

**LİLA KAĞIT SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARY**

CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
30 SEPTEMBER 2024

**(CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REVIEW
REPORT AND THE FINANCIAL
STATEMENTS ORIGINALLY ISSUED
IN TURKISH)**

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LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

ASSETS	Note	US Dollars (*)		Unaudited	Audited
		Current Period 30 September 2024	Prior Period 31 December 2023	Current Period 30 September 2024	Prior Period 31 December 2023
Current Assets					
Cash and cash equivalents	26	139,256	39,780	4,747,254	1,356,088
Financial assets		1,547	-	52,738	-
Trade Receivables	5	79,741	83,554	2,718,368	2,848,365
- <i>Trade Receivables from third party</i>		79,741	83,554	2,718,368	2,848,365
Other Receivables		1,162	224	39,612	7,635
- <i>Other Receivables from related party</i>	4	-	-	-	4
- <i>Other Receivables from third party</i>		1,162	224	39,612	7,631
Inventory	6	50,939	44,769	1,736,513	1,526,163
Derivatives	21	4	-	138	-
Prepaid Expenses	7	1,765	10,879	60,153	370,859
Assets related to current tax	19	1,898	1,466	64,703	49,976
Other Current Assets	14	187	2,959	6,200	100,930
Total Current Assets		276,499	183,631	9,425,679	6,260,016
Non-Current Assets					
Other Receivables		303	247	10,324	8,421
- <i>Other current assets from third party</i>		303	247	10,324	8,421
Property, Plant and Equipment	8	150,917	150,190	5,144,772	5,119,987
Intangible Assets	9	756	754	25,760	25,698
Rights of use assets	10	2,867	3,989	97,743	135,993
Prepaid expenses	7	774	1,346	26,383	45,874
Total Non-Current Assets		155,617	156,526	5,304,982	5,335,973
TOTAL ASSETS		432,116	340,157	14,730,661	11,595,989

(*)US Dollar ("USD") amounts presented above have been translated from Turkish Lira ("TL") for convenience purposes only, at the official TL bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") effective as of 30 September 2024.

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

LIABILITIES	Note	US Dollars (*)		Unaudited	Audited
		Current Period 30 September 2024	Prior Period 31 December 2023	Current Period 30 September 2024	Prior Period 31 December 2023
Short-term Liabilities					
Short-term borrowings	22	52,674	53,923	1,795,647	1,838,213
- Bank borrowings		52,170	52,813	1,778,466	1,800,388
- Lease liabilities		504	1,110	17,181	37,825
Current portion of long-term borrowings	22	19,586	33,440	667,679	1,139,970
Trade payables	5	11,595	16,846	395,289	574,297
- Trade payables to third parties		11,595	16,846	395,289	574,297
Payables related to employee benefits	13	3,476	2,489	118,502	84,845
Derivatives	21	-	65	-	2,225
Deferred income	7	267	2,698	9,087	91,985
Short term provisions	11	874	861	29,775	29,361
- Short term provisions for employee benefits		495	386	16,858	13,159
- Other short term provisions		379	475	12,917	16,202
Other current liabilities	14	3,614	1,116	123,188	38,055
Total Short-term Liabilities		92,086	111,438	3,139,167	3,798,951
Long-term Liabilities					
Long-term borrowings	22	7,483	23,205	255,075	791,073
- Bank borrowings		6,800	22,062	231,795	752,103
- Lease liabilities		683	1,143	23,280	38,970
Deferred tax liabilities	19	5,815	1,961	198,219	66,842
Long term provisions	13	1,212	799	41,313	27,240
- Long term provisions for employee benefits		1,212	799	41,313	27,240
Total Long-term Liabilities		14,510	25,965	494,607	885,155
Total Equity					
Share capital	15	17,307	14,667	590,000	500,000
Share capital adjustments	15	85,211	85,065	2,904,834	2,899,852
Premiums on shares		96,921	-	3,304,028	-
Restricted reserves	15	6,214	4,932	211,849	168,140
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(432)	(286)	(14,727)	(9,735)
- Actuarial losses from defined pension plans		(432)	(286)	(14,727)	(9,735)
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		(13)	(19)	(453)	(657)
- Foreign currency translation differences		(13)	(19)	(453)	(657)
Retained earnings		91,535	89,449	3,120,416	3,049,326
Net profit for the year		28,777	8,946	980,940	304,957
Non- controlling interests		-	-	-	-
Total Equity		325,520	202,754	11,096,887	6,911,883
TOTAL LIABILITIES		432,116	340,157	14,730,661	11,595,989

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

Note	US Dollars (*)		Unaudited				
	1 January- 30 September 2024	1 January- 30 September 2023	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023	
	Revenue	271,531	289,186	9,256,493	9,858,342	3,022,933	3,683,195
Cost of Sales (-)	(194,372)	(207,716)	(6,626,153)	(7,081,022)	(2,276,807)	(2,410,624)	
Gross Profit	77,159	81,470	2,630,340	2,777,320	746,126	1,272,571	
Marketing and sales expenses (-)	(30,269)	(28,663)	(1,031,881)	(977,114)	(356,379)	(387,307)	
General administrative expenses (-)	(7,388)	(6,700)	(251,854)	(228,392)	(76,760)	(93,698)	
Other income from operating activity	8,896	5,744	303,235	195,772	113,244	(420,198)	
Other expenses from operating activity (-)	(872)	(2,204)	(29,730)	(75,139)	(3,089)	14,586	
Operating Profit	47,526	49,647	1,620,110	1,692,447	423,142	385,954	
Income from investment activities	436	336	14,868	11,455	9,872	3,791	
Operating Profit Before Finance Income	47,962	49,983	1,634,978	1,703,902	433,014	389,745	
Finance income	18,674	11,653	636,597	397,251	360,617	123,798	
Finance expenses (-)	(19,637)	(49,964)	(669,432)	(1,703,270)	(227,057)	(264,095)	
Monetary (loss)/gain	(10,966)	337	(373,846)	11,477	(217,291)	12,579	
Profit Before Tax	36,033	12,009	1,228,297	409,360	349,283	262,027	
Tax expense	(7,256)	(8,205)	(247,357)	(279,724)	1,717	(276,556)	
Current tax expense (-)	(3,353)	(6,711)	(114,316)	(228,786)	52,134	(151,908)	
Deferred tax income/(expense)	(3,903)	(1,494)	(133,041)	(50,938)	(50,417)	(124,648)	
Parasal kayıp kazanç							
Profit/(Loss) For The Period	28,777	3,804	980,940	129,636	351,000	(14,529)	
Distribution of profit for the year							
Non-controlling interests	-	-	-	-	-	-	
Parent company shares	28,777	3,804	980,940	129,636	351,000	(14,529)	
	28,777	3,804	980,940	129,636	351,000	(14,529)	
Earning per shares	20	-	-	1.79	0.26	0.59	(0.03)
Other Comprehensive Income:							
Items that will not be reclassified subsequently to profit or loss							
		(146)	(83)	(4,992)	(2,827)	1,644	(439)
Gain on remeasurement of defined benefit plans	13	(195)	(111)	(6,656)	(3,769)	2,192	(585)
Tax income/(expense) of remeasurement of defined benefit plans	19	49	28	1,664	942	(548)	146
Items that may be reclassified subsequently to profit or loss							
		6	(26)	204	(890)	348	(1,589)
Currency translation reserves		6	(26)	204	(890)	348	(1,589)
Other Comprehensive Income		(140)	(109)	(4,788)	(3,717)	1,992	(2,028)
Total Comprehensive Income		28,637	3,695	976,152	125,919	352,992	(16,557)

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LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

	Share capital	Share capital adjustments	Premiums on shares	Restricted reserves	Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	Actuarial losses from defined pension plans	Accumulated other comprehensive income or expenses that may be reclassified subsequently to profit or loss	Currency translation reserves	Retain earnings	Net profit / (loss) for the year	Total equity
Balances as of 1 January 2023	107,500	2,622,335	-	141,747	(15,201)	-	-	-	1,172,099	2,789,541	6,818,021
Transfers	-	-	-	26,393	-	-	-	-	2,763,148	(2,789,541)	-
Dividends	-	-	-	-	-	-	-	-	(215,901)	-	(215,901)
Other comprehensive income	-	-	-	-	(2,827)	-	(890)	-	-	-	(3,717)
Net profit for the year	-	-	-	-	-	-	-	-	-	129,636	129,636
Balances as of 30 September 2023	500,000	2,899,852	-	168,140	(18,028)	-	(890)	-	3,049,329	129,636	6,728,039
Balances as of 1 January 2024	500,000	2,899,852	-	168,140	(9,735)	-	(657)	-	3,049,326	304,957	6,911,883
Transfers	-	-	-	43,709	-	-	-	-	261,248	(304,957)	-
Dividends	90,000	4,982	3,304,028	-	-	-	-	-	-	-	3,399,010
Other comprehensive income	-	-	-	-	(4,992)	-	204	-	-	-	(4,788)
Net profit for the year	-	-	-	-	-	-	-	-	-	980,940	980,940
Balances as of 30 September 2024	590,000	2,904,834	3,304,028	211,849	(14,727)	-	(453)	-	3,120,416	980,940	11,096,887

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LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS AS OF AND FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

	Note	US Dollars (*)		Unaudited	
		Current Period 1 January- 30 September 2024	Prior Period 1 January- 30 September 2023	Current Period 1 January- 30 September 2024	Prior Period 1 January- 30 September 2023
A CASH FLOWS FROM OPERATING ACTIVITIES		59,180	118,668	2,017,493	4,045,441
Profit for the Period		28,777	3,803	980,940	129,636
Adjustments to reconcile net profit for the year		32,229	72,670	1,098,717	2,477,341
Changes on depreciation and amortization	8,9,10	14,955	13,814	509,817	470,905
Changes on expected credit loss		9	(183)	322	(6,224)
Provision for Employee Termination Benefits	13	1,023	1,046	34,891	35,653
Changes on provision for unused vacation		305	427	10,401	14,556
Changes on provision for inventory impairment		69	868	2,351	29,590
Changes on other provision		3	(169)	104	(5,768)
Changes on foreign exchange gain and loss	18	12,807	41,905	436,605	1,428,540
Changes on gain on fixed assets sales		(356)	(215)	(12,129)	(7,345)
Changes on interests incomes		(10,178)	(1,000)	(346,967)	(34,078)
Changes on interests expenses		6,485	7,504	221,067	255,825
Changes on fair value of derivative instruments		(69)	589	(2,363)	20,073
Changes on financial investments	17	(80)	(121)	(2,739)	(4,110)
Changes on tax income and expenses		7,256	8,205	247,357	279,724
Changes in working capital		2,489	45,332	84,949	1,545,409
Adjustments related to increase in trade receivables	5	3,833	26,801	130,651	913,640
Adjustments related to increases in inventories	6	(6,171)	36,468	(210,372)	1,243,208
Increase in other assets related to operations		9,691	(939)	330,383	(32,024)
Increase in other liabilities related to operations		66	3,771	2,235	128,549
Adjustments related to increase in trade payables	5	(5,251)	(17,482)	(179,008)	(595,968)
Decrease in payables within the scope of employee benefits		987	(1,428)	33,657	(48,683)
Adjustments related to monetary gain and (losses)		(666)	(1,859)	(22,597)	(63,313)
Cash Generated from Operating Activities		63,495	121,805	2,164,606	4,152,386
Employee termination benefits paid	13	(461)	(1,272)	(15,716)	(43,373)
Accumulated leave paid	13	(69)	(221)	(2,354)	(7,539)
Income taxes paid		(3,785)	(1,644)	(129,043)	(56,033)
B. CASH FLOWS FROM INVESTING ACTIVITIES		(13,894)	(5,487)	(473,620)	(187,055)
Cash inflows from the sale of property, plant and equipment and intangible assets	8,17	620	268	21,135	9,128
Cash outflows from the purchase of property, plant and equipment and intangible assets	8,9	(13,604)	(5,897)	(463,744)	(201,041)
Advances given for investment purposes		557	(1,176)	18,988	(40,087)
Changes in financial investments		(1,467)	1,318	(49,999)	44,945
C. CASH FLOWS FROM FINANCING ACTIVITIES		43,690	(104,567)	1,489,356	(3,564,716)
Net cash inflows resulting from share premium		96,921	-	3,304,028	-
Capital increase		2,786	-	94,982	-
Cash inflows from borrowing	22	38,277	52,732	1,304,856	1,797,645
Cash outflows from repayments of borrowings	22	(51,985)	(80,589)	(1,772,157)	(2,747,280)
Interests paid		(5,361)	(3,394)	(182,766)	(115,685)
Dividends paid		(5,578)	(6,333)	(190,158)	(215,901)
Cash inflows and outflows from repayments of financial leaseings, net		(726)	(107)	(24,757)	(3,650)
Monetary gain and loss effect from cash flows of financial activities		(40,823)	(67,877)	(1,391,642)	(2,313,923)
Interests received		10,179	1,001	346,970	34,078
EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES AND INFLATION (A+B+C)		88,976	8,614	3,033,229	293,670
D. THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		10,500	4,949	357,937	168,710
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		99,476	13,563	3,391,166	462,380
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		39,780	25,028	1,356,088	853,189
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	26	139,256	38,591	4,747,254	1,315,569

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Lila Kağıt Sanayi ve Ticaret Anonim Şirketi ("Lila Kağıt" or "the Company") was established in 1984. Its principal activities are the production and sale of jumbo roll (tissue paper), converting, textile products and electricity.

The registered address of the Company is Business Istanbul Merdivenköy Mahallesi Nur Sokak A-Blok No:1A/1705 34732 Kadıköy – Istanbul.

The main fields of activity of the Company's subsidiary included in the consolidation (together referred to as the "Group") and the countries in which it operates are as follows:

Subsidiary Company	Principal activity	Place of incorporation and operation	Functional Currency	Proportion of ownership interest and voting power held by the Company (%)	
				2024	2023
Lila Paper Swiss AG	Imports, Exports and Foreign Trade	Switzerland	US Dollars	100	100

Lila Paper Swiss AG operates as a foreign trade company and was established in Switzerland on January 19, 2023. The Company's main activity is to provide services regarding the export of jumbo rolls and converting and the import of raw materials. It was founded with a capital of 100,000 Swiss Francs. Lila Paper Swiss AG's capital has been fully paid and all shares belong to the Company.

The number of personnel employed by the Group is 1.030 as of 30 September 2024 (31 December 2023: 1.079).

2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

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

In addition, the consolidated financial statements are presented in accordance with "Announcement regarding with TFRS Taxonomy" which was published on 4 October 2022 by POA and the format and mandatory information recommended by CMB.

The Group prepared its condensed consolidated interim financial statements for the six months period ended September 30, 2024 in accordance with TAS 34 "Interim Reporting" standard. Interim condensed consolidated financial statements do not include all the information required for the annual financial statements and therefore they should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023.

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira (“TL”) in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont’d)

2.1 Basis of Presentation (cont’d)

Statement of Compliance with TFRS (cont’d)

The Group maintains its accounting records and prepares its consolidated financial statements with the principles and requirements of the CMB, the Group keep their legal records according to the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance (“Ministry of Finance”) of Turkish Republic.

Subsidiary operating in foreign countries prepare their statutory financial statements in accordance with the laws and regulations applicable in the countries in which they operate. The consolidated financial statements are prepared by reflecting the necessary adjustments and classifications to the statutory records in order to make an accurate presentation in accordance with TFRS. The consolidated financial statements are prepared on the basis of historical cost, except for financial assets recognized at fair value and derivative financial instruments carried at fair value. In determining the historical cost, the fair value of the amount paid for the assets is generally taken as basis.

Condensed Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values.

Approval of the financial statements:

The financial statements have been approved and authorized to be published on 24 October 2024 by the Board of Directors.

Going concern

The consolidated financial statements have been prepared on the basis of going concern.

Currency used

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The functional currency of the Company is TL and the functional currency of its subsidiary is US Dollar. The financial statements of the subsidiary have been translated into TL for presentation purposes and the translation differences are shown as foreign currency translation differences under equity. Consolidated financial statements are expressed in TL, which is the presentation currency.

Restatement of financial statements during periods of high inflation

With the announcements made by the Public Oversight Accounting and Auditing Standards Authority (POA) on November 23, 2023, entities applying TFRSs have started to apply inflation accounting in accordance with TAS 29 Financial Reporting in Hyperinflation Economies as of financial statements for the annual reporting year ending on or after December 31, 2023. TAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy.

According to the standard, financial statements prepared in the currency of a hyperinflationary economy are presented in terms of the purchasing power of that currency at the balance sheet date. Prior period financial statements are also presented in the current measurement unit at the end of the reporting period for comparative purposes. The Group has therefore presented its consolidated financial statements as of September 30, 2023, and December 31, 2023 on the purchasing power basis as of September 30, 2024.

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 30 SEPTEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 30 September 2024 unless otherwise indicated.)

2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Restatement of financial statements during periods of high inflation (cont'd)

Pursuant to the decision of the Capital Markets Board (SPK) dated December 28, 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of IAS 29 starting from their annual financial reports for the periods ending on December 31, 2023.

The table below shows the inflation rates for the relevant years calculated by taking into account the Consumer Price Indices published by the Turkish Statistical Institute (TURKSTAT):

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
30.09.2024	2,526.16	1.00000	343%
31.12.2023	1,859.38	1.35860	268%
30.09.2023	1,351.59	1.49385	254%

The main lines of TAS 29 indexation transactions are as follows:

- As of the balance sheet date, all items other than those stated in terms of current purchasing power are restated by using the relevant price index coefficients. Prior year amounts are also restated in the same way.
- Monetary assets and liabilities are expressed in terms of the purchasing power at the balance sheet date and are therefore not subject to restatement. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, subsidiaries and similar assets are indexed to their acquisition values, which do not exceed their market values. Depreciation has been adjusted in a similar manner. Amounts included in shareholders' equity have been restated by applying general price indices for the periods in which they were contributed to or arose within the Company.
- All items in the income statement, except for the effects of non-monetary items in the balance sheet on the income statement, have been restated by applying the multiples calculated over the periods when the income and expense accounts were initially recognised in the financial statements.
- The gain or loss arising on the net monetary position as a result of general inflation is the difference between the adjustments to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in net profit.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Restatement of financial statements during periods of high inflation (cont'd)

The impact of the application of TAS 29 Inflation Accounting is summarised below:

Restatement of the Statement of Financial Position

Amounts in the statement of financial position that are not expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated because they are expressed in the currency of the reporting period. Non-monetary items are required to be restated unless they are expressed in terms of the currency in effect at the end of the reporting period.

The gain or loss on the net monetary position arising on restatement of non-monetary items is recognised in profit or loss and presented separately in the statement of comprehensive income.

Restatement of the Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts have been restated by applying changes in the monthly general price index.

Cost of inventories sold has been restated using the restated inventory balance.

Depreciation and amortisation expenses have been restated using the restated balances of property, plant and equipment, intangible assets, investment property and right-of-use assets.

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Comparative Figures

Relevant figures for the previous reporting period are restated by applying the general price index so that the comparative financial statements are presented in the measuring unit applicable at the end of the reporting period. Information disclosed for prior periods is also expressed in terms of the measuring unit current at the end of the reporting period.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation

Subsidiaries

As of 30 September 2024 and 31 December 2023, the details of the Group's subsidiary are as follows.

<u>Subsidiary Company</u>	<u>Principal activity</u>	<u>Place of incorporation and operation</u>	<u>Functional Currency</u>	<u>Proportion of ownership interest and voting power held by the Company (%)</u>	
				<u>2024</u>	<u>2023</u>
Lila Paper Swiss AG	Imports, Exports and Foreign Trade	Switzerland	US Dollars	100	100

All subsidiaries above are recognized in these consolidated financial statements using the full consolidation method:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of acquisition to the date of disposal.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

Profit or loss and each component of other comprehensive income are attributed to the parent and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable TFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under TFRS 9 *Financial Instruments*, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Comparative information and restatement of prior period consolidated financial statements

The financial statements of the Group have been prepared in comparison with the prior period in order to allow the determination of financial position and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary and significant changes are disclosed.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

USD amounts presented in the consolidated financial statements

USD amounts shown in the consolidated balance sheet, consolidated statements of income, comprehensive income and cash flows have been translated from TL, prepared in accordance with the TFRS have been translated from TL, as a matter of arithmetic computation only, at the official USD bid rates announced by the CBRT effective as of 30 September 2024 of TL 34,0900 = USD 1 and do not form part of these condensed consolidated financial statements.

2.2 Changes in Accounting Policies

The accounting policies have been applied consistently by the Company for all periods presented in the financial statements. Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated.

2.3 Changes in Accounting Estimates and Errors

The Group applied its accounting policies consistent with the previous year. If changes in accounting estimates and errors are for only one period, changes are applied in the current period but if the estimated changes affect the following periods, changes are applied both on the current and following years prospectively. Significant accounting errors are applied retrospectively and prior period financial statements are restated. The Group has not made any changes in its accounting policies during the current year, except for the effects of the changes in new and revised standards explained in Note 2.4.

2.4 New and Amended Turkish Financial Reporting Standards

a) Amendments that are mandatorily effective from 2024

Amendments to TAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to TFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to TAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to TAS 7 and TFRS 7	<i>Supplier Finance Arrangements</i>
TSRS 1	<i>General Requirements for Disclosure of Sustainability-related Financial Information</i>
TSRS 2	<i>Climate-related Disclosures</i>

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.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2024 and earlier application is permitted.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

a) Amendments that are mandatorily effective from (cont'd)

Amendments to TFRS 16 Lease Liability in a Sale and Leaseback

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

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

Amendments to TAS 1 Non-current Liabilities with Covenants

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are allowed early application and effective from annual reporting periods beginning on or after 1 January 2024.

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

Amendments to TAS 7 and TFRS 7 Supplier Finance Arrangements

The amendments add disclosure requirements, and 'signposts' within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information

TSRS 1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

TSRS 2 Climate-related Disclosures

TSRS 2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. The application of this standard is mandatory for annual reporting periods beginning on or after 1 January 2024 for the entities that meet the criteria specified in POA's announcement dated 5 January 2024 and numbered 2024-5 and for banks regardless of the criteria. Other entities may voluntarily report in accordance with TSRS.

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2. BASIS OF PRESENTATION OF THE CONDENSED FINANCIAL STATEMENTS (cont'd)

2.4 New and Amended Turkish Financial Reporting Standards (cont'd)

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

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

TFRS 17	<i>Insurance Contracts</i>
Amendments to TFRS 17	<i>Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)</i>
Amendments to TAS 21	<i>Lack of Exchangeability</i>

TFRS 17 Insurance Contract

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 has been deferred for insurance, reinsurance and pension companies for a further year and will replace TFRS 4 *Insurance Contracts* on 1 January 2025.

Amendments to TFRS 17 Insurance Contracts and Initial Application of TFRS 17 and TFRS 9 — Comparative Information

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before. Amendments are effective with the first application of TFRS 17.

Amendments to TAS 21 Lack of Exchangeability

The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. Amendments are effective from annual reporting periods beginning on or after 1 January 2025.

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

2.5 Summary of Significant Accounting Policies

The interim condensed consolidated financial statements for the period ended 30 September 2024 have been prepared in accordance with TAS 34. The accounting policies used in the preparation of these interim condensed consolidated financial statements for the period ended 30 September 2024 are consistent with those used in the preparation of annual consolidated financial statements for 31 December 2023. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for 31 December 2023.

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3. SEGMENT REPORTING

The decision-making authority of the Group is the Members of the Board of Directors. The Group has no segment reporting within the scope of its operating activity. The Group Board of Directors monitors group activities as a single reportable section and makes decisions. Group management does not track operating results separately other than the country distribution. For this reason, performance criteria other than sales cannot be disclosed.

4. RELATED PARTY DISCLOSURES

In the consolidated financial statements, shareholders, board members, their families and companies controlled by them or affiliated with them are considered as related parties. Various transactions have been made with related parties in the normal course of business of the entity.

a) Related party transactions

Receivables from related parties as of 30 September 2024 and 31 December 2023 are as follows:

<u>Other receivables from related parties</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
<u><i>Other companies managed by shareholders</i></u>		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	-	4
	<u>-</u>	<u>4</u>

Services received from related parties for the periods ended 30 September 2024 and 2023 are as follows:

<u>Services received from related parties</u>	<u>1 January- 30 September 2024</u>	<u>1 January- 30 September 2023</u>
<u><i>Shareholders</i></u>		
Orhan Öğücü	2,825	2,887
Celal Öğücü	2,894	2,536
Aydın Öğücü	3,051	3,033
<u><i>Other companies controlled by shareholders</i></u>		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	9,341	7,513
	<u>18,111</u>	<u>15,969</u>

Services received from related party are consists of rent payments of the Group to shareholders and other companies controlled by shareholder.

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4. RELATED PARTY DISCLOSURES (cont'd)

Services provided to related parties for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023
Services provided to related parties		
<i>Shareholders</i>		
Orhan Ögücü	106	-
<i>Other companies managed by shareholders</i>		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	20	8
Orpaş Gayrimenkul Geliştirme A.Ş.	-	129
Celpaş Gayrimenkul Geliştirme A.Ş.	-	1,915
Hemipaş Gayrimenkul Geliştirme A.Ş.	8	1,775
	<u>134</u>	<u>3,827</u>

Maturity of collection arising from service provided is less than a month.

b) Benefits provided to key management

The key management of the Group consists of chairman, board members, general manager, deputy general managers, directors and group managers. The total amount of salaries, and similar benefits paid and accrued premiums to key management personnel (18 people) (as of 2023 15 people) as of 30 September 2024 is 74,596 TL (30 September 2023: 103,048 TL).

5. TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

As of 30 September 2024 and 31 December 2023, trade receivables from third parties are as follows:

	30 September 2024	31 December 2023
Trade receivables	2,534,221	2,675,659
Cheques received	184,147	172,706
Doubtful receivables	2,911	3,565
Provision for doubtful receivables(-)	(2,911)	(3,565)
	<u>2,718,368</u>	<u>2,848,365</u>

As of 30 September 2024, the average receivables turnover days of the Company's is 81 days (31 December 2023: 99 days).

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5. TRADE RECEIVABLES AND PAYABLES (cont'd)

As of 30 September 2024 and 2023, movement of provision for the doubtful receivables of the Group are as follows:

Movement of provision for doubtful receivables	1 January- 30 September 2024	1 January- 30 September 2023
Opening balance	3,565	14,598
Effect of inflation index	(976)	(4,809)
Charge for the period/write off of provision	322	(6,224)
Closing balance as of 30 September	<u>2,911</u>	<u>3,565</u>

As of 30 September 2024, there is no guarantee amount received from customers regarding doubtful receivables. (31 December 2023: None).

The Group periodically monitors the collectability of its trade receivables and provides allowance for doubtful receivables for possible losses that may arise from doubtful receivables based on the collection rates in previous years. Subsequent to the allocation of allowance for doubtful receivables, in the event that some or all of the doubtful receivable amount is collected, the collected amount is deducted from the allowance for doubtful receivables and recognized in profit or loss.

Short-term trade payables

As of 30 September 2024 and 31 December 2023, short-term trade payables of the Group are as follows:

<u>Short term trade payables</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Due to third parties	395,289	574,297
	<u>395,289</u>	<u>574,297</u>

As of 30 September 2024, the Group's average trade payable turnover days is 20 days (31 December 2023: 34 days).

Trade payables primarily include unpaid amounts arising from business purchases and ongoing investment expenses.

Explanation about the nature and level of risks related to trade receivables and payables are disclosed in Note 23.

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6. INVENTORIES

As of 30 September 2024 and 31 December 2023, inventories as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Raw materials and supplies	910,615	543,634
Finished goods	550,904	653,814
Semi-finished goods	75,477	81,120
Trade goods	1,135	526
Other inventory(*)	199,470	248,179
Provision for inventories (-)	(1,088)	(1,110)
	<u>1,736,513</u>	<u>1,526,163</u>

(*)As of 30 September 2024 and 31 December 2023, other inventories consist of short-term spare parts and operating materials that are not considered as fixed assets and are used for maintenance and repair purposes.

7. PREPAID EXPENSES AND DEFERRED INCOME

As of 30 September 2024 and 31 December 2023, short-term prepaid expenses are as follows:

<u>Short-term prepaid expenses</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Prepaid expenses	39,844	35,756
Advances given	20,309	335,103
	<u>60,153</u>	<u>370,859</u>

As of 30 September 2024 and 31 December 2023, long-term prepaid expenses are as follows:

<u>Long-term prepaid expenses</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Advances given for fixed asset purchases(*)	25,358	44,346
Prepaid expenses	1,025	1,528
	<u>26,383</u>	<u>45,874</u>

(*)As of 30 September 2024, TL 13.4 million of the investment advances given is related to Erzurum factory investments, remaining amount is related to continuous investments at the Ergene factory. As of December 31, 2023, of the 44 million TL investment advances provided, 5.3 million TL relates to converting lines that will be completed in the first half of 2024, while the remaining 38.7 million TL pertains to converting lines that will be implemented in the second half of 2024.

As of 30 September 2024 and 31 December 2023, details of short-term deferred income are as follows:

<u>Short-term deferred income</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Advances received	9,087	91,985
	<u>9,087</u>	<u>91,985</u>

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8. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
Opening balance as of 1 January 2024	88,460	3,409	1,397,767	7,711,125	62,382	220,749	39,977	431,314	9,955,183
Additions	43,919	-	-	2,724	-	9,751	-	405,648	462,042
Disposals	-	-	-	(2,946)	(4,654)	(3,509)	-	(5,178)	(16,287)
Transfer(*)	-	-	273	356,799	-	-	-	(359,963)	(2,891)
Closing balance as of 30 September 2024	132,379	3,409	1,398,040	8,067,702	57,728	226,991	39,977	471,821	10,398,047
Accumulated depreciation									
Opening balance as of 1 January 2024	-	2,150	557,577	4,044,457	40,448	150,598	39,966	-	4,835,196
Charge for the year	-	108	23,976	383,094	6,188	14,420	9	-	427,795
Disposals	-	-	-	(1,563)	(4,654)	(3,499)	-	-	(9,716)
Closing balance as of 30 September 2024	-	2,258	581,553	4,425,988	41,982	161,519	39,975	-	5,253,275
Carrying value as of 30 September 2024	132,379	1,151	816,487	3,641,714	15,746	65,472	2	471,821	5,144,772

As of 30 September 2024, there is no capitalized borrowing cost on property, plant and equipment.

As of 30 September 2024, the insurance coverage amount on fixed assets is TL 12,799,943.

(*) As of 30 September 2024, construction in progress amounting to TL 2,891 have been transferred to rights within property, plant and equipment.

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8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
Opening balance as of 1 January 2023	88,460	3,409	1,397,497	7,447,876	57,511	190,085	39,977	68,467	9,293,281
Additions	-	-	20	3,518	10,665	15,414	-	170,115	199,732
Disposals	-	-	-	(6,294)	(7,869)	(972)	-	-	(15,135)
Transfer(*)	-	-	125	187,376	-	-	-	(187,501)	-
Closing balance as of 30 September 2023	88,460	3,409	1,397,642	7,632,477	60,307	204,528	39,977	51,080	9,477,879
Accumulated depreciation									
Opening balance as of 1 January 2023	-	2,005	525,545	3,562,406	42,036	127,319	37,584	-	4,296,895
Charge for the year	-	108	24,034	360,580	5,060	17,514	2,373	-	409,669
Disposals	-	-	-	(4,510)	(7,869)	(972)	-	-	(13,352)
Closing balance as of 30 September 2023	-	2,114	549,579	3,918,476	39,226	143,861	39,957	-	4,693,213
Carrying value as of 30 September 2023	88,460	1,295	848,063	3,714,001	21,081	60,667	20	51,080	4,784,666

As of 30 September 2023, there is no capitalized borrowing cost on property, plant and equipment.

As of 30 September 2023, the insurance coverage amount on fixed assets is TL 13,892,858

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8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	1 January- 30 September 2024	1 January- 30 September 2023
<u>Depreciation expenses</u>		
Cost of sales	412,978	389,575
Marketing and sales expenses	7,315	10,175
Administrative expenses	7,502	9,919
	<u>427,795</u>	<u>409,669</u>

9. INTANGIBLE ASSETS

Movement of intangible assets of the Group for the periods ended 30 September 2024 and 2023 is as follows:

<u>Cost value</u>	<u>Rights</u>	<u>Total</u>
Opening balance as of 1 January 2024	68,764	68,764
Additions	1,702	1,702
Transfers from tangible assets	2,891	2,891
Disposals	(3,083)	(3,083)
Closing balance as of 30 September 2024	<u>70,274</u>	<u>70,274</u>
<u>Accumulated amortization</u>		
Opening balance as of 1 January 2024	43,066	43,066
Charge for the year	2,096	2,096
Disposals	(648)	(648)
Closing balance as of 30 September 2024	<u>44,514</u>	<u>44,514</u>
Net carrying value as of 30 September 2024	<u>25,760</u>	<u>25,760</u>
<u>Cost value</u>	<u>Rights</u>	<u>Total</u>
Opening balance as of 1 January 2023	63,663	63,663
Additions	1,309	1,309
Closing balance as of 30 September 2023	<u>64,972</u>	<u>64,972</u>
<u>Accumulated amortization</u>		
Opening balance as of 1 January 2023	41,123	41,123
Charge for the year	1,427	1,427
Closing balance as of 30 September 2023	<u>42,551</u>	<u>42,551</u>
Net carrying value as of 30 September 2023	<u>22,421</u>	<u>22,421</u>

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9. INTANGIBLE ASSETS (cont'd)

	1 January- 30 September 2024	1 January- 30 September 2023
<u>Amortization expenses</u>	<u>2024</u>	<u>2023</u>
Cost of sales	72	66
Marketing and sales expenses	142	142
Administrative expenses	1,882	1,219
	<u>2,096</u>	<u>1,427</u>

As of 30 September 2024 and 2023, the Group has no intangible assets created within the business.

10. RIGHT-OF-USE ASSETS

The Group leases a number of assets including offices, vehicles, warehouses and information technologies equipment. Average lease term is 4 years (2023: 4 years).

Movement of right-of-use assets for the periods ended 30 September 2024 and 2023 is as follows:

	1 January- 30 September 2024	1 January- 30 September 2023
<u>Right of use assets</u>	<u>2024</u>	<u>2023</u>
Opening balances	135,993	195,862
Additions	41,676	39,543
Charge for the year	(79,926)	(59,809)
Carrying value	<u>97,743</u>	<u>175,596</u>
	1 January- 30 September 2024	1 January- 30 September 2023
<u>Balances recognized in profit or loss</u>	<u>2024</u>	<u>2023</u>
Depreciation expense	(79,926)	(59,809)
Interest on lease liabilities	(4,546)	(10,258)
Foreign exchange loss on foreign currency lease liabilities	(2,477)	(4,294)

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11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions and contingent assets

As of 30 September 2024 and 31 December 2023, short-term provisions are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Provision for employee benefits	16,858	13,159
Other provisions	12,917	16,202
- <i>Lawsuit provisions</i>	9,449	12,752
- <i>Provision of supplier commissions</i>	3,468	3,450
	<u>29,775</u>	<u>29,361</u>

Short-term provisions for employee benefits consist of provision for unused vacation.

As of 30 September 2024 and 31 December 2023, long-term provisions are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Provision for employee termination benefits	41,313	27,240
	<u>41,313</u>	<u>27,240</u>

Long-term provisions for employee benefits consist of provision for employment termination benefits.

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12. COMMITMENTS

a) Guarantee-Pledge-Mortgages ("GPMBs")

As of 30 September 2024 and 31 December 2023, Group's guarantee, pledge and mortgage position is as follows:

	30 September 2024		31 December 2023	
	Original Currency	TL Equivalent	Original Currency	TL Equivalent
A. CPMB's given for Company's own legal personality				
Guarantee				
-TL	23,942	23,942	61,452	61,452
-USD	4,954	168,882	7,049	281,923
B. CPMB's given on behalf of fully consolidated companies	-	-	-	-
C. CPMB's given on behalf of third parties for ordinary course of business	-	-	-	-
D. Total amount of other CPMB's	-	-	-	-
i) Total amount of CPMB's given on behalf of the majority shareholder	-	-	-	-
ii) Total amount of CPMB's given on behalf of other Group companies which are not in scope of B and C	-	-	-	-
iii) Total amount of CPMB's given on behalf of third parties which are not in scope of C	-	-	-	-
Total		<u>192,824</u>		<u>343,375</u>

As of 30 September 2024 and 31 December 2023, the ratio of other GPMs given by the Group to the Group's equity are 1.74% and 5%. As of 30 September 2024 and 31 December 2023, the guarantees given consist of letters of guarantee given to banks, tax office and other government authorities. As of 30 September 2024 and 31 December 2023, there is no mortgage or pledge on the Group assets.

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12. COMMITMENTS (cont'd)

b) Guarantees received

As of 30 September 2024 and 31 December 2023, the nature and amounts of guarantees received are as follows:

<u>Letter of guarantees received</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Letter of guarantees received from customers	129,644	171,492
Letter of guarantees received for fixed asset investments	87,217	30,573
Letter of guarantees received from suppliers	5,296	5,321
	<u>222,157</u>	<u>207,386</u>
<u>Other guarantees received</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Credit insurance	396,842	273,764
Cheques and bills received from customers	50,000	113,180
Cheques and bills received from suppliers	2,000	1,019
Mortgages	350	476
Other guarantees	1,376	1,760
	<u>450,568</u>	<u>390,199</u>
<u>Total guarantees received</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Guarantees received from customers	578,212	560,670
Guarantees received from suppliers	94,513	36,913
	<u>672,725</u>	<u>597,583</u>

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13. EMPLOYEE BENEFITS

As of 30 September 2024 and 31 December 2023, the details of short and long-term provisions for employee benefits are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Severance pay allowance	41,313	27,240
Unused vacation allowance	16,858	13,159
	<u>58,171</u>	<u>40,399</u>

The movement of provision for employment termination benefits for the periods ended 30 September 2024 and 2023 is as follows:

	<u>1 January- 30 September 2024</u>	<u>1 January- 30 September 2023</u>
Movement of provision for employment termination benefits		
Opening balance	27,241	59,426
Effect of inflation index	(11,759)	(31,453)
Interest cost	4,418	7,931
Service cost	30,473	27,722
Paid severance pay	(15,716)	(43,373)
Actueryal (gain) / loss	6,656	3,769
Balance as of 30 September	<u>41,313</u>	<u>24,022</u>

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13. EMPLOYEE BENEFITS (cont'd)

Payables related to employee benefits

As of 30 September 2024 and 31 December 2023, payables related to employee benefits are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Due to personnel	89,974	63,715
Social security premiums payable	28,528	21,130
	<u>118,502</u>	<u>84,845</u>

14. OTHER ASSETS AND LIABILITIES

As of 30 September 2024 and 31 December 2023, other current assets are as follows:

<u>Other current assets</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Deferred VAT	-	78,008
Receivables from Tax Office	5,549	22,404
Other	651	518
	<u>6,200</u>	<u>100,930</u>

As of 30 September 2024 and 31 December 2023, other short-term liabilities are as follows:

<u>Other short-term liabilities</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Taxes and dues payable	41,441	34,078
Other (*)	81,747	3,977
	<u>123,188</u>	<u>38,055</u>

(*) As of 30 September 2024, other includes sales discount provisions of TL 79,761. The related provisions are included in the interim period and their invoices are accepted and closed at the end of the year.

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15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Share capital and capital adjustment differences

The registered capital ceiling of the Group is TL 2,000,000. The Group's issued capital is TL 590,000, and this issued capital has been fully paid without any concealment. As of the publication registration date on July 11, 2024, a capital increase of TL 90,000 has been completed and paid in cash. This capital is divided into a total of 590,000 shares, consisting of 300,000 Group A registered shares with a nominal value of 1 (one) TL each, and 290,000 Group B registered shares with a nominal value of 1 (one) TL each. Group B shares, 170,000 are registered and closed, 19,417 were obtained through the repurchase of shares during the price stabilization period, and 100,583 are traded on the stock exchange, making up a total of 290,000 shares.

As of 30 September 2024 and 31 December 2023, the shareholding structure of the Group is as follows:

	30 September 2024		31 December 2023	
	Share Ratio (%)	Amount (TL)	Share Ratio (%)	Amount (TL)
Orhan Ögücü	14.30	84,392	17.24	86,200
Aydın Ögücü	11.06	65,237	13.33	66,650
Celal Ögücü	8.94	52,757	10.78	53,900
Hatice Ögücü	8.56	50,506	10.32	51,600
Burcu Ögücü Giritli	7.38	43,556	8.90	44,500
Alp Ögücü	6.02	35,530	7.26	36,300
Duygu Ögücü	5.72	33,768	6.90	34,500
Huriye Ögücü	5.41	31,909	6.52	32,600
Nuray Darıcı	4.63	27,308	5.58	27,900
Murat Ögücü	4.22	24,910	5.09	25,450
İrem Ögücü Öngen	4.20	24,763	5.06	25,300
Onur Ögücü	1.25	7,390	1.51	7,550
Nazlı Gözübüyük	1.25	7,390	1.51	7,550
Publicly traded	17.05	100,583	-	-
Paid in capital	100	590,000	100	500,000
Capital adjustment differences		<u>2,904,834</u>		<u>2,899,852</u>

As of 30 September 2024, capital adjustment differences amounting to TL 2,904,834 consist of capital adjustment differences arising from the inflation adjustment of the Group's paid-in capital amount and not offset against prior years' losses or added to the capital (31 December 2023: TL 2,899,852).

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15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Additional information related to Share Capital, Reserves Other Equity Items

The comparison of the relevant equity items presented as inflation-adjusted in the Group's consolidated financial statements as of 30 September 2024, with the inflation-adjusted amounts in the financial statements prepared in accordance with other legislation is as follows:

30 September 2024	Inflation adjusted amounts included in the financial statements prepared in accordance with legal legislation	Inflation adjusted amounts included in the financial statements prepared in accordance with TAS/IFRS	Differences in retained earnings
Capital adjustment differences	3,922,630	2,904,834	1,017,796
Reserves on retained earnings	240,031	211,849	28,182

Restricted reserves appropriated from profit

These are reserves arising from the profits of prior periods due to legal or contractual obligations or for certain purposes other than profit distribution. These reserves are shown over the amounts in the Group's legal records, and the differences arising in the preparation of consolidated financial statements in accordance with TFRS are associated with prior years' profit/losses.

The details of the Group's restricted reserves as of 30 September 2024 and 31 December 2023 are as follows:

	30 September 2024	31 December 2023
Legal Reserves	211,849	168,140
	<u>211,849</u>	<u>168,140</u>

In accordance with Article 519 of the Turkish Commercial Code, 5% of the annual commercial profit is the first order legal reserve fund until it reaches 20% of the paid capital, after 5% dividend is paid to the shareholders, 10% of the total amount to be distributed to those who will receive a share from the profit is allocated as the second legal reserve fund. As of 30 September 2024, the Group's first order legal reserve fund is 3.6% of its paid capital, and there is no limit for the second order legal reserve fund. As long as the reserve funds in question do not exceed half of the Group's paid-in capital, they can only be used to cover losses, to continue the business when things are not going well, or to take measures suitable for preventing unemployment and mitigating its consequences.

Accumulated other comprehensive expenses that will not be reclassified to profit or loss

Remeasurement gains (losses) of defined benefit plans:

As of 30 September 2024, it consists of actuarial gains or (losses) recognized as other comprehensive income related to provision for employment termination benefit amounting to TL (4,992) (30 September 2023: TL (2.827)).

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15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

Dividend distribution

Unless the reserve funds required to be set aside in accordance with the Turkish Commercial Code and the dividend determined for the shareholders in the articles of association or profit distribution policy are set aside, it cannot be decided to allocate other reserve funds, to transfer profits to the next year, or to distribute dividends to dividend share holders, members of the board of directors, partnership employees and persons other than shareholders, and no dividends can be distributed to these persons unless the dividend determined for the shareholders is paid in cash.

Listed companies distribute dividends according to the Communiqué numbered II-19.1 and published on 1 February 2014 in the Official Gazette. It has been decided that the profit distribution will be carried out within the framework of the principles included in the CMB's "Dividend Communiqué" numbered Serial: II-19.1, the provisions in the articles of association of the partnerships and the profit distribution policies announced to the public by the companies.

In addition, in the aforementioned Communiqué, companies that are obliged to prepare consolidated financial statements, as long as it can be met from the resources available in their legal records, it has been regulated that the net distributable profit amount should be calculated by taking into account the net period profits in the consolidated financial statements that they will prepare and announce to the public within the framework of the Communiqué No. Series: II-14.1. In publicly held corporations, dividends are distributed equally to all existing shares as of the distribution date, in proportion to their shares, regardless of their issuance and acquisition dates.

Shareholders distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the provisions of the relevant legislation, by the decision of the general assembly. Within the scope of the communiqué, a minimum distribution rate has not been determined. Companies pay dividends as specified in their articles of association or profit distribution policies.

Unless the reserve funds required to be set aside in accordance with the Turkish Commercial Code and the dividend determined for the shareholders in the articles of association or profit distribution policy are set aside, it cannot be decided to allocate other reserve funds, to transfer profits to the next year, or to distribute dividends to dividend share holders, members of the board of directors, partnership employees and persons other than shareholders, and no dividends can be distributed to these persons unless the dividend determined for the shareholders is paid in cash.

16. OTHER OPERATING INCOME AND EXPENSES

Other operating income for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Other operating incomes				
Foreign exchange gains from operations	256,468	145,044	105,976	(444,191)
Scrap sale incomes	18,219	20,943	4,326	7,040
Other income	28,548	29,785	2,942	16,953
	<u>303,235</u>	<u>195,772</u>	<u>113,244</u>	<u>(420,198)</u>

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16. OTHER OPERATING INCOME AND EXPENSES(cont'd)

Other operating expenses for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Other operating expenses				
Foreign exchange loss from operations	682	-	(1,174)	(21,799)
Late charge expenses(*)	2,004	38,128	(121)	11,864
Tax expense paid under law no. 7326 and 7440	3,922	13,599	508	-
Other expenses	23,122	23,412	3,876	(8,505)
	<u>29,730</u>	<u>75,139</u>	<u>3,089</u>	<u>(14,586)</u>

(*) Late charge expenses consists of discount expenses calculated for receivables whose maturity exceeds normal sales conditions.

17. INCOME FROM INVESTING ACTIVITIES

Income from investing activities for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Incomes from investing activities				
Gain on disposal of property,	12,129	7,345	7,133	3,541
Profit on sale of marketables	2,739	-	2,739	-
Interest income	-	4,110	-	250
	<u>14,868</u>	<u>11,455</u>	<u>9,872</u>	<u>3,791</u>

18. FINANCE INCOME AND EXPENSES

Finance income for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Finance incomes				
Interest income	346,967	34,078	95,876	11,747
Money market fund value increases	246,174	-	246,174	-
Foreign exchange gains	41,680	275,427	18,320	115,937
Gains from derivative instruments	1,776	87,746	247	(3,885)
	<u>636,597</u>	<u>397,251</u>	<u>360,617</u>	<u>123,798</u>

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18. FINANCE INCOME AND EXPENSES(cont'd)

Finance expenses for the periods ended 30 September 2024 and 2023 are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
<u>Finance expenses</u>				
Foreign exchange losses	436,605	1,428,540	156,574	163,834
Interest expenses	232,827	254,657	70,483	80,188
Losses from derivative instruments	-	20,073	-	20,073
	<u>669,432</u>	<u>1,703,270</u>	<u>227,057</u>	<u>264,095</u>

19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Corporate tax

The Group, its subsidiaries established in Turkey and other countries, associates and joint ventures are subject to the tax legislation and practices in the countries which they are operating.

<u>Current tax liability:</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Corporate tax provision	(114,316)	(174,822)
Less: prepaid taxes and funds	179,019	224,798
	<u>64,703</u>	<u>49,976</u>

As of 30 September 2024 and 2023, the distribution of consolidated tax expense is as follows:

<u>Current tax income/(expense) :</u>	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Corporate tax (-)	(114,316)	(228,786)	52,134	(151,908)
Deferred tax (expenses)/income	(133,041)	(50,938)	(50,417)	(124,648)
	<u>247,357</u>	<u>279,724</u>	<u>(1,717)</u>	<u>276,556</u>

Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TFRS and tax purposes and they are given below. As of 30 September 2024, the tax rate used in the calculation of deferred tax assets and liabilities is 25%.

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

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19. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred Tax (cont'd)

As of 30 September 2024 and 31 December 2023, total temporary differences and deferred tax assets/(liabilities) are as follows:

	30 September 2024		31 December 2023	
	Total temporary differences	Deferred tax assets/(liability)	Total temporary differences	Deferred tax assets/(liability)
Investments allowances	(14,228)	2,291	(79,620)	13,543
Adjustments related to tangible and intangible asstes	716,582	(179,145)	246,067	(61,517)
Adjustments related to right of use assets	57,282	(14,321)	59,198	(14,799)
Adjustments related to employee benefits	(58,170)	14,542	(40,400)	10,100
Other	86,349	(21,586)	56,674	(14,169)
Deferred tax liability	787,815	(198,219)	241,919	(66,842)

As of 30 September 2024 and 2023, the movement of deferred tax assets/(liability) is as follows:

	1 January- 30 September 2024	1 January- 30 September 2023
Movement of deferred tax (assets) / liabilities		
Opening balance as of 1 January	(66,842)	16,541
Amounts under profit or loss	(133,041)	(50,938)
Amounts under other comprehensive income	1,664	942
Closing balance as of 30 September	(198,219)	(33,455)

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20. EARNINGS PER SHARE

Earnings per share are calculated by dividing net profit by the weighted average number of shares that have been outstanding during the year. Companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the period has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and each earlier year. There is no equity item that has a decreasing effect on earnings per share.

The weighted average of the total number of shares and calculation of earnings per share for the periods are as follows:

	1 January- 30 September 2024	1 January- 30 September 2023	1 July- 30 September 2024	1 July- 30 September 2023
Profit for the year	980,940	129,636	351,000	(14,529)
Average number of shares outstanding during the year	547,333	500,000	590,000	500,000
Earnings per share	<u>1.79</u>	<u>0.26</u>	<u>0.59</u>	<u>(0.03)</u>

21. DERIVATIVE INSTRUMENTS

As of 30 September 2024 and 31 December 2023, derivative instruments are as follows:

Forward foreign exchange transactions	30 September 2024	31 December 2023
Assets	138	-
Liabilities	-	2,225

As of 30 September 2024, the Group has contracts which will be realized in the following 12 months and forward purchase contracts of USD 2,236 equivalent of EUR 2,000 due to in October 2024. As of 31 December 2023, the Group has foreign currency forward purchase contracts that will be realized within the following 12 months. There are forward purchase contracts for 13,456 US Dollars equivalent to 459,321 TL due between January-July 2024, forward purchase contract for 1,595 Euros equivalent to 54,344 TL due on January 2024 and forward purchase contract for 4,328 US Dollars equivalent to 3,900 Euros due on January-March 2024.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in profit or loss. Assets related to derivative instruments that are expected to settle within 12 months following the reporting date are presented as current assets and liabilities are presented as current liabilities.

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22. FINANCIAL INSTRUMENTS

Financial Liabilities

The details of the Group's short-term borrowings as of 30 September 2024 and 31 December 2023 are as follows:

<u>Financial borrowings</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Financial borrowings	1,778,466	1,800,388
Short-term financial leaseings(*)	17,181	37,825
Current installments of long-term borrowings	667,679	1,139,970
	<u>2,463,326</u>	<u>2,978,183</u>

(*) Consists of the Group's liabilities from lease agreements within the scope of TFRS 16.

The details of the Group's long-term borrowings as of 30 September 2024 and 31 December 2023 are as follows:

<u>Financial borrowings</u>	<u>30 September 2024</u>	<u>31 December 2023</u>
Long-term financial borrowings	231,795	752,103
Long-term financial leaseings(*)	23,280	38,970
	<u>255,075</u>	<u>791,073</u>

(*) Consists of the Group's liabilities from lease agreements within the scope of TFRS 16.

As of 30 September 2024, the Group has financial commitments from HSBC amounting to EUR 5,432 (31 December 2023: EUR 19,093) for the remaining loan balance of TL 206,522 (31 December 2023: TL 623,066).

Short and long term bank borrowings

<u>Currency</u>	<u>Average effective interest rate %</u>	<u>30 September 2024</u>	
		<u>Short-term</u>	<u>Long-term</u>
US Dollars	6.98	1,930,335	22,954
TL	44.48	113,381	140,000
Euro	3.64	402,429	68,841
		<u>2,446,145</u>	<u>231,795</u>

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22. FINANCIAL INSTRUMENTS (cont'd)**Financial Liabilities (cont'd)**

Short and long term bank borrowings

Currency	31 December 2023		
	Average effective interest rate %	Short-term	Long-term
US Dollars	8.38	2,060,198	224,329
TL	39.11	104,254	243,855
Euro	3.27	775,906	283,919
		<u>2,940,358</u>	<u>752,103</u>

As of 30 September 2024 and 31 December 2023, the repayment schedule of bank borrowings is as follows:

Repayments of borrowings	30 September 2024	31 December 2023
To be paid within 1 year	2,446,145	2,940,358
To be paid between 1-5 years	231,795	752,103
	<u>2,677,940</u>	<u>3,692,461</u>

As of 30 September 2024 and 2023, the movement details of the Group's bank borrowings are as follows:

	1 January-30 September 2024	1 January-30 September 2023
Movements of financial borrowings		
Opening balance	3,692,461	5,137,946
Effects of inflation index	(1,015,104)	(2,096,858)
Additions	1,304,856	1,797,645
Principal payments	(1,954,923)	(2,862,965)
Interest expenses	216,521	245,567
Foreign exchanges	434,128	1,424,246
Closing balance as of 30 September	<u>2,677,940</u>	<u>3,645,580</u>

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including the borrowings disclosed in Note 22, and equity attributable to equity holders of the parent, comprising cash and cash equivalents, issued capital, reserves and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors the return on capital, as well as the level of dividends to ordinary shareholders.

The Group's board of directors reviews the capital structure monthly. During these reviews, the board evaluates the risks associated with each capital class, along with the cost of capital. Based on the recommendations made by the board, the Group aims to stabilize its capital structure through the acquisition of new debt or the repayment of existing debt, as well as through dividend payments, issuance of new shares and repurchase of shares.

b) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Credit risk management

The Group's exposure to credit risk arises from the failure of a customer or counterparty to fulfil the contractual provisions of a financial instrument and mainly comprises financial losses that may arise from the Group's trade receivables and investments in debt securities.

In order to minimize credit risk, the Group uses products such as mortgages / letters of guarantee and receivable insurance, depending on the business unit. As at 30 September 2024 and 31 December 2023, 23% and 21% of the Company's receivables, respectively, are protected from credit risk within the framework of the guarantees mentioned above. In domestic collection tools, credit cards are used at an optimum level by evaluating conditions such as collateral, mortgage and prepayment. Credit ratings and findeks reports of the customers we work with, especially in the fast-moving consumption business area, are regularly obtained and credit limits are closely monitored.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As of 30 September 2024, the maximum risks that the Group may be exposed to as a result of the failure of the counterparties to fulfill their obligations arise from the following factors:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position; and
- the maximum amount the entity would have to pay if the financial guarantee is called upon.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Credit risk management (cont'd)

In each financial statement period, the Group allocates provisions for all of its overdue receivables that are impaired, and the receivables from customers with maturities above the usual sales maturity are monitored at the Board of Directors level and are reflected in the financial statements at a discount in accordance with the market interest rates.

The amounts of the Group's provisions for doubtful trade receivables which are ongoing legal process as of September 30, 2024 and December 31, 2023 are TL 3,038 and TL 3,853 respectively. The Group continuously and uninterruptedly reconciles with its customers and monitors its receivables at the closest level.

Credit risk refers to the risk that one of the parties will default on its contractual obligations resulting in financial loss to the Group. The Group, aiming to decrease credit risk by transacting only with parties who has credit assurance and where possible, obtaining sufficient guarantee. Credit risks which the Group is exposed, and credibility of customers are being watched continually. Credit risk is being controlled through limits for customers which are reviewed and approved annually by the management.

Trade receivables comprise a large number of customers in the construction industry and various geographical areas. Credit assessments are continually performed for trade receivables balances from customers and receivables are insured where necessary.

Aging of overdue receivables is as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
1- 90 days overdue	764,235	619,353
3- 6 months overdue	155,295	209,053
6- 12 months overdue	2,399	83,818
Total overdue receivables	<u>921,929</u>	<u>912,224</u>
Covered part with guarantee	154,191	99,428
	<u>767,738</u>	<u>812,796</u>

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Company uses the activity-based costing method to cost its products and services, which helps to monitor cash flow requirements and optimise the cash return on investments.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Liquidity risk management (cont'd)

Changes in the general economic conjuncture may cause changes in the financing conditions provided by financial institutions. The Group's net working capital requirement may vary according to raw material prices, tonnage growth, market conditions and factors beyond the Group's control.

The Group uses an activity-based costing method to cost its products and services, which helps to monitor cash flow requirements and optimise the cash return on investments.

Market risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group has adopted a natural "hedging" policy against currency risks. The ratio of currency types of inputs and the currency ratio of expenses are very close to each other. With over 70% of exports (predominantly USD), close to 70% of sales correspond to foreign currency based inputs (predominantly USD) from abroad and domestically. Likewise, a foreign currency and TL denominated loan policy has been adopted in proportion to sales. In cases where proportional differences arise in foreign currency denominated transactions, balance is achieved through forward derivative transactions.

In the current year, there has been no change in the Group's exposure to market risks or in the Group's methods of managing and measuring market risk compared to the previous year.

Currency risk management

The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The currencies in which these transactions primarily denominated are USD and EUR. Generally, borrowings are principally denominated in Euro and US Dollars at exchange rates that match the cash flows generated from the Group's operations.

All of the cellulose, which constitutes a significant portion of the costs, is imported and since a significant portion of the Company's foreign purchases are realised as cash imports, both the debt burden on the balance sheet is low and the exchange rate risk is avoided. The Group's policy with respect to other monetary assets and liabilities denominated in foreign currencies is to purchase or sell at spot exchange rates to resolve short-term imbalances and to keep the net exposure at acceptable levels.

Forward transactions are the transactions that are contracted by determining the currency type, amount, maturity and exchange rate (price) from today for the realization of money exchange at a future date. In order to minimize the currency risk, the Company has entered into forward purchase agreements in 2023 denominated in Euro and US Dollars until the end of July 2024 and the derivative transactions that are open derivatives as of the end of the period are disclosed in Note 21.

Transactions in foreign currencies cause foreign currency risk.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Currency risk management (cont'd)

The distribution of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of the balance sheet date is as follows:

	30 September 2024					
	TL Equivalentı	US Dollars	Euro	GBP	CHF	JPY
1. Trade receivables	1,972,636	41,842	14,368	-	-	-
2a. Monetary assets	2,108,296	60,037	1,614	-	6	-
2b. Non-Monetary assets	36,164	1,060	1	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	4,117,097	102,939	15,983	-	6	-
5. Ticari alacaklar	-	-	-	-	-	-
6a. Monetary assets	28,234	538	260	-	-	30
6b. Non-Monetary assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	28,234	538	260	-	-	30
9. Total assets (4+8)	4,145,330	103,476	16,244	-	6	30
10. Trade payables	135,816	2,390	1,423	-	-	-
11. Financial liabilities	2,332,764	57,169	12,396	-	-	-
12a. Monetary liabilities	-	-	-	-	-	-
12b. Non-Monetary liabilities	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	2,468,580	59,559	13,819	-	-	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	91,795	-	-	-	-	-
16a. Monetary liabilities	-	-	-	-	-	-
16b. Non-Monetary liabilities	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	91,795	-	-	-	-	-
18. Total liabilities (13+17)	2,560,375	59,559	13,819	-	-	-
19. Position of net assets /(liabilities) of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-	-
19a. Amount of total hedged assets	-	-	-	-	-	-
19b. Amount of total hedged liabilities	-	-	-	-	-	-
20. Position of tet foreign currency assets/ (liabilities) (9-18+19)	1,584,955	43,917	2,425	-	6	30
21. Positions of Monetary items net foreign currency assets/ (liabilities) (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	1,584,955	43,917	2,425	-	6	30

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Currency risk management (cont'd)

The distribution of the Group's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of the balance sheet date is as follows:

	31 December 2023				
	TL Equivalentı	US Dollars	Euro	GBP	CHF
1. Trade receivables	2,255,176	41,770	13,210	-	-
2a. Monetary assets	1,059,419	15,946	9,481	-	44
2b. Non-Monetary assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	3,314,595	57,716	22,691	-	44
5. Ticari alacaklar	-	-	-	-	-
6a. Monetary assets	348,745	7,664	954	-	-
6b. Non-Monetary assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	348,745	7,664	954	-	-
9. Total assets (4+8)	3,663,340	65,380	23,645	-	44
10. Trade payables	280,948	6,041	836	32	5
11. Financial liabilities	2,836,104	51,412	17,502	-	1
12a. Monetary liabilities	-	-	-	-	-
12b. Non-Monetary liabilities	-	-	-	-	-
13. Short-term liabilities (10+11+12)	3,117,052	57,453	18,338	32	6
14. Trade payables	-	-	-	-	-
15. Financial liabilities	508,248	5,599	6,405	-	-
16a. Monetary liabilities	-	-	-	-	-
16b. Non-Monetary liabilities	-	-	-	-	-
17. Long-term liabilities (14+15+16)	508,248	5,599	6,405	-	-
18. Total liabilities (13+17)	3,625,300	63,052	24,742	32	6
19. Position of net assets /(liabilities) of off balance sheet derivative instruments (19a-19b)	-	-	-	-	-
19a. Amount of total hedged assets	678,377	13,456	1,174	-	-
19b. Amount of total hedged liabilities	-	-	-	-	-
20. Position of tet foreign currency assets/ (liabilities) (9-18+19)	716,418	15,784	77	(32)	38
21. Positions of Monetary items net foreign currency assets/ (liabilities) (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	716,418	15,784	77	(32)	38

The Group's foreign currency risk mainly arises from the changes in the value of TL against Euro and USD.

The basis of the sensitivity analysis to measure the currency risk is to explain the total currency made throughout the institution. The total foreign currency position includes all foreign currency-based short-term and long-term purchase contracts and all assets and liabilities. The analysis does not include net foreign currency investments. The Company realizes its medium and long term loans in the currency of the project revenues it obtains. For short-term loans, borrowings are realized in TL, Euro and US Dollars in a balanced manner under the pool / portfolio model.

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Currency risk management (cont'd)

The following table details the Group's sensitivity to a 10% increase and decrease in US Dollars and Euro against TL. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	30 September 2024			
	Profit / Loss		Shareholders equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
	In case the US Dollars gains / loses 10% against TL			
1- US Dollar net asset / liability	149,348	(149,348)	149,348	(149,348)
2- Amount hedged for US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 + 2)	149,348	(149,348)	149,348	(149,348)
	In case the EUR gains / loses 10% against TL			
4- Euro net asset / liability	9,121	(9,121)	9,121	(9,121)
5- Amount hedged for Euro risk (-)	-	-	-	-
6- Euro net effect (4 + 5)	9,121	(9,121)	9,121	(9,121)
	In case the GBP gains / loses 10% against TL			
7- GBP net asset / liability	-	-	-	-
8- Amount hedged for GBP (-)	-	-	-	-
9- GBP net effect (7+8)	-	-	-	-
	In case the JPY gains / loses 10% against TL			
10- JPY net asset / liability	1	(1)	1	(1)
11- Amount hedged for JPY (-)	-	-	-	-
12- JPY net effect (7+8)	1	(1)	1	(1)
	In case the CHF gains / loses 10% against TL			
13- CHF net asset / liability	26	(26)	26	(26)
14- Amount hedged for CHF (-)	-	-	-	-
15- CHF net effect (7+8)	26	(26)	26	(26)
TOTAL (3 + 6 + 9 + 12+15)	158,495	(158,495)	158,495	(158,495)

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23. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial risk factors (cont'd)

Currency risk management (cont'd)

	31 December 2023			
	Profit / Loss		Shareholders equity	
	Foreign currency	Foreign currency	Foreign currency	Foreign currency
	appreciation	depreciation	appreciation	depreciation
	In case the US Dollar gains / loses 10% against TL			
1- US Dollar net asset / liability	6,519	(6,519)	6,519	(6,519)
2- Amount hedged for US Dollar risk (-)	(45,932)	45,932	(45,932)	45,932
3- US Dollar net effect (1 + 2)	(39,413)	39,413	(39,413)	39,413
	In case the EUR gains / loses 10% against TL			
4- Euro net asset / liability	(3,719)	3,719	(3,719)	3,719
5- Amount hedged for Euro risk (-)	(4,000)	4,000	(4,000)	4,000
6- Euro net effect (4 + 5)	(7,719)	7,719	(7,719)	7,719
	In case the GBP gains / loses 10% against TL			
7- GBP net asset / liability	(120)	120	(120)	120
8- Amount hedged for GBP (-)	-	-	-	-
9- GBP net effect (7+8)	(120)	120	(120)	120
	In case the CHF gains / loses 10% against TL			
10- CHF net asset / liability	132	(132)	132	(132)
11- Amount hedged for CHF (-)	-	-	-	-
12- CHF net effect (10+11)	132	(132)	132	(132)
TOTAL (3 + 6 + 9 +12)	(47,121)	47,121	(47,121)	47,121

24. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Fair Value of Financial Instruments

The following table analyses the financial instruments measured at fair value and determined by valuation method. Fair value calculations have been made based on the stages described below:

- Quoted prices (unadjusted) in active markets for specific assets and liabilities (Level 1)).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- Inputs for assets and liabilities that cannot be determined on the basis of observable market data (unobservable inputs) (Level 3).

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
30 September 2024			
Derivative instruments	-	138	-
31 December 2023			
Financial investments	-	(2,225)	-

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25. EVENTS AFTER THE REPORTING PERIOD

None.

26. CASH AND CASH EQUIVALENTS

As of 30 September 2024 and 31 December 2023, details of cash and cash equivalents are as follows:

	<u>30 September 2024</u>	<u>31 December 2023</u>
Cash on hands	-	27
Banks	2,203,846	1,292,931
- Demand deposits	745,269	572,817
- Time deposits	1,458,577	720,114
Money market funds	2,507,047	-
Other cash and cash equivalents (*)	<u>36,361</u>	<u>63,130</u>
Total	<u><u>4,747,254</u></u>	<u><u>1,356,088</u></u>

(*) As of 30 September 2024 and 31 December 2023, other cash and cash equivalents consist of credit card receivables with maturities less than 30 days.

Foreign currency and interest rate risks and sensitivity analyses for the Group's financial assets and liabilities are disclosed in Note 23.

			<u>30 September 2024</u>	
<u>Currency</u>	<u>Effective interests rate (%)</u>	<u>Maturity</u>	<u>Original currency</u>	<u>TL Equivalent</u>
Euro	3.30	1-30 Days	1,602	60,887
US Dollars	4.80	1-30 Days	41,000	<u>1,397,690</u>
				<u><u>1,458,577</u></u>
			<u>31 December 2023</u>	
<u>Currency</u>	<u>Effective interests rate (%)</u>	<u>Maturity</u>	<u>Original currency</u>	<u>TL Equivalent</u>
TL	40.5-43	1-30 Days	189,735	224,028
Euro	1.5	1-30 Days	2,277	100,763
US Dollars	2.5	1-30 Days	9,884	<u>395,323</u>
				<u><u>720,114</u></u>