	**(748)**
Change in other foreign currencies against TL by +/- 20%:		
7- Other foreign currency net asset/liabilities	44	(44)
8- Other foreign currency net hedged amount (-)	-	-
9- Other foreign currency net effect (7+8)	**44**	**(44)**
	4,448	**(4,448)**

Profit/(loss) 31 December 2020	**Foreign currency appreciation**	**Foreign currency depreciation**
Change in USD against TL by +/- 10%:		
1- USD net asset/liabilities	2,765	(2,765)
2- USD net hedged amount (-) (*)	-	-
3- USD net effect (1+2)	**2,765**	**(2,765)**
Change in EUR against TL by +/- 10%:		
4- Euro net asset/liabilities	182	(182)
5- Euro net hedged amount (-)	-	-
6- Euro net effect (4+5)	**182**	**(182)**
Change in other foreign currencies against TL by +/- 10%:		
7- Other foreign currency net asset/liabilities	3	(3)
8- Other foreign currency net hedged amount (-)	-	-
9- Other foreign currency net effect (7+8)	**3**	**(3)**
	2,950	**(2,950)**

(*) The effect of derivative instruments for hedging purposes has not been considered.

ADEL KALEMCİLİK TİCARET VE SANAYİ A.Ş.

NOTES TO THE AUDITED FINANCIAL STATEMENTS
FOR THE PERIODS ENDED 31 DECEMBER 2021 AND 31 DECEMBER 2020

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

(c) Foreign currency risk and management (Continued)

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

	31 December 2021					31 December 2020				
	TL Equivalent	USD	Euro	GBP	Other	TL Equivalent	USD	Euro	GBP	Other
1. Trade Receivables	12,437	612	306	-	-	5,580	464	241	-	-
2a. Monetary Financial Assets	2,437	187	1	-	-	22,632	3,083	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	14,172	1,020	48	(1)	1,951	7,216	828	122	2	-
4. Total Current Assets (1+2+3)	**29,046**	**1,819**	**355**	**(1)**	**1,951**	**35,428**	**4,375**	**363**	**2**	**-**
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)	**29,046**	**1,819**	**355**	**(1)**	**1,951**	**35,428**	**4,375**	**363**	**2**	**-**
10. Trade Payables	4,683	252	96	-	6	4,993	485	159	-	6
11. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	2,122	158	4	-	-	938	125	2	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	**6,805**	**410**	**100**	**-**	**6**	**5,931**	**610**	**161**	**-**	**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)	**6,805**	**410**	**100**	**-**	**6**	**5,931**	**610**	**161**	**-**	**6**
19. Net Asset/ (Liability) Position of Off-Balance Sheet Derivatives (19a-19b)	**100,770**	**7,765**	**-**	**-**	**-**	**36,703**	**5,000**	**-**	**-**	**-**
19a. Total Amount of Hedged Assets	100,770	7,765	-	-	-	36,703	5,000	-	-	-
19b. Total Amount of Hedged Liabilities	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset / (Liability) Position (9-18+19)	**123,011**	**9,174**	**255**	**(1)**	**1,945**	**66,200**	**8,765**	**202**	**2**	**(6)**
21. Monetary Items Net Foreign Currency Asset / (Liability) Position (1+2a+3+5+6a-10-11-12a-14-15-16a)	**22,241**	**1,409**	**255**	**(1)**	**1,945**	**29,497**	**3,765**	**202**	**2**	**(6)**
22. Total Fair Value of Hedge Funds of Foreign Currency Instruments	12,505	964	-	-	-	-	-	-	-	-
23. Hedged Amount of Foreign Currency Assets	-	-	-	-	-	-	-	-	-	-
23. Hedged Amount of Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-	-
23. Export	**30,065**	**2,421**	**651**	**-**	**262**	**23,656**	**2,162**	**1,054**	**-**	**-**
24. Import	**118,955**	**9,337**	**4,306**	**42**	**21,838**	**128,979**	**13,261**	**5,071**	**49**	**27,018**
						0	0	0	0	0
10% increase	**-**	**3,656**	**748**	**-**	**44**	**-**	**2,765**	**182**	**3**	**-**

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

(d) Interest rate risk and management

As of 31 December 2021, the Company does not have borrowings with variable interest rate (31 December 2020: None).

(e) Credit risk management

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Collection risk of the Company mainly derives from trade receivables. Trade receivables are netted in balance sheet after provisions for doubtful receivables which are in line with the Company policies and procedures.

The majority of the Company's sales are made in domestic market through distributors and wholesalers. Approximately 50% of total sales are produced products. Trade goods are foreign originated. Therefore, trade goods costs of the Company bear foreign exchange rate risk. Raw material costs are dependent to general price movements in the country. 94% of the total sales of the Company are made in domestic market and price level is determined by taking into consideration the fluctuations in foreign exchange rates.

The Company performs collection mainly from distributors by checks and also uses direct borrowing system (DBS). Since the drawers of these checks are generally distributors, the risk is distributed. As a result of these procedures, the Company did not incur any significant risk for receivables collection.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

(e) Credit risk management (Continued)

	Trade receivables		**Other receivables**		**Deposit at**	**Other Financial**
31 December 2021	**Related parties**	**Other**	**Related parties**	**Other**	**banks**	**Assets**
Maximum exposure to credit risk as of reporting date	**18,468**	**74,101**	**-**	**2,108**	**-**	**-**
- Maximum credit risk covered by guarantees	**-**	**19,907**	**-**	**-**	**-**	**-**
A. Net book value of financial assets neither overdue nor impaired	18,468	74,101	-	2,108	-	-
B. Carrying amount of financial assets whose term has been renegotiated, otherwise past due or impaired	-	-	-	-	-	-
C. Past due but not impaired financial assets	-	-	-	-	-	-
- *Under guarantee*	-	-	-	-	-	-
D. Net carrying amount of financial assets impaired	-	-	-	-	-	-
- Overdue (Gross carrying value)	-	5,555	-	-	-	-
- Impaired (-)	-	(5,555)	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
- Not overdue (gross carrying value)	-	-	-	-	-	-
- Impaired (-)	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

(e) Credit risk management (Continued)

	Trade receivables		Other receivables		Deposit at	Other Financial
31 December 2020	**Related parties**	**Other**	**Related parties**	**Other**	**banks**	**Assets**
Maximum exposure to credit risk as of reporting date	**13,584**	**45,912**	**-**	**560**	**-**	**-**
- Maximum credit risk covered by guarantees	**-**	**26,449**	**-**	**-**	**-**	**-**
A. Net book value of financial assets neither overdue nor impaired	13,584	45,912	-	560		
B. Carrying amount of financial assets whose term has been renegotiated, otherwise past due or impaired	-	-	-	-	-	-
C. Past due but not impaired financial assets	-	-	-	-	-	-
- *Under guarantee*	-	-	-	-	-	-
D. Net carrying amount of financial assets impaired	-	-	-	-	-	-
- Overdue (Gross carrying value)	-	4,688	-	-	-	-
- Impaired (-)	-	(4,688)	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
- Not overdue (gross carrying value)	-	-	-	-	-	-
- Impaired (-)	-	-	-	-	-	-
- Net carrying amount of financial assets under guarantee	-	-	-	-	-	-
E. Off- balance sheet items which include credit risk	-	-	-	-	-	-

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

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

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

	31 December 2021	31 December 2020
Mortgages	5,135	5,935
Pledge agreements	78	78
Letter of guarantees	16,220	27,336
	21,433	**33,349**

(f) Liquidity risk and management

The Company manages its liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities through a constant monitoring forecast and actual cash flows and matching the maturity profile of the financial assets and liabilities.

Liquidity risk tables

Conservative liquidity risk management requires maintaining adequate reserves in addition to having the ability to utilize adequate level of credit lines and funds as well as closing market positions.

Funding risk attributable to the current and future potential borrowing needs is managed by providing continuous access to adequate number of creditors with high quality.

The maturity distribution of the Company's derivative and non-derivative financial liabilities on TL basis is as follows:

31 December 2021	Carrying Value	Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Financial payables	509,836	568,995	94,998	456,823	17,175	-
Trade Payables	34,913	35,586	35,586	-	-	-
Other Payables	8,045	10,670	9,011	1,659	-	-

31 December 2020	Carrying Value	Total Cash Outflow	Less than 3 months	3-12 months	1-5 years	More than 5 years
Financial payables	390,637	420,356	95,062	240,618	84,676	-
Trade Payables	36,646	37,202	37,202	-	-	-
Other Payables	23,921	15,321	10,075	2,777	2,469	-

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS

25.1 Fair Value

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

Fair value measurements

Level 1: Valuation techniques using quoted (unadjusted) market prices for the identified financial instruments

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

Level 3: Valuation techniques that do not include observable market data

	31 December 2021	Level 1	Level 2	Level 3
Derivative financial liabilities	-	-	-	-
	31 December 2020	**Level 1**	**Level 2**	**Level 3**
Derivative financial liabilities	4,641	-	4,641	-
	31 December 2021	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	12,505	-	12,505	-
	31 December 2020	**Level 1**	**Level 2**	**Level 3**
Derivative financial assets	-	-	-	-

25.2 Derivative Financial Instruments and Hedges

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

As of 31 December 2021, the Company has participatory forward transactions amounting to USD 7,765,000 with a nominal value of TL 100,770 (31 December 2020: the Company has participatory forward transactions amounting to USD 5,000,000 with a nominal value of TL 36,702).

As of 31 December 2021, the Company reserved TL 2,737 equivalent of USD 187,804 from its bank balances for forward raw material and trade product purchases.

The Company documents the relationship between the hedging instrument and the hedged item at the beginning of the hedging process, as well as its strategy for fulfilling risk management objectives and various hedging transactions. The Company also documents the assessment of whether the hedging instruments used both at the beginning of the hedging process and at regular intervals are highly effective in offsetting changes in the value of hedged items.

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

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.2 Derivative Financial Instruments and Hedges (Continued)

	2021			2020		
		Fair values			Fair values	
	Contract amount	**Asset**	**Liability**	**Contract amount**	**Asset**	**Liability**
For hedging purposes:						
Participated forward transaction	-	-	-	36,703	-	4,641
Forward transactions	100,770	12,505	-	-	-	-
	100,770	**12,505**	**-**	**36,703**	**-**	**4,641**
Short-term	100,770	12,505	-	36,703	-	4,641
	100,770	**12,505**	**-**	**36,703**	**-**	**4,641**

Objectives in financial risk management:

The Company's finance department is responsible for ensuring access to financial markets on a regular basis and for monitoring and managing financial risk related to the Company's operations. These risks are; market risk (including exchange rate risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Company does not have any speculative financial instruments (including derivative financial instruments) and has no activity related to the purchase and sale of such instruments.

(Amounts expressed in thousand Turkish Lira ("TL") unless otherwise indicated.)

NOTE 25 - FINANCIAL INSTRUMENTS (Continued)

25.2 Derivative Financial Instruments and Hedges (Continued)

31 December 2021	Notes	FVTOCI	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Fair value
Financial assets						
Cash and cash equivalents	4	-	342,560	-	342,560	342,560
Trade receivables	8	-	74,101	-	74,101	74,101
Receivables from related parties	23	-	18,468	-	18,468	18,468
Derivative instruments	25	12,505	-	-	12,505	12,505
Other financial assets	5, 9	-	2,342	-	2,342	2,342
Financial liabilities						
Financial payables	7	-	-	509,729	509,729	509,729
Lease payables		-	-	2,960	2,960	2,960
Trade payables	8	-	-	34,913	34,913	34,913
Payables to related parties	23	-	-	982	982	982
Other financial liabilities	9	-	-	1,331	1,331	1,331

31 December 2020	Notes	FVTOCI	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Fair value
Financial assets						
Cash and cash equivalents	4	-	279,347	-	279,347	279,347
Trade receivables	8	-	45,912	-	45,912	45,912
Receivables from related parties	23	-	13,584	-	13,584	13,584
Other financial assets	5, 9	-	794	-	794	794
Financial liabilities						
Financial payables	7	-	-	388,035	388,035	388,035
Lease payables	-	-	-	6,219	6,219	6,219
Trade payables	23	-	-	36,646	36,646	36,646
Payables to related parties	9	-	-	1,690	1,690	1,690
Derivative instruments	24	4,641	-	-	4,641	4,641
Other financial liabilities	9	-	-	17,407	17,407	17,407

NOTE 26 – FEES FOR SERVICE RECEIVED FROM INDEPENDENT AUDIT FIRM

The fees for the services received by the Company from the Independent Audit Firm (IAF) for the periods 1 January - 31 December 2021 and 1 January - 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Independent Audit Fee for the Reporting Period	161	140
Fee for Other Assurance Services	1	1
	162	**141**

NOTE 27 – GOVERNMENT INCENTIVES AND AID

As of 31 December 2021, the amount covered by the investment incentive certificate received for property, plant and equipment investments is TL 14,858 (31 December 2020: TL 11,400), and the tax advantage amount to be provided in the future has been calculated as TL 891 (31 December 2020: TL 752) by taking 30% of the maximum contribution rate that can be benefited in the investment period.

As of 31 December 2021, the amount of R&D deduction that can be used in tax calculation due to expenses related to R&D studies is TL 11,871 (31 December 2020: TL 5,414), and the tax advantage amount to be provided in the future has been calculated as TL 2,374 (31 December 2020: TL 1,083).

NOTE 28 – EVENTS AFTER THE REPORTING PERIOD

According to the Law No. 7352 Amending the Tax Procedure Law and the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, the application of inflation adjustment in the legal books to the Tax Procedure Law has been postponed to 31 December 2023.