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

CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2024 AND
INDEPENDENT AUDITOR'S REPORT

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

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak No1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel: +90 (212) 366 60 00
Fax: +90 (212) 366 60 10
www.deloitte.com.tr

Mersis No :0291001097600016
Ticari Sicil No: 304099

(Convenience translation of independent auditor's report originally issued in Turkish into English)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Lila Kağıt Sanayi ve Ticaret Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

1) Opinion

We have audited the consolidated financial statements of Lila Kağıt Sanayi ve Ticaret Anonim Şirketi ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of change in equity and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Turkish Financial Reporting Standards

2) Basis for Opinion

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

3) Key Audit Matter

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

Key Audit Matter	**How the Matter was Addressed in the Audit**
Recoverability of Trade Receivables Trade receivables from third parties amounting to 2.449.200 thousand TL (31 December 2023: 3.026.970 thousand TL) constitutes a significant part of total assets. Provision for doubtful receivables are recognised base on estimates performed using the past payment performance, information of customer credibility and collection analysis. These estimates are sensitive to current and future market conditions. Considering this, recoverability of trade receivables are considered as a key audit matter. Disclosures regarding the amounts and accounting policies of trade receivables are included in Note 2 and Note 5.	We have performed the following procedures during our audit regarding recoverability of trade receivables from third parties: We have performed an assessment of the adequacy of internal control around the recoverability of trade receivables process We have analytically reviewed the aging of receivables and compared the collection turnover with prior years. We have received information from legal counsel regarding ongoing receivable legal cases and inquired for any current receivable disputes. We have sent out confirmations to receivables from third parties for substantive testing and tested subsequent collections. We have also assessed the adequacy of the disclosures in the accompanying consolidated financial statements regarding trade receivables from third parties in line with the requirements of TFRS.

4) Other Matter

The US Dollar ("USD") amount shown in the accompanying consolidated financial statements has been translated from Turkish Lira ("TL"), at the official USD bid rate announced by the Central Bank of the Republic of Turkey ("CBRT") at 31 December 2024 for the consolidated financial statements and they do not form part of the accompanying consolidated financial statements.

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

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

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

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

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

Deloitte.

6) Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the article 402 of TCC, nothing has come to our attention that may cause us to believe that the Group's set of accounts and financial statements prepared for the period 1 January - 31 December 2024 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

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

The engagement partner on the audit resulting in this independent auditor's report is Cem Tovil.

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

Cem Tovil, SMMM
Partner

İstanbul, 13 February 2025

INDEX	**PAGE**

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

		US Dollars (*)		
		Current Period	Current Period	Prior Period
		31 December	31 December	31 December
ASSETS	**Note**	**2024**	**2024**	**2023**
Current Assets				
Cash and cash equivalents	31	159,306	5,611,300	1,441,121
Financial assets		1,679	59,130	-
Trade Receivables	5	69,534	2,449,200	3,026,970
-Trade Receivables from third party		*69,534*	*2,449,200*	*3,026,970*
Other Receivables		316	11,128	8,113
- Other Receivables from related party	*6*	*-*	*-*	*4*
- Other Receivables from third party		*316*	*11,128*	*8,109*
Inventory	7	44,085	1,552,828	1,621,860
Derivatives	25	123	4,318	-
Prepaid Expenses	8	2,292	80,737	394,113
Assets raleted to current tax	23	1,725	60,754	53,110
Other Current Assets	15	1,509	53,082	107,242
Total Current Assets		**280,569**	**9,882,477**	**6,652,529**
Non-Current Assets				
Other Receivables		221	7,786	8,949
- Other current assets from third party		*221*	*7,786*	*8,949*
Property, Plant and Equipment	9	156,417	5,509,528	5,441,032
Intangible Assets	10	917	32,296	27,309
Rights of use assets	11	3,695	130,145	144,520
Prepaid expenses	8	1,704	60,009	48,751
Total Non-Current Assets		**162,954**	**5,739,764**	**5,670,561**
TOTAL ASSETS		**443,523**	**15,622,241**	**12,323,090**

(*)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 31 December 2024.

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

LIABILITIES	Note	US Dollars (*) Current Period 31 December 2024	Current Period 31 December 2024	Prior Period 31 December 2023
Short-term Liabilities				
Short-term borrowings	26	37,237	1,311,591	1,953,477
- Bank borrowings		*36,625*	*1,290,049*	*1,913,280*
- Lease liabilities		*612*	*21,542*	*40,197*
Current portion of long-term borrowings	26	13,511	475,914	1,211,451
Trade payables	5	19,913	701,398	610,308
- Trade payables to third parties		*19,913*	*701,398*	*610,308*
Payables related to employee benefits	14	2,971	104,648	90,165
Derivatives	25	-	-	2,364
Deferred income	8	3,302	116,306	97,753
Short term provisions	12	864	30,429	31,202
- Short term provisions for employee benefits		*533*	*18,779*	*13,984*
- Other short term provisions		*331*	*11,650*	*17,218*
Other current liabilities	15	1,431	50,317	40,441
Total Short-term Liabilities		**79,229**	**2,790,603**	**4,037,161**
Long-term Liabilities				
Long-term borrowings	26	16,673	587,278	840,677
- Bank borrowings		*15,747*	*554,664*	*799,263*
- Lease liabilities		*926*	*32,614*	*41,414*
Deferred tax liabilities	23	7,343	258,644	71,033
Long term provisions	14	2,709	95,416	28,948
- Long term provisions for employee benefits		*2,709*	*95,416*	*28,948*
Total Long-term Liabilities		**26,725**	**941,338**	**940,658**
Total Equity				
Share capital	16	16,750	590,000	500,000
Share capital adjustments	16	88,690	3,123,960	3,113,022
Premiums on shares	16	99,719	3,512,447	-
Restricted reserves	16	6,392	225,133	178,683
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		(1,504)	(52,968)	(10,346)
- Actuarial losses from defined pension plans		*(1,504)*	*(52,968)*	*(10,346)*
Other comprehensive income or expenses that may be reclassified subsequently to profit or loss		10	337	(699)
- Foreign currency translation differences		*10*	*337*	*(699)*
Retained earnings		94,143	3,316,011	3,240,532
Net profit for the year		33,369	1,175,380	324,079
Non- controlling interests		-	-	-
Total Equity		**337,569**	**11,890,300**	**7,345,271**
TOTAL LIABILITIES		**443,523**	**15,622,241**	**12,323,090**

(*)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 31 December 2024.

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

	Note	US Dollars (*) 1 January- 31 December 2024	1 January- 31 December 2024	1 January- 31 December 2023
Revenue	17	355,394	12,518,157	13,507,106
Cost of Sales (-)	17	(255,508)	(8,999,823)	(9,436,662)
Gross Profit		**99,886**	**3,518,334**	**4,070,444**
General administrative expenses (-)	18	(10,311)	(363,177)	(314,101)
Marketing and sales expenses (-)	18	(40,732)	(1,434,720)	(1,375,094)
Other income from operating activity	19	9,434	332,273	350,767
Other expenses from operating activity (-)	19	(1,076)	(37,908)	(85,183)
Operating Profit		**57,201**	**2,014,802**	**2,646,833**
Income from investment activities	20	271	9,538	13,346
Operating Profit Before Finance Income		**57,472**	**2,024,340**	**2,660,179**
Finance income	22	30,874	1,087,491	412,400
Finance expenses (-)	22	(20,691)	(728,797)	(2,210,920)
Monetary loss		(24,754)	(871,906)	(272,032)
Profit Before Tax		**42,901**	**1,511,128**	**589,627**
Tax expense		**(9,532)**	**(335,748)**	**(265,548)**
Current tax expense (-)	23	(3,802)	(133,930)	(185,784)
Deferred tax expense	23	(5,730)	(201,818)	(79,764)
Profit For The Year		**33,369**	**1,175,380**	**324,079**
Distribution of profit for the year				
Non-controlling interests		-	-	-
Parent company shares		33,369	1,175,380	324,079
		33,369	**1,175,380**	**324,079**
Earning per shares	24	-	2.10	0.65
Other Comprehensive Income/(Expense)				
Items that will not be reclassified subsequently to profit or loss		**(1,210)**	**(42,622)**	**5,808**
Gain/(Loss) on remeasurement of defined benefit plans	*23*	*(1,613)*	*(56,829)*	*7,744*
Tax income/(expense) of remeasurement of defined benefit plans	*23*	*403*	*14,207*	*(1,936)*
Items that may be reclassified subsequently to profit or loss		**29**	**1,036**	**(699)**
Currency translation reserves		*29*	*1,036*	*(699)*
Other Comprehensive Income		**(1,181)**	**(41,586)**	**5,109**
Total Comprehensive Income		**32,188**	**1,133,794**	**329,188**

(*)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 31 December 2024.

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY-31 DECEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

					Accumulated other comprehensive income or expenses that will not be reclassified subsequently to profit or loss	Accumulated other comprehensive income or expenses that may be reclassified subsequently to profit or loss			
	Share capital	**Share capital adjustments**	**Premiums on shares**	**Restricted reserves**	**Actuarial losses from defined pension plans**	**Currency translation reserves**	**Retain earnings**	**Net profit for the year**	**Total equity**
Balances as of 1 January 2023	**107,500**	**2,793,519**	**-**	**150,633**	**(16,154)**	**-**	**1,245,569**	**2,964,457**	**7,245,524**
Transfers	-	-	-	28,050	-	-	2,936,407	(2,964,457)	-
Capital incrase	392,500	319,503	-	-	-	-	(712,003)	-	-
Dividends	-	-	-	-	-	-	(229,441)	-	**(229,441)**
Other comprehesive income /(expense)	-	-	-	-	5,808	(699)	-	-	**5,109**
Net profit for the year	-	-	-	-	-	-	-	324,079	**324,079**
Balances as of 31 December 2023	**500,000**	**3,113,022**	**-**	**178,683**	**(10,346)**	**(699)**	**3,240,532**	**324,079**	**7,345,271**
Balances as of 1 January 2024	**500,000**	**3,113,022**	**-**	**178,683**	**(10,346)**	**(699)**	**3,240,532**	**324,079**	**7,345,271**
Transfers	-	-	-	46,450	-	-	277,629	(324,079)	-
Capital incrase	90,000	10,938	3,512,447	-	-	-	-	-	**3,613,385**
Dividends	-	-	-	-	-	-	(202,150)	-	**(202,150)**
Other comprehesive income /(expense)	-	-	-	-	(42,622)	1,036	-	-	**(41,586)**
Net profit for the year	-	-	-	-	-	-	-	1,175,380	**1,175,380**
Balances as of 31 December 2024	**590,000**	**3,123,960**	**3,512,447**	**225,133**	**(52,968)**	**337**	**3,316,011**	**1,175,380**	**11,890,300**

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

LİLA KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ AND ITS SUBSIDIARY

AUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2024

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

	Note	US Dollars (*) Current Period 1 January- 31 December 2024	Current Period 1 January- 31 December 2024	Prior Period 1 January- 31 December 2023
A CASH FLOWS FROM OPERATING ACTIVITIES		**81,490**	**2,870,434**	**4,709,823**
Profit for the Period		**33,369**	**1,175,380**	**324,079**
Adjustments to reconcile net profit for the year		**23,211**	**817,637**	**2,689,633**
Changes on depreciation and amortization	9,10,11	20,703	729,220	665,937
Changes on expected credit loss		12	411	(7,193)
Provision for Employee Termination Benefits	14	1,420	50,024	41,206
Provision for unused vacation		375	13,218	14,348
Provision for inventory impairment		(110)	(3,876)	10,986
Changes on other provision		(13)	(461)	1,848
Changes on foreign exchange gain and loss	26	11,884	418,531	1,471,262
Changes on gain on fixed assets sales		(4)	(141)	(8,977)
Changes on interets incomes		(27,736)	(976,957)	(68,301)
Changes on finance expenses		8,385	295,359	339,783
Changes on fair value of derivative instruments		(190)	(6,682)	2,365
Changes on financial investments	22	(267)	(9,397)	(4,367)
Adjustments related to monetary gain and (losses)		(780)	(27,360)	(41,724)
Changes on tax income and expenses		9,532	335,748	272,460
Changes in working capital		**29,604**	**1,042,760**	**1,914,585**
Adjustments related to decrease (increase) in trade receivables	5	16,426	578,577	1,388,236
Adjustments related to decrease (increases) in inventories	7	1,986	69,942	1,373,077
Decrease (increase) in other assets related to operations		7,388	260,239	(298,678)
Decrease (increase) in other liabilities related to operations		807	28,429	107,509
Adjustments related to decrease (increase) in trade payables	5	2,586	91,090	(559,187)
Increase /decrease in payables within the scope of employee benefits		411	14,483	(96,372)
Cash Generated from Operating Activities		**86,184**	**3,035,777**	**4,928,297**
Employee termination benefits paid	14	(596)	(20,988)	(43,295)
Accumulated leave paid	14	(79)	(2,781)	(8,202)
Income taxes paid		(4,019)	(141,574)	(166,977)
B. CASH FLOWS FROM INVESTING ACTIVITIES		**(21,115)**	**(743,738)**	**(600,928)**
Cash inflows from the sale of property, plant and equipment and intangible assets	9,10	291	10,235	8,977
Cash outflows from the purchase of property, plant and equipment and intangible assets	9,10	(19,638)	(691,713)	(718,271)
Adjustments related to advances given for investment purposes (-)		(356)	(12,527)	60,603
Changes in financial investments		(1,412)	(49,733)	47,763
C. CASH FLOWS FROM FINANCING ACTIVITIES		**45,441**	**1,600,514**	**(3,930,886)**
Net cash inflows resulting from share premium		99,719	3,512,447	-
Capital increase		2,866	100,938	-
Cash inflows from borrowing	26	49,846	1,755,737	2,874,069
Cash outflows from repayments of borrowings	26	(67,092)	(2,363,217)	(3,937,035)
Interests paid		(8,253)	(290,701)	(283,324)
Dividends paid		(5,739)	(202,150)	(229,441)
Cash inflows and outflows from repayments of financial leasings, net		(287)	(10,120)	(14,721)
Monetary gain and loss effect from cah flows of financial activities		(53,356)	(1,879,380)	(2,408,735)
Interests received		27,737	976,960	68,301
THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES AND INFLATION (A+B+C)		**105,816**	**3,727,210**	**178,009**
D. THE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**12,576**	**442,969**	**356,423**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**118,392**	**4,170,179**	**534,432**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**40,914**	**1,441,121**	**906,689**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D+E)	31	**159,306**	**5,611,300**	**1,441,121**

(*)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 31 December 2024.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

1. ORGANIZATION AND OPERATIONS OF THE GRUOP

Lila Kağıt Sanayi ve Ticaret Anonim Şirketi ("the Company") was established in 1984. Its principal activities are sales to domestic and exporting market and the production of jumbo rolls (tissue paper) and converting products. Other activites include textile products (yarn dying) and energy generation.

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

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:

				Proportion of ownership interest and voting power held by the Company (%)	
Subsidiary Company	Principal activity	Place of incorporation and operation	Functional Currency	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 19 January 2023. The Company's main activity is to provide services regarding the export of Jumbo rolls and converting and the import of raw materials. The capital of Lila Paper Swiss AG, which was established with a capital of 100,000 Swiss Francs, has been fully paid and all shares belong to the Company.

The number of personnel employed by the Group is 1,026 as of 31 December 2024 (31 December 2023: 1,079).

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance with TFRS

The accompanying consolidated 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 maintains its accounting records and prepares its consolidated financial statements with the principles and requirements of the CMB, the Company 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. A subsidiary operating in a foreign country prepares its statutory financial statements in accordance with the laws and regulations applicable in the country in which it operates. The 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.

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

2.1 Basis of Presentation (cont'd)

Statement of Compliance with TFRS (cont'd)

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Approval of the consolidated financial statements:

The consolidated financial statements have been approved and authorized to be published on 13 February 2025 by the Board of Directors. General Assembly has the authorization to amend the financial statements.

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.

Adjustment of financial statements in hyperinflationary periods

The financial statements and related figures for previous periods have been restated for changes in the general purchasing power of the functional currency and, consequently, the financial statements and related figures for previous periods are expressed in terms of the measuring unit current at the end of the reporting period in accordance with TAS 29 Financial Reporting in Hyperinflationary Economies.

TAS 29 applies to the financial statements, including the consolidated financial statements, of each entity whose functional currency is the currency of a hyperinflationary economy. If an economy is subject to hyperinflation, TAS 29 requires an entity whose functional currency is the currency of a hyperinflationary economy to present its financial statements in terms of the measuring unit current at the end of the reporting period.

As at the reporting date, entities operating in Türkiye are required to apply TAS 29 "Financial Reporting in Hyperinflationary Economies" for the reporting periods ending on or after 31 December 2023, as the cumulative change in the general purchasing power of the last three years based on the Consumer Price Index ("CPI") is more than 100%.

Within the scope of the Announcement on Adjustment of Financial Statements of Companies Subject to Independent Audit for Inflation, published by the KGK on 23 November 2023, the financial statements of the companies applying Turkish Financial Reporting Standards for the annual reporting period ending on or after 31 December 2023 must be in compliance with the relevant accounting principles in TAS 29. It is stated that it should be presented after being adjusted for the effect of inflation.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

2.1 Basis of Presentation (cont'd)

Adjustment of financial statements in hyperinflationary periods (cont'd)

In accordance with the CMB's decision dated 28 December 2023 and numbered 81/1820, issuers and capital market institutions subject to financial reporting regulations applying Turkish Accounting/Financial Reporting Standards are required to apply inflation accounting by applying the provisions of TAS 29 to their annual financial statements for the accounting periods ending on 31 December 2023.

In this framework, while preparing the financial statements dated 31 December 2024, inflation adjustment has been made in accordance with TAS 29.

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
31.12.2024	2,684.55	1.00000	291%
31.12.2023	1,859.38	1.44379	268%
31.12.2022	1,128.45	2.37897	156%

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 recognized 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.

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

2.1 Basis of Presentation (cont'd)

Adjustment of financial statements in hyperinflationary periods (cont'd)

The impact of the application of TAS 29 Inflation Accounting is summarized 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 recognized 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 amortization 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.

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company. If the subsidiary is a foreign subsidiary, its restated financial statements are translated at the closing rate. When consolidating financial statements with different reporting period ends, all monetary and non-monetary items are restated in accordance with the measuring unit current at the date of the consolidated financial statements.

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

2.1 Basis of Presentation (cont'd)

Comparative figures

Relevant figures for the previous reporting period are restated by applying the general price index so that the comparative consolidated 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.

Basis of Consolidation

Subsidiaries

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

				Proportion of ownership interest and voting power held by the Company (%)	
Subsidiary Company	Principal activity	Place of incorporation and operation	Functional Currency	2024	2023
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.

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

2.1 Basis of Presentation (cont'd)

Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

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.

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.

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

2.2 Changes in Accounting Policies

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

2.3 Changes in Accounting Estimates and Errors

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

2.4 New and Amended Turkish Accounting Standards

a) Amendments that are mandatorily effective from 2024

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

Amendments to TAS 1 *Disclosure of Accounting Policies*

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 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 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 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

2.4 New and Amended Turkish Accounting Standards (cont'd)

a) Amendments that are mandatorily effective from 2023 (cont'd)

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 the Board Decision dated 16 December 2024 amending this announcement. 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 the Board Decision dated 16 December 2024 amending this announcement. Other entities may voluntarily report in accordance with TSRS.

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	*Insurance Contracts*
Amendments to TFRS 17	*Initial Application of TFRS 17 and TFRS 9 — Comparative Information*
Amendments to TAS 21	*Lack of Exchangeability*

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 has been deferred for insurance, reinsurance and pension companies for a further year and will replace TFRS 4 *Insurance Contracts* on 1 January 2026.

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

2.4 New and Amended Turkish Accounting Standards (cont'd)

b) New and revised TFRSs in issue but not yet effective (cont'd)

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

Related Parties

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

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

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Related Parties (cont'd)

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

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

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

Revenue

Revenue is recognized in the consolidated financial statements at the transaction price. The transaction fee is the amount that the entity expects to receive in return for transferring the goods or services that it has committed to the customer, except for the amounts collected on behalf of third parties. When the control of the goods or services is transferred to the customers, the Group reflects the relevant amount as revenue in the consolidated financial statements.

In accordance with TFRS 15 "Customer Contract Revenue Standard", effective from 1 January 2018, the Group recognizes revenue in the consolidated financial statements in the five-step model below.

In this context, revenue is recognized by taking into account the following five-step model.

Step 1: Identifying the contract

A contract exists only if it is legally enforceable, the collection of the consideration is probable, the rights to goods and services and payment terms can be identified, the contract has commercial substance; and the contract is approved and the parties are committed to their obligations.

If either contract were negotiated as a single commercial package, or consideration in one contract depends on the other contract or goods or services (or some of the goods or services) are a single performance obligation the Company accounts the contracts as a single contract.

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

2.6 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Step 2: Identifying the contract

The Group defines ‘performance obligation’ as a unit of account for revenue recognition.

The Group assesses the goods or services promised in a contract with a customer and identifies as:

(a) a performance obligation either a good or service that is distinct;
(b) or a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

A contract may contain promises to deliver a series of distinct goods or services that are substantially the same. At contract inception, an entity determines whether the series of goods or services is a single performance obligation.

Step 3: Determining the transaction price

In order to determine the transaction price, the Group assesses how much consideration it expects to be entitled to by fulfilling the contract. In arriving at the assessment, the Company considers variable elements of consideration, as well as the existence of a significant financing component.

The Group revises the promised amount of consideration for the effect of a significant financing component to the amount that reflects what the cash selling price of the promised good or service. As a practical expedient, the Company does not adjust the transaction price for the effects of a significant financing component if, at contract inception, the entity expects the period between customer payment and the transfer of goods or services to be one year or less.

The Group identifies items such as price concessions, incentives, performance bonuses, completion bonuses, price adjustment clauses, penalties, discounts, credits, or similar items may result in variable consideration if there is any in a customer contract.

Step 4: Allocating the transaction price to performance obligations

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue (cont'd)

Step 5: Recognition of revenue

The Group recognizes revenue over-time if any of the following conditions is met:

- Customer simultaneously receives and consumes the benefits as the entity performs, or
- The customer controls the asset as the entity creates or enhances it, or
- Company's performance does not create an asset for which the entity has a use; and alternative there is a right to payment for performance to date.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down. As of 31 December 2024, and 2023, provision for impairment of inventories respectively, amounting to TL 270 and TL 1,180 have been recognised.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Except for land and construction in progress, depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

Land improvements	10-40 years
Buildings	25-50 years
Machinery, plant and equipment	5-25 years
Furniture and fixtures	2-15 years
Motor vehicle	4-10 years
Leasehold improvements	4-10 years
Rights	1-16 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible Assets

<u>Intangible assets acquired separately</u>

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

<u>Computer software</u>

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives. Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred.

<u>Derecognition of intangible assets</u>

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

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

2.5. Summary of Significant Accounting Policies (cont'd)

Impairment of Property, Plant and Equipment and Intangible Assets Other Than Goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the present value of the expected future cash flows from an asset or cash-generating unit. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

The Company as Lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Company as Lessee (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented in the consolidated financial statements.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under TAS 37. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Leases (cont'd)

The Company as Lessee (cont'd)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of consolidated financial position.

The Group applies TAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. Related payments are recognized as an expense in the period in which the circumstances or events leading up to these payments occur and are included in the 'Other expenses' item in the statement of profit or loss (see Note 19).

As a practical expedient, TFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Effect of exchange differences

<u>Foreign Currency Transactions and Balances</u>

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 results and financial position of each entity are expressed in TL, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. The functional currency of the Group's subsidiary Lila Paper Swiss AG is US Dollar and is expressed in TL for presentation purposes.

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated into TL at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

2.5 Summary of Significant Accounting Policies (cont'd)

Effect of exchange differences (cont'd)

Financial Statements of Subsidiaries, Joint Ventures and Associates Operating in Foreign Countries

Assets and liabilities of the Group's foreign operations are presented in TL considering exchange rates valid at the balance sheet date. Income and expenses are translated by using the average rate calculated for the year when the transaction occurred unless significant fluctuation has happened in exchange rates. In case of any significant fluctuation in exchange rates, the transaction is translated by using the exchange rate at the transaction date. The translation difference is accounted under comprehensive income as a component of equity.

	31 December 2024			31 December 2023		
	US Dollars	Euro	Swiss Franc	US Dollars	Euro	Swiss Franc
Year-end buying rate of exchange	35.2803	36.7362	38.9446	29.4382	32.5739	34.9666
Year-end selling rate of exchange	35.3438	36.8024	39.1946	29.4913	32.6326	35.1911
Average rate of exchange of the year	32.7984	35.4893	37.1899	23.7776	25.7198	26.4900

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

Financial Instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Group classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

The entity reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

<u>Classification of financial assets</u>

Financial assets that meet the following conditions are measured subsequently at amortised cost:

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

Financial assets that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset; the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

(i) <u>Amortised cost and effective interest method</u>

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset.

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.

(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognized in profit or loss and is shown under the item "finance income - interest income".

(ii) Financial assets at FVTOCI

The corporate bonds held by the Company are classified as at FVTOCI. The corporate bonds are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these corporate bonds as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above), are recognised in profit or loss. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these corporate bonds had been measured at amortised cost. All other changes in the carrying amount of these corporate bonds are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these corporate bonds are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria (see (i) and (ii) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Financial assets (cont'd)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (Note 27);
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortized cost of the debt instrument are recognised in profit or loss in the 'other gains and losses' line item (Note 27). Other exchange differences are recognised in other comprehensive income;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'other gains and losses' line item (Note 27); and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition.

However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial Instruments (cont'd)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment's revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

A financial liability is subsequently classified at amortized cost except:

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Financial liabilities (cont'd)

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

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

In order to keep the risks associated with foreign exchange and interest rates under control, the Company uses various derivative financial instruments, including foreign exchange forward contracts, options and interest rate swap contracts. Detailed information on derivative financial instruments is disclosed in Note 25.

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

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Earnings per Share

Earnings per share stated in the consolidated profit or loss statement is found by dividing the profit for the period by the weighted average number of shares throughout the period.

Companies in Turkey can increase their capital through "bonus shares" that they distribute to their shareholders from retained earnings. Such "bonus share" distributions are treated as issued shares in earnings per share calculations. Accordingly, the weighted average number of shares used in these calculations has been calculated by taking into account the retrospective effects of the aforementioned share distributions.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Events After the Reporting Period

Events after the reporting period are events that occur in favor of or against the company between the end of the reporting period and the date the financial statements are approved for disclosure.

The Group adjusts the amounts recognized in its consolidated financial statements if adjusting events occur after the balance sheet date.

Provisions, Contingent Assets and Liabilities

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Reporting of Financial Information by Segments

Since the Group's main field of activity is single, it has no reportable segments other than the geographical group. The Group Board of Directors monitors and makes decisions as a single reportable department, without following the activities on the basis of different business areas. Geographical grouping was determined by considering the geographies where sales were made. Group management does not track operating results separately other than the geographical segments detailed in Note 17. For this reason, performance criteria other than revenue cannot be disclosed for geographical segments.

Taxes Calculated on the Basis of the Company's Earnings

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.

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

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

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

2.5 Summary of Significant Accounting Policies (cont'd)

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized directly in equity, in which case, the current and deferred tax are also recognized directly in equity.

Employee Benefits

Employment termination benefits:

The Group has reflected the severance pay provision in the consolidated financial statements using the "Projection Method" based on the actuarial work performed by an independent actuary. The severance pay liability is calculated by discounting with the interest rate estimated by professional actuaries. Actuarial gain/loss is shown as other comprehensive income/expense in equity.

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

2.5 Summary of Significant Accounting Policies (cont'd)

Employee Benefits (cont'd)

Seniority incentive premium liability:

The Group has a benefit called "Seniority incentive bonus" which is paid to employees over a certain seniority. The provision for employee termination incentive bonus accrued in the consolidated financial statements represents the present value of the estimated total reserve of the future probable obligation discounted to the present value. The Group has used actuarial valuation methods to calculate the provision for employee termination incentive bonus in the consolidated financial statements.

Provision for unused vacation:

Liabilities arising from unused vacation rights, which are defined as "Short-term provisions for employee benefits", are accrued and recognized in the consolidated financial statements in the period in which they are earned.

Bonus payments:

The Company recognizes bonuses as a liability and expense based on a method that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Group recognizes a provision where there is a contractual obligation or a past practice that creates an implied obligation.

Statement of Cash Flows

In statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Share Capital and Dividends

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

2.6 Significant accounting judgements and the main sources of estimation uncertainty

Critical decisions taken by the Group in applying its accounting policies

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates. Estimates are reviewed regularly, adjusted if necessary, and are reflected in the financial statements in the period in which they are realised. In the process of applying the accounting policies described in Note 2.5, management has made the following judgements (other than the estimates discussed below) that have the most significant effect on the amounts recognised in the financial statements:

- In accordance with accounting policies, property, plant and equipment and intangible assets are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided on a straight-line basis over the useful lives of the tangible assets. The Company provides depreciation over their useful economic lives, including the balance sheet effects as of 31 December 2024 and 2023 (Note 9 and 10). The planned use of property, plant and equipment, advances in technology related to qualifying assets are taken into consideration, as well as other factors that may require adjustments to extend or shorten the useful lives and related depreciation allowances of assets.

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

2.6 Significant accounting judgements and the main sources of estimation uncertainty (cont'd)

Critical decisions taken by the Group in applying its accounting policies (cont'd)

- Impairment provision for trade receivables is calculated in accordance with the ECL model under the simplified approach. In accordance with the model, the Company monitors its customers within the scope of past experiences and aging of receivables. In the calculation of the provision for impairment, net risk calculation is made by taking into account the guarantees received on customer basis and receivable insurance limits. While assessing whether the receivables are impaired, the past performance of the debtors, their creditworthiness in the market, their collection performance from the balance sheet date to the date of approval of the financial statements and the renegotiated conditions are also taken into consideration. As at 31 December 2024 and 2023, the Company's provision for impairment of trade receivables and collaterals received from customers are disclosed in Note 5 and Note 13.

- The Group makes various assumptions such as discount rate, inflation rate, real salary increase rate, probability of voluntary retirement and other assumptions in the calculation of severance pay liability. In the financial statements, severance pay liability is calculated according to the recognition and valuation principles stated in TAS 19 "Employee Benefits" (Note 14).

- The Group recognises 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 the statutory and TFRS consolidated financial statements. The Company has deferred tax assets and liabilities resulting from temporary differences that can be utilised against future profits (Note 23).

- When recognising provisions for lawsuits, the probability of losing the lawsuits and the liabilities that will arise in case of loss are evaluated by the Group management by taking the opinions of the Group's legal advisors and experts. The Group Management determines the amount of provision for litigation based on the best estimates (Note 12).

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 detailed in Note 17. For this reason, performance criteria other than sales cannot be disclosed.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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 31 December 2024 and 2023 are as follows:

Other receivables from related parties	31 December 2024	31 December 2023
Other companies managed by shareholders		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	-	4
	-	4

Services received from related parties for the years ended 31 December 2024 and 2023 are as follows:

Services received from related parties	1 January- 31 December 2024	1 January- 31 December 2023
Shareholders		
Celal Öğücü	4,430	2,639
Orhan Öğücü	4,203	2,634
Aydın Öğücü	4,202	2,782
Other companies controlled by shareholders		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	13,474	8,996
	26,309	17,051

Transactions with related parties consist of rent payments made by the Group to shareholders and companies controlled by shareholders.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

4. RELATED PARTY DISCLOSURES (cont'd)

Services provided to related parties for the years ended 31 December 2024 and 2023 are as follows:

Services provided to related parties	1 January- 31 December 2024	1 January- 31 December 2023
Shareholders		
Orhan Öğücü	146	-
Celal Öğücü	-	2,102
Other companies managed by shareholders		
Trakyam Yumurta Gıda ve Üretim Anonim Şirketi	27	12
Hemipaş Gayrimenkul Geliştirme A.Ş.	8	2,193
Orpaş Gayrimenkul Geliştirme A.Ş.	-	130
	182	4,437

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 (17 people) (as of 2023: 15 people) as of 31 December 2024 is TL 119,342 (31 December 2023: TL 115,435).

5. TRADE RECEIVABLES AND PAYABLES

Short-term trade receivables

As of 31 December 204 and 2023, trade receivables from third parties are as follows:

	31 December 2024	31 December 2023
Trade receivables	2,220,178	2,843,434
Cheques recevied	229,022	183,536
Doubtful receivables	2,982	3,789
Provision for doubtful receivables(-)	(2,982)	(3,789)
	2,449,200	3,026,970

As of 31 December 2024, the average receivables turnover days of the Company's is 79 days. (31 December 2023: 99 days).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

As of 31 December 2024, and 2023, movement of provision for the doubtful receivables of the Group are as follows:

Movement of provision for doubtful receivables	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	3,789	15,513
Effect of inflation index	(1,218)	(4,531)
Charge for the period/write off of provision	411	(7,193)
Closing balance as of 31 December	2,982	3,789

As of 31 December 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.

Aging of trade receivables is as follows:

	31 December 2024	31 December 2023
1- 90 days overdue	583,071	658,189
3- 6 months overdue	178,129	222,162
6- 12 months overdue	67,861	89,073
Total overdue receivables	829,061	969,424
Covered part with guarantee	331,688	105,662
	497,373	863,762

As of 31 December 2024, trade receivables amounting to TL 829,061 (31 December 2023: TL 969,424) are overdue but are not considered as doubtful receivables due to the ability to collect. Within the scope of the Company's general policy under the scope of TFRS 9 application, a provision is made for varying rates based on delays. The maturity analysis of these receivables is as follows:

	31 December 2024	31 December 2023
Less than 3 months	583,071	658,189
3 months to 6 months	178,129	222,162
6 months to 12 months	67,861	89,073
	829,061	969,424

The Group held guarantee letter and credit insurance amounting to TL 331,688 for the trade receivables that are past due and not impaired (31 December 2023: TL 105,662).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

5. TRADE RECEIVABLES AND PAYABLES (cont'd)

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In the current period, there has been no change in the estimates and assumptions of the Group management.

Explanation about the nature and level of risks related to trade receivables are disclosed in Note 27.

Short-term trade payables

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

Short term trade payables	31 December 2024	31 December 2023
Due to third parties	701,398	610,308
	701,398	610,308

As of 31 December 2024, the Group's average trade payable turnover days is 26 days (31 December 2023: 34 days).

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

6. OTHER RECEIVABLES AND PAYABLES

Short-term other receivables

As of 31 December 2024, and 2023, short-term other receivables of the Group consist of as follows:

	31 December 2024	31 December 2023
Other receivables	7,406	3,859
Deposits and guarantees given	3,722	4,250
Non-trade receivables from related parties (Note 4)	-	4
	11,128	8,113

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

6. OTHER RECEIVABLES AND PAYABLES (cont'd)

Long-term other receivables

As of 31 December 2024, and 2023, long-term other receivables of the Group consist of as follows:

	31 December 2024	31 December 2023
Deposits and guarantees given	7,786	8,949
Doubtful receivables	127	306
Allowance for doubtful receivables (-)	(127)	(306)
	7,786	8,949

7. INVENTORIES

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

	31 December 2024	31 December 2023
Raw materials and supplies	654,709	577,722
Finished goods	606,239	694,812
Semi-finished goods	61,432	86,207
Trade goods	1,056	559
Other inventory(*)	229,662	263,740
Provision for inventories (-)	(270)	(1,180)
	1,552,828	1,621,860

(*) As of 31 December 2024, and 2023, other inventories consist of machinery spare parts and various operating materials such as machine felts and sieves, defoamers, sharpening stones, which are used for maintenance and repair purposes and are not considered as fixed assets in the short term.

The Group, in each year, determines inventories whose net realizable value is below their cost, and in this context, a provision for inventory impairment of TL 270 has been made (31 December 2023: TL 1,180).

As of 31 December 2024, and 2023, the Group's movement of provision for impairment in inventory is as follows and Amounts related to provisions are recognised in the cost of goods sold.

Movement of provision for inventories	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	(1,180)	(16,103)
Effect of inflation index	2,966	3,937
Charge for the year	(2,056)	-
Write off of provision for inventories	-	10,986
Closing balance	(270)	(1,180)

As of 31 December 2024, the guarantee amount on inventories is TL 1,916,969 (31 December 2023: TL 2,453,662).

There is no mortgage or pledge on inventories as of 31 December 2024 and 2023.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

8. PREPAID EXPENSES AND DEFERRED INCOME

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

Short-term prepaid expenses	31 December 2024	31 December 2023
Advances given	42,354	356,114
Prepaid expenses	38,383	37,999
	80,737	394,113

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

Long-term prepaid expenses	31 December 2024	31 December 2023
Advances given for fixed asset purchases(*)	59,654	47,127
Prepaid expenses	355	1,624
	60,009	48,751

(*)As of 31 December 2024, TL 28,494 million of the investment advances given is related to Erzurum factory investments, TL 31,160 million is related to the Ergene converting lines that will be put into operation in the first half of 2025.

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

Short-term deferred income	31 December 2024	31 December 2023
Advances received	116,306	97,753
	116,306	97,753

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Machinery and equipment	Motor vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Cost value									
pening balance as of 1 January 2024	94,006	3,622	1,485,413	8,194,646	66,294	234,590	42,484	458,361	10,579,416
Additions	46,672	-	1,713	7,911	-	23,083	-	609,191	688,570
Disposals	-	-	-	(3,131)	(4,566)	(3,778)	(13)	(5,503)	(16,990)
Transfer(*)	-	-	386	370,084	-	-	-	(377,834)	(7,365)
Closing balance as of 31 December 2024	140,679	3,622	1,487,512	8,569,510	61,728	253,895	42,471	684,215	11,243,631
Accumulated depreciation									
pening balance as of 1 January 2024	-	2,285	592,540	4,298,062	42,985	160,041	42,472	-	5,138,384
Charge for the year	-	154	33,974	542,133	8,536	20,390	11	-	605,198
Disposals	-	-	-	(1,121)	(4,566)	(3,778)	(13)	-	(9,478)
Closing balance as of 31 December 2024	-	2,438	626,514	4,839,074	46,954	176,652	42,471	-	5,734,103
Carrying value as of 31 December 2024	140,679	1,184	860,999	3,730,436	14,774	77,242	-	684,215	5,509,528

As of 31 December 2024, there is no capitalized borrowing cost on property, plant and equipment.

As of 31 December 2024, the insurance coverage amount on fixed assets is TL 12,370,642.

(*) As of 31 December 2024, construction in progress amounting to TL 7,365 have been transferred to rights within intangibles assets.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

9. 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	94,006	3,622	1,485,123	7,914,875	61,117	202,004	42,484	72,770	9,876,002
Additions	-	-	-	14,299	14,613	20,212	-	666,557	715,681
Disposals	-	-	-	-	(9,436)	-	-	-	(9,436)
Transfer(*)	-	-	290	265,472	-	12,374	-	(280,966)	(2,831)
Closing balance as of 31 December 2023	94,006	3,622	1,485,413	8,194,646	66,294	234,590	42,484	458,361	10,579,416
Accumulated depreciation									
Opening balance as of 1 January 2023	-	2,131	558,497	3,785,778	44,671	135,302	39,941	-	4,566,321
Charge for the year	-	154	34,042	512,284	7,749	24,739	2,532	-	581,499
Disposals	-	-	-	-	(9,436)	-	-	-	(9,436)
Closing balance as of 31 December 2023	-	2,285	592,540	4,298,062	42,985	160,041	42,472	-	5,138,384
Carrying value as of 31 December 2023	94,006	1,338	892,873	3,896,584	23,309	74,550	11	458,361	5,441,032

As of 31 December 2023, the capitalized borrowing cost on property, plant and equipment assets is none.

As of 31 December 2023, the insurance coverage amount on fixed assets is TL 15,066,181.

(*) As of 31 December 2023, construction in progress amounting to TL 2,831 have been transferred to rights within intangible assets.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Depreciation expenses	1 January- 31 December 2024	1 January- 31 December 2023
Cost of sales	584,273	554,055
Marketing and sales expenses	10,013	13,906
Administrative expenses	10,912	13,538
	605,198	581,499

10. INTANGIBLE ASSETS

Movement of intangible assets of the Group for the years ended 31 December 2024 and 2023 is as follows:

Cost value	Rights	Total
Opening balance as of 1 January 2024	73,076	73,076
Additions	3,143	3,143
Transfers from tangible assets	7,365	7,365
Disposals	(3,277)	(3,277)
Closing balance as of 31 December 2024	80,307	80,307
Accumulated amortization		
Opening balance as of 1 January 2024	45,767	45,767
Charge for the year	2,933	2,933
Disposals	(689)	(689)
Closing balance as of 31 December 2024	48,011	48,011
Net carrying value as of 31 December 2024	32,296	32,296

Cost value	Rights	Total
Opening balance as of 1 January 2023	67,655	67,655
Additions	2,590	2,590
Transfers from tangible assets	2,831	2,831
Closing balance as of 31 December 2023	73,076	73,076
Accumulated amortization		
Opening balance as of 1 January 2023	43,702	43,702
Charge for the year	2,065	2,065
Closing balance as of 31 December 2023	45,767	45,767
	-	-
Net carrying value as of 31 December 2023	27,309	27,309

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

10. INTANGIBLE ASSETS (cont'd)

Amortization expenses	1 January- 31 December 2024	1 January- 31 December 2023
Administrative expenses	2,631	1,769
Marketing and sales expenses	201	201
Cost of sales	101	95
	2,933	2,065

As of 31 December 2024 and 2023, the Group has no intangible assets created within the business.

11. RIGHT-OF-USE ASSETS

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

Movement of right-of-use assets for the years ended 31 December 2024 and 2023 is as follows:

Right of use assets	1 January- 31 December 2024	1 January- 31 December 2023
Opening balances	144,520	208,143
Additions	106,714	18,750
Charge for the year	(121,089)	(82,373)
Carrying value	130,145	144,520

Depreciation expenses of right of use assets	1 January- 31 December 2024	1 January- 31 December 2023
Marketing and sales expenses	80,136	9,534
Administrative expenses	32,186	47,501
Cost of sales	8,767	25,338
	121,089	82,373

Balances recognized in profit or loss	1 January- 31 December 2024	1 January- 31 December
Depreciation expense	(121,089)	(82,373)
Interest on lease liabilities	(7,936)	(11,945)
Foreign exchange loss on foreign currency lease liabilities	(1,804)	(4,409)

As of reporting date, reconciliation of lease liabilities is disclosed in Note 26.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Provisions and contingent assets

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

	31 December 2024	31 December 2023
Provision for employee benefits	18,779	13,984
Other provisions	11,650	17,218
- Lawsuit provisions	*11,508*	*13,551*
- Provision of supplier commisons	*142*	*3,667*
	30,429	31,202

Short-term provisions for employee benefits consist of provision for unused vacation. Detailed information on provision for unused vacation is disclosed in Note 14.

As of 31 December 2024, and 2023, movement of provision for lawsuit is as follows:

Movement of lawsuit provisions	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	13,551	16,236
Effect of inflation index	(5,107)	(7,412)
Charge for the year	3,064	4,727
Closing balance	11,508	13,551

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

	31 December 2024	31 December 2023
Provision for employee termination benefits	95,416	28,948
- Employee termination indemnity liability	*79,594*	*28,948*
- Seniority incentive premium liability	*15,822*	-
	95,416	28,948

Long-term provisions for employee benefits consist of provision for employment termination benefits. Detailed information related to provision for employment termination benefit is disclosed in Note 14.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

13. COMMITMENTS

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

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

	31 December 2024		31 December 2023	
	Original Currency	TL Equivalent	Original Currency	TL Equivalent
A. CPMB's given for Company's own legal personality				
Guarantee				
-TL	25,031	25,031	65,306	65,306
-USD	4,954	174,496	7,049	299,601
-EUR	4,000	146,972	-	-
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		346,499		364,907

As of 31 December 2024, and 2023, the ratio of other GPMs given by the Group to the Group's equity is 2.91%. (31 December 2023: TL 5,0%). As at 31 December 2024 and 2023, guarantees given consist of letters of guarantee given to banks, tax authorities and other government authorities. As at 31 December 2024 and 2023, there are no mortgages or pledges on the Group assets.

b) Guarantees received

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

Letter of guarantees received	31 December 2024	31 December 2023
Letter of guarantees received from customers	57,605	182,246
Letter of guarantees received for fixed asset investments	19,391	32,490
Letter of guarantees received from suppliers	16,140	5,654
	93,136	220,390

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

13. COMMITMENTS (cont'd)

b) Guarantees received (cont'd)

Other guarantees received	31 December 2024	31 December 2023
Credit insurance	401,193	290,930
Cheques and bills received from customers	75,000	120,277
Mortgages	350	505
Cheques and bills received from suppliers	-	1,083
Other guarantees	1,396	1,870
	477,939	414,665

Total guarantees received	31 December 2024	31 December 2023
Guarantees received from customers	535,544	595,828
Guarantees received from suppliers	35,531	39,227
	571,075	635,055

14. EMPLOYEE BENEFITS

Provision for employment termination benefits

Under Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of TL 41,828.42 for each period of service as of 31 December 2024 (31 December 2023: TL 23,489.83).

Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 *Employee Benefits* stipulates the development of Group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as of 31 December 2024 and 2023, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. According to Article 14 of the Labor Law No. 1475, the seniority calculation is calculated by taking into account the 15-year working period. Ceiling amount of TL 46,655.43 which is in effect since 1 January 2025 is used in the calculation of Group's provision for retirement pay liability (1 January 2024: TL 35,058.58).

	31 December 2024	31 December 2023
Discount rate	3.49%	3.49%
Inflation rate	26.09%	23.20%

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

14. EMPLOYEE BENEFITS (cont'd)

Provision for employment termination benefits (cont'd)

Turnover rate used in retirement pay calculation(*)	31 December 2024	31 December 2023
- *Working for less than 1 year white-collar employee*	78.40%	
- *Working for more than 1 year white-collar employee*	38.50%	81.66%
- *Working for less than 1 year blue-collar employee*	86.80%	
- *Working for more than 1 year blue-collar employee*	93.90%	

(*) As of 31 December 2024, severance pay liability in the consolidated financial statements is calculated by discounting with the interest rate estimated by the actuaries using the "Projection Method" based on the actuarial study performed by an independent actuary. As of 31 December 2023, the Group has used its own estimates and determined the retirement rate as 81,66%, which is an average rate calculated for all employees.

As of 31 December 2024, if the discount rate used in the calculation of severance pay liability is 1% higher (lower), the severance pay liability would be TL 11,400 less (TL 9,561).

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

	31 December 2024	31 December 2023
Unused vacation allowance	18,779	13,984
Severance pay allowance	79,594	28,948
Seniority incentive premium liability	15,822	-
	114,195	42,932

The movement of provision for employment termination benefits for the years ended 31 December 2024 and 2023 is as follows:

Movement of provision for employment termination	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	28,948	63,152
Effect of inflation index	(19,397)	(24,371)
Interest cost	5,995	10,585
Service cost	28,208	30,621
Paid severance pay	(20,988)	(43,295)
Actueryal (gain) / loss	56,829	(7,744)
Balance as of 31 December	79,594	28,948

The movement of provision for unused vacation for the years ended 31 December 2024 and 2023 is as follows:

Movement of unused vacation allowance	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	13,984	15,121
Effect of inflation index	(5,642)	(7,284)
Unused vacation paid	(2,781)	(8,202)
Charge of the year	13,218	14,349
Balance as of 31 December	18,779	13,984

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

14. EMPLOYEE BENEFITS (cont'd)

Seniority incentive premium liability	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	-	-
Effect of inflation index	-	-
Service cost	15,822	-
Closing balance as of 31 December	15,822	-

The Group signed a collective labor agreement with the Selüloz-İş Union on 4 March 2024, which will be in force between 1 January 2024 and 31 December 2025. In accordance with this collective labor agreement, seniority incentive premium payments will be made to employees who have completed a certain number of years of seniority.

Unused vacation expenses	1 January- 31 December 2024	1 January- 31 December 2023
Cost of sales	6,615	4,611
Other operational expenses	3,822	1,536
	10,437	6,147

Payables related to employee benefits

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

	31 December 2024	31 December 2023
Due to personnel	75,959	67,711
Social security premiums payable	28,689	22,454
	104,648	90,165

15. OTHER ASSETS AND LIABILITIES

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

Other current assets	31 December 2024	31 December 2023
Deferred VAT	47,290	82,900
Receivables from Tax Office	5,229	23,809
Other	563	533
	53,082	107,242

(*) As of 31 December 2024 and 2023, the balance in the account consists of tax receivables within the scope of full exemption.

As of 31 December 2024 and 2023, other current liabilities are as follows:

Other short-term liabilities	31 December 2024	31 December 2023
Taxes and dues payable	47,895	36,215
Other	2,422	4,226
	50,317	40,441

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

16. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

Share capital and capital adjustment differences

The Group's authorized share capital ceiling is TL 2,000,000. The Group's issued capital is TL 590,000 and the issued capital has been fully paid, free from collusion. As of July 11, 2024 registration announcement date, a capital increase of TL 90.000, fully paid in cash, has been made. This capital is divided into a total of 590,000 shares, 300,000 of which are Group A registered shares, each with a nominal value of TL 1 (one), and 290,000 of which are Group B registered shares, each with a nominal value of TL 1 (one). Group B shares consist of a total of 290,000 shares, 170,000 of which are registered shares, 19,417 of which are publicly traded registered shares and 100,583 of which are traded on the stock exchange.

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

	31 December 2024		31 December 2023	
	Share Ratio (%)	Amount (TL)	Share Ratio (%)	Amount (TL)
Orhan Öğücü	14.30	84,392	17.24	86,200
Aydın Öğücü	11.06	65,237	13.33	66,650
Celal Öğücü	8.94	52,757	10.78	53,900
Hatice Öğücü	8.56	50,506	10.32	51,600
Burcu Öğücü Giritli	7.38	43,556	8.90	44,500
Alp Öğücü	6.02	35,530	7.26	36,300
Duygu Öğücü	5.72	33,768	6.90	34,500
Huriye Öğücü	5.41	31,909	6.52	32,600
Nuray Darıcı	4.63	27,308	5.58	27,900
Murat Öğücü	4.22	24,910	5.09	25,450
İrem Öğücü Öngen	4.20	24,763	5.06	25,300
Onur Öğücü	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		3,123,960		3,113,022

(*) The Company is registered with the Capital Markets Board ("CMB") and its shares are traded on the Stars Market of Borsa Istanbul A.Ş. ("BIST") as of 9 May 2024. The Company's shares, with a share price of TL 37.39, a free float of 20.34% and a gross public offering size of TL 3,276,766 (before indexation) were approved by the Capital Markets Board on 25 April 2024 and started to be traded on Borsa Istanbul A.Ş. on 9 May 2024. Within the 15-day period following the commencement of trading of the Company's shares on BIST, price stabilization transactions were carried out on the Company's shares. Within the scope of price stabilization transactions, 19,397 shares were bought back by the main shareholders and the free float of the Company became 17.05%.

As of 31 December 2024, capital adjustment differences amounting to TL 3,123,960 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 3,113,022).

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Premiums on share

Due to the increase of the issued capital of our company, which is TL 500,000 within the registered capital ceiling of TL 2,000,000, to TL 590,000 by completely restricting the preemptive rights of the existing partners, a gross income of TL 3,365,100 was obtained by offering to the public the new shares representing the issued capital with a nominal value of TL 90,000. A cost of TL 88,333 was incurred during the public offering, and the remaining net public offering income was TL 3,276,766. (Indexed according to CPA: TL 3.512.447).

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 31 December 2024, with the inflation-adjusted amounts in the financial statements prepared in accordance with other legislation is as follows:

31 December 2024	Inflation adjusted amounts included in the financial statements prepared in accordance with legal legislation	amounts included in the financial statements prepared in accordance with TAS/TFRS	Differences in reatained earnings
Capital adjustment differences	4,027,407	3,123,960	903,447
Reserves on retained earnings	245,714	225,133	20,581

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 31 December 2024 and 2023 are as follows:

	31 December 2024	31 December 2023
Legal Reserves	225,133	178,683
	225,133	178,683

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 31 December 2024, the Group's first order legal reserve fund is 5.4% 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

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

Remeasurement gains (losses) of defined benefit plans:

As of 31 December 2024, it consists of actuarial gains or (losses) recognized as other comprehensive income related to provision for employment termination benefit amounting to TL 42,622 (31 December 2023: TL 5,808).

Prior years' profit

Retained earnings other than net profit for the period are netted and indicated in this item. Extraordinary reserves, which in essence are accumulated profits, are also considered as retained earnings and are indicated in this item. The distribution of prior years' profit in the Group's consolidated financial statements is given below:

	31 December 2024	31 December 2023
Accumulated earnings	3,311,434	3,235,955
Extraordinary reserves	4,577	4,577
	3,316,011	3,240,532

Net profit/loss for the period

The distribution of the Group's 2023 net profit for the period was discussed and unanimously approved at the Ordinary General Assembly meeting held on 27 June 2024. According to the decision taken, it was decided to distribute a gross dividend of 88.42% from the net distributable profit calculated in accordance with the CMB legislation to the shares representing the issued capital, taking into account the provisions of the Company's Articles of Association for the 2023 operating period of the Group and the Profit Distribution Policy. The amount of dividend distributed in 2024 is 202,080 TL (31 December 2023:TL 158,916).

As of 31 December 2024, the Group has a net profit for the period amounting to TL 1,175,380 (31 December 2023: TL 324,079).

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 Communique 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Dividend distribution(cont'd)

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.

17. REVENUE AND COST OF SALES

Detail of revenue for the years ended 31 December 2024 and 2023 is as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Foreign sales	8,998,811	9,279,110
Domestic sales	3,519,346	4,227,996
	12,518,157	13,507,106
Jumbo roll sales	8,279,198	8,413,434
Converting product sales	3,765,461	4,570,702
Other sales	473,498	522,970
	12,518,157	13,507,106
Sales	15,895,174	16,494,643
Other sales	341,068	994,773
Sales returns(-)	(7,103)	(52,715)
Sales discounts(-)	(3,710,982)	(3,929,595)
	12,518,157	13,507,106

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

17. REVENUE AND COST OF SALES(cont'd)

Country details of revenue for the years ended 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Türkiye	3,519,346	4,227,996
England	3,393,907	3,320,669
Romania	857,500	916,931
USA	773,481	916,024
Canada	531,226	64,662
Greece	527,715	507,276
Crotia	509,630	282,480
Israel	399,021	1,214,001
Ukrain	326,355	457,933
Morocco	270,746	257,151
Serbia and Montenegro	234,174	345,187
Ireland	213,832	234,645
Georgia	101,539	119,325
Other countries	859,685	642,826
	12,518,157	13,507,106

Cost of sales for the years ended 31 December 2024 and 2023 are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Cost of finished goods	8,829,204	9,189,426
Cost of other sales	170,619	171,921
Cost of trade goods	-	75,315
	8,999,823	9,436,662

18. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES

	1 January- 31 December 2024	1 January- 31 December 2023
General administrative expenses (-)	363,177	314,101
Sales, marketing and distribution expenses (-)	1,434,720	1,375,094
	1,797,897	1,689,195

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

18. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES (cont'd)

Details of general administrative expenses

General administrative expenses for the years ended 31 December 2024 and 2023 are as follows:

General administrative expenses	1 January- 31 December 2024	1 January- 31 December 2023
Personnel expenses	199,819	152,121
Depreciation and amortization expenses	45,728	40,642
Consultancy expenses	33,759	30,221
IT Expenses	15,413	19,900
Corporate communications expenses	13,120	14,445
Representative expenses	12,018	12,749
Rent expenses	7,622	4,247
Other	35,698	39,776
	363,177	314,101

Details of marketing expenses

Sales, marketing and distribution expenses for the years ended 31 December 2024 and 2023 are as follows:

Sales, marketing and distribution expenses	1 January- 31 December 2024	1 January- 31 December 2023
Transfer and distribution expenses	843,560	784,451
Personnel expenses	259,515	233,789
Marketing and advertisment expenses	168,697	198,659
Depreciation and amortization expenses	90,350	61,609
Outsource benefits and services	38,290	31,236
Other	34,308	65,350
	1,434,720	1,375,094

19. OTHER OPERATING INCOME AND EXPENSES

Other operating income for the years ended 31 December 2024 and 2023 are as follows:

Other operating incomes	1 January- 31 December 2024	1 January- 31 December 2023
Foreign exchange gains from operations	293,843	300,908
Scrap sale incomes	24,849	30,972
Other income	13,581	18,887
	332,273	350,767

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Other operating expenses for the years ended 31 December 2024 and 2023 are as follows:

Other operating expenses	1 January- 31 December 2024	1 January- 31 December 2023
Late charge expenses(*)	7,864	27,176
Tax expense paid under law no. 7326 and 7440	3,685	25,484
Recovery Contribution Share	9,931	5,582
Other expenses	16,428	26,941
	37,908	85,183

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

20. INCOME FROM INVESTING ACTIVITIES

Income from investing activities for the years ended 31 December 2024 and 2023 are as follows:

Incomes from investing acitivites	1 January- 31 December 2024	1 January- 31 December 2023
Profit on sale of marketables	9,397	-
Gain on disposal of property, plant and equipment	141	13,346
	9,538	13,346

21. EXPENSES BY NATURE

Expenses by nature for the years ended 31 December 2024 and 2023 are as follows:

Personnel expenses	1 January- 31 December 2024	1 January- 31 December 2023
Cost of goods sold	807,979	527,574
Sales, marketing and distribution expenses (Note 18)	259,515	233,789
Administrative expenses (Note 18)	199,819	152,121
	1,267,313	913,484

Depreciation and amortization expenses	1 January- 31 December 2024	1 January- 31 December 2023
Cost of goods sold	593,142	563,686
Sales, marketing and distribution expenses (Note 18)	90,350	61,609
Administrative expenses (Note 18)	45,728	40,642
	729,220	665,937

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

22. FINANCE INCOME AND EXPENSES

Finance income for the years ended 31 December 2024 and 2023 are as follows:

Finance incomes	1 January- 31 December 2024	1 January- 31 December 2023
Interest income	976,957	68,302
Foreign exchange gains	104,578	344,098
Gains from derivative instruments	5,956	-
	1,087,491	412,400

Finance expenses for the years ended 31 December 2024 and 2023 are as follows:

Finance expenses	1 January- 31 December 2024	1 January- 31 December 2023
Foreign exchange losses	418,531	1,823,281
Interest expenses	310,266	385,274
Losses from derivative instruments	-	2,365
	728,797	2,210,920

23. 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.

In Turkey, the corporate tax rate is 25% (31 December 2023: 25%). Tax Law with Article 15 of the Law No. 7351, 1% corporate tax exemption was granted to the earnings obtained exclusively from exports by exporting companies and 5% corporate tax exemption was granted to the earnings obtained exclusively from production activities by companies holding an industrial registry certificate and actually engaged in production activities. With the Restructuring of Certain Receivables and Amendments to Certain Laws No. 7256 published in the Official Gazette dated 17 November 2020 and numbered 31307, the corporate tax rate to be applied to the corporate income of institutions whose shares representing at least 20% of their capital are offered to the public for the first time to be traded on the Borsa Istanbul Equity Market will be applied with a discount of two (2) points for five accounting periods, starting from the accounting period in which the shares are offered to the public for the first time.

This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in one instalment by the end of the fourth month.

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

Corporate tax (cont'd)

Companies calculate a temporary tax of 25% on their quarterly financial profits and declare until the 14th day of the second month following that period and pay it until the seventeenth day. The paid temporary tax within the year is deducted from the corporate tax to be calculated over the corporate tax declaration to be given the following year. If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial debt against the state.

According to corporate tax law, financial losses which are subjected to declaration can be deduct from corporate tax base for a not exceeding 5 years. Declarations and relevant accounting entries can be examined by the tax office within five years and tax accounts can be revised.

10% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the institutions for at least two full years and the founding certificates of the real estates (immovables) that they own for the same period, the usufruct shares and the preference rights, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to be able to benefit from the exemption, the relevant income should be kept under a fund account in the liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

There is no such application for the reconciliation of payable taxes with the tax authority in Türkiye. Corporate tax returns are submitted to the related tax office by the evening of the last day of the 4th month following the month when the accounting period ends. In addition, in tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of 31 December 2024, current income tax payables have been offset against the prepaid taxes in entity basis and have been classified separately in the consolidated financial statements.

Lila Paper Swiss AG, a 100% owned subsidiary of the Company domiciled in Switzerland, is subject to the taxes of the Zug Kanton where it operates and the corporate tax rate applicable for the year 2023 is 11.99%.

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

Income withholding tax

There is a withholding tax liability on dividend distributions and the withholding liability is accrued in the period when the dividend payment is occurred. The payments of dividend are subject to the 15% withholding tax until 22 December 2021, except for limited taxpayer companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. Additionally, in accordance with the Presidential Decision No. 4936, which was published in the Official Gazette dated 22 December 2021 and numbered 31697, arrangements were made in the provisions of the Income Tax Law No. 193 and the Corporate Tax Law No. 5520 on dividend distribution, the withholding tax rate of 15% has been decreased to 10%. It was increased to 15% by the Presidential Decree No. 9286, published in the Official Gazette No. 32760 dated 22 December 2024. In the application of withholding tax rates for profit distributions to limited taxpayer companies and natural persons, the withholding tax rates in the relevant double taxation agreements are also taken into account. Capitalization of retained earnings is not considered as profit distribution and therefore is not subject to withholding tax.

Investment Incentive Application

The Group has an Investment Incentive Certificate (IIC) has a start date of 27 June 2018 however, in accordance with the Presidential Decree No. 4191, the investment period of the document was extended until 27 December 2024. Based on the IIC, it can benefit from support elements such as 60% corporate tax deduction, 25% investment contribution amount, VAT exemption, insurance premium employer share support and customs duty exemption. First, with the Decree of the Council of Ministers numbered 2017/9917, the rate of corporate tax deduction for 2017 investment expenditures was increased to 100% and the amount of contribution to investment was increased to 40%, and it was extended to cover 2018 expenditures with the provisions of Law No. 7061.Later, with the Law No. 7161 "Law on the Amendment of Tax Laws and Certain Laws and Decree Laws" published in the Official Gazette dated 18 January 2019, it was made possible to use the investment contribution rates and Corporate Tax discount rate valid for 2017 and 2018 expenditures in 2019 investment expenditures. Finally, with the Presidential Decree dated 29 December 2019 and numbered 1950, the Corporate Tax deduction rate will be applied as 100% and the investment contribution amount as 40% for the expenditures to be made within the scope of IIC between 1 January 2020-31 December 2022. TL 660,521 investment expenditure was spent within the scope of the document between 2018-2024. Since the investment incentive certificate will expire on December 27, 2024, an application was made to the General Directorate of Incentive Implementation and Foreign Capital of the Ministry of Industry and Technology of the Republic of Turkey on December 25, 2024 to close the relevant certificate.

The Group has received the Investment Incentive Certificate dated 9 December 2020 for textile (yarn dyeing), which is the other business area in which the Group operates in Ergene2 OIZ. Based on the IIC, the Group can benefit from support elements such as 100% corporate tax deduction, 40% investment contribution amount, VAT exemption, insurance premium employer share support and customs duty exemption. Within the scope of IIC, a total investment expenditure of TL 37,575 was made between 2021-2024. The total amount of IIC TL 6,311 including the TL 1,349 investment contribution amount (ICA) earned based on the expenses incurred in 2024 and the ICA carried forward from 2023, has been used in 2024 and there is no carryover amount left.

The Group's Investment Incentive Certificate dated 31 October 2017 for the Converting production facility located in Ergene2 OIZ region was closed on 15 November 2018 after the "completion visa" procedures were completed. As of the closing date, the transferred IIC is subject to revaluation with the revaluation rate of the relevant year. Under the IIC, there is an investment contribution amount of TL 3,946 carried over to 2024, which has been revalued based on the revaluation rate, resulting in an available investment contribution amount (ICA) of TL 8,074. The entire ICA was used in 2024, and no remaining carryover amount is left.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Investment Incentive Application (cont'd)

The Group has an Investment Incentive Certificate (IIC) dated 28 July 2023 for the new paper production facility to be established in Erzurum Merkez2 OIZ region. Region 6 incentives will be utilised for the investment. Based on the IIC, it will be able to benefit from support elements such as 90% Corporate Tax deduction, 55% investment contribution amount, VAT exemption, insurance premium employer's share support, customs duty exemption, insurance premium worker's share support, Income Tax withholding support and interest support. The fixed investment amount in the document is TL 2,680,800 and the term of the document is 30 May 2026. As of 2023, TL 16,072 was spent within the scope of the document, and the entire amount of TL 7,072 contribution to investment in return for this expenditure was utilised in 2023. As of 2024, TL 433,989 was spent within the scope of the document, and the entire amount of TL 190,955 contribution to investment for this expenditure was utilised in 2024 and there is no carryover amount left.

The Group has decided to invest in a Solar Power Plant (SPP) in order to benefit from the production facilities located in Ergene2 OIZ region and has received the certificate dated 28 December 2023 for the new investment. For the SPP investment in the 1st region, 4th region incentives are utilised. In this context, 70% Corporate Tax deduction and 30% investment contribution amount, VAT exemption will be able to benefit from support elements. The fixed investment amount in the document is TL 250,121 and the term of the document is 11 December 2026. As of 2023, TL 242,609 was spent within the scope of the document, and the entire investment contribution amount of TL 58,226 was utilised in 2023.. With the commissioning of a significant portion of the relevant investment in February 2024, the partial operation and partial investment period has begun. Under the IIC, a total investment expenditure of TL 4,125 was made in 2024, and an additional contribution of TL 1,238 has been earned. Of the total investment contribution of TL 15,794 available for use in 2024, TL 14,058 has been used, and a contribution of TL 1,736 has been carried over to 2025.

Current tax liability:	1 January- 31 December 2024	1 January- 31 December 2023
Corporate tax provision	(133,930)	(185,784)
Less: prepaid taxes and funds	194,684	238,894
	60,754	53,110

As of 31 December 2024, and 2023, the distribution of consolidated tax expense is as follows:

Current tax income/(expense) :	1 January- 31 December 2024	1 January- 31 December 2023
Corporate tax (-)	(133,930)	(185,784)
Deferred tax (expenses)/income	(201,818)	(79,764)
	(335,748)	(265,548)

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

Tax recognized directly in equity

	1 January-31 December2024		
	Amount before tax	Tax expense/income	Amount after tax
Actuarial losses from pension plans	(56,829)	14,207	(42,622)
income of the year	(56,829)	14,207	(42,622)

	1 January-31 December2023		
	Amount before tax	Tax expense/income	Amount after tax
Actuarial losses from pension plans	7,744	(1,936)	5,808
income of the year	7,744	(1,936)	5,808

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 31 December 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.

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

	31 December 2024		31 December 2023	
	Total temporary differences	Deferred tax assets/(liability)	Total temporary differences	Deferred tax assets/(liability)
Investments allowances	(11,166)	1,736	(84,613)	14,393
Adjustments related to tangible and intangible asstes	973,076	(243,269)	261,497	(65,374)
Adjustments related to right of use assets	75,990	(18,997)	62,909	(15,727)
Adjustments related to employee benefits	(59,594)	14,899	(42,933)	10,733
Other	62,140	(13,013)	60,229	(15,058)
Deferred tax liability	1,040,446	(258,644)	257,089	(71,033)

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

As of 31 December 2024 and 2023, the movement of deferred tax assets is as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Movement of deferred tax (assets) / liabilities		
Opening balance as of 1 January	(71,033)	10,667
Amounts under profit or loss	(201,818)	(79,764)
Amounts under other comprehensive income	14,207	(1,936)
Closing balance as of 31 December	(258,644)	(71,033)

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

Reconciliation of tax provision:	31 December 2024	31 December 2023
Profit before tax	1,511,128	589,627
Income tax rate	25%	25%
Expected tax expense	(377,782)	(147,407)
Tax affect:		
Expenses and income that are not deductible	(9,776)	(4,359)
Non taxable income	880	7,370
Effects of adjustments of investment allowances	287,610	193,413
Effects of adjustment using different tax rates	8,682	50,242
Effect of inflation adjustments	(245,362)	(244,090)
Earthquake tax effect under law no 7440 (*)	-	(120,717)
Reconciliation of tax provision:	(335,748)	(265,548)

(*) In accordance with the Law numbered 7440 "Law on Restructuring of Certain Receivables and Amendment of Certain Laws" published in the Official Gazette on 12 March 2023, additional tax at the rate of 10% on the exemption and discount amounts deducted from corporate income in accordance with the regulations in the laws and the bases subject to discounted corporate tax, without being associated with the period earnings, and 5% on exempt earnings, by showing in the corporate tax declaration for the year 2022. As of 31 December 2023, the Group has paid the earthquake tax amounting to TL 120,717 calculated in accordance with the related law in addition to the corporate tax.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

24. 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- 31 December 2024	1 January- 31 December 2023
Profit for the year	1,175,380	324,079
Average number of shares outstanding during the year	559,000	500,000
Earnings per share	2.10	0.65

25. DERIVATIVE INSTRUMENTS

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

Forward foreign exchange transactions	31 December 2024	31 December 2023
Assets	4,318	-
Liabilities	-	2,364

As of 31 December 2024, the Group has forward purchase contracts in foreign currency which will be realised in the following 12 months. There are forward purchase contracts of EUR 18,000 equivalent of USD 18,882.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised 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.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS

Financial Liabilities

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

Financial borrowings	31 December 2024	31 December 2023
Financial borrowings	1,290,049	1,913,280
Short-term financial leasings(*)	21,542	40,197
Current installments of long-term borrowings	475,914	1,211,451
	1,787,505	3,164,928

(*) 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 31 December 2024 and 2023 are as follows:

Financial borrowings	31 December 2024	31 December 2023
Long-term financial borrowings	554,664	799,263
Long-term financial leasings(*)	32,614	41,414
	587,278	840,677

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

As of 31 December 2024, the Group has financial commitments from HSBC amounting to TL 199,600 against the remaining loan balance of EUR 5,432.

As of 31 December 2023, the Group has financial commitments from HSBC amounting to TL 458,609 for the remaining loan balance of EUR 14,054 which is disclosed with the purchasing power of 31 December 2023.

Short and long term bank borrowings

	31 December 2024		
Currency	Average effective interest rate %	Short-term	Long-term
US Dollars	6.88	1,514,771	-
TL	45.19	80,619	120,000
Euro	3.89	170,573	434,664
		1,765,963	554,664

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS (cont'd)

Financial Liabilities (cont'd)

	31 December 2023		
Currency	Average effective interest rate %	Short-term	Long-term
US Dollars	8.38	2,189,381	238,396
TL	39.11	110,793	259,146
Euro	3.27	824,557	301,721
		3,124,731	799,263

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

Repayments of borrowings	31 December 2024	31 December 2023
To be paid within 1 year	1,765,963	3,124,731
To be paid between 1-5 years	554,664	799,263
	2,320,627	3,923,994

As of 31 December 2024, and 2023, the movement details of the Group's bank borrowings are as follows:

	1 January- 31 December 2024	1 January- 31 December 2023
Movements of financial borrowings		
Opening balance	3,923,994	5,460,117
Effects of inflation index	(1,409,336)	(2,352,897)
Additions	1,755,737	2,874,069
Principal payments	(2,653,918)	(4,220,359)
Interest expenses	287,423	339,783
Foreign exchanges	416,727	1,823,281
Closing balance as of 31 December	2,320,627	3,923,994

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

26. FINANCIAL INSTRUMENTS (cont'd)

Payables from lease transactions

As of 31 December 2024 and 2023, the repayment schedule of leases is as follows:

Repayments of financial leasings	31 December 2024	31 December 2023
To be paid within 1 year	21,542	40,197
To be paid between 1-5 years	32,614	41,414
	54,156	81,611

As of 31 December 2024 and 2023, the movement details of the Group's payables from lease transactions are as follows:

Movements of financial leasing	1 January- 31 December 2024	1 January- 31 December 2023
Opening balance	81,611	147,764
Effects of inflation index	(27,075)	(55,839)
Additions	35,519	41,477
Paymanets related to leases	(45,639)	(68,143)
Interest expenses	7,936	11,945
Foreign exchanges	1,804	4,407
Cloasing balance	54,156	81,611

27. 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 26, 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 provide a strong capital structure in terms of investor, creditor and market confidence and to provide the most appropriate capital structure to support the future growth of the company and reduce the cost of capital. Management monitors the return on capital in addition to the amount of dividends to be paid on shares.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

a) Capital risk management (cont'd)

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.

The Group monitors the leverage ratio within the scope of risk management and the said ratio is calculated by dividing the net debt by the total capital. Net debt is obtained by deducting cash and cash equivalents from total loans (including current and non-current loans as shown in the consolidated balance sheet). Total capital is calculated by adding the "equity" item in the consolidated balance sheet and the net debt.

The Group's strategy has been similar for many years. As of 31 December 2024, and 2023, the debt to equity ratio calculated by dividing the net debt calculated by deducting cash and cash equivalents from financial liabilities by total capital is as follows:

	31 December 2024	31 December 2023
Financial borrowing	2,374,783	4,005,605
Less: Cash and cash equivalents	5,611,300	1,441,121
Net debt	(3,236,517)	2,564,484
Total equity	11,890,300	7,345,271
Capital deposited	8,653,783	9,909,755
Net debt / equity ratio	(37)%	26%

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.

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

b) Financial risk factors(cont'd)

Risk management is carried out by a central treasury department in line with policies approved by the Board of Directors. Regarding risk policies, financial risk is defined and evaluated by the Group's treasury department and tools are used to reduce risk by working with the Group's operating units. A written general legislation regarding risk management and written procedures covering various risk types such as foreign exchange risk, interest risk, credit risk, use of derivative products and other non-derivative financial instruments and how to evaluate excess liquidity are established by the Board of Directors.

The Early Detection of Risk Committee analyses risks according to their materiality, establishes a risk monitoring system and closely monitors risks by regularly informing the Board of Directors about them.

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 31 December 2024 and 2023, 31% 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 31 December 2024, the maximum risks that the Group may be exposed to as a result of the failure of the counterparties to fulfil 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.

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. As of 31 December 2024, and 31 December 2023, the amounts that the Company makes provisions for doubtful receivables are respectively, TL 2,982 and TL 3,789. The Company continuously and uninterruptedly reconciles with its customers and monitors its receivables at the closest level.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

b) Financial risk factors (cont'd)

Credit risk management (cont'd)

The carrying amounts of financial assets represent the maximum exposure to credit risk. As of the reporting date, the maximum exposure to credit risk is as follows:

31 December 2024	**Receivables**				
	Trade Receivables		**Other Receivables**		
	Related parties	**Other**	**Related parties**	**Other**	**Deposits on Banks**
Maximum credit risk as of report date (A+B+C+D)	-	2,449,200	-	18,914	5,567,447
- Covered part of maximum risk such as guaranty	-	535,544	-	-	-
A. Net book values of unexpired and unimpaired	-	1,620,139	-	18,914	-
- Covered part of such as guaranty	-	-	-	-	-
B. Net book values of expired but unimpaired varlıkların net defter değeri	-	829,061	-	-	-
C. Net book values of impaired financial assets	-	-	-	-	-
- Covered part of such as guaranty	-	-	-	-	-
D. Risky factors off balance	-	-	-	-	-
- Expired (Gross book value)	-	2,982	-	127	-
- Impairment (-)	-	(2,982)	-	(127)	-
- Unexpired (Gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
E. Risky factors off balance	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

b) Financial risk factors (cont'd)

Credit risk management (cont'd)

31 December 2023	Receivables				
	Trade Receivables		Other Receivables		
	Related parties	Other	Related parties	Other	Deposits on Banks
Maximum credit risk as of report date (A+B+C+D)	-	3,026,970	4	17,058	1,374,003
- Covered part of maximum risk such as guaranty	-	595,828	-	-	-
A. Net book values of unexpired and unimpaired	-	2,057,545	4	17,058	-
- Covered part of such as guaranty	-	-	-	-	-
B. Net book values of expired but unimpaired varlıkların net defter değeri	-	969,424	-	-	-
C. Net book values of impaired financial assets	-	-	-	-	-
- Covered part of such as guaranty	-	-	-	-	-
D. Risky factors off balance	-	-	-	-	-
- Expired (Gross book value)	-	3,789	-	306	-
- Impairment (-)	-	(3,789)	-	(306)	-
- Unexpired (Gross book value)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
E. Risky factors off balance	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

b) Financial risk factors (cont'd)

Credit risk management (cont'd)

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 continuingly. 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 continuingly performed for trade receivables balances from customers and receivables are insured where necessary.

Aging of overdue receivables is as follows:

	31 December 2024	31 December 2023
1- 90 days overdue	583,071	658,189
3- 6 months overdue	178,129	222,162
6- 12 months overdue	67,861	89,073
Total overdue receivables	829,061	969,424
Covered part with guarantee	331,688	105,662
	497,373	863,762

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.

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.

As of 31 December 2024, and 2023, the maturities of the Group's financial liabilities, including estimated interest payments, determined according to the payment schedule are as follows:

31 December 2024	Book value	Total of cash outflows accordance with aggreement (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financial liabilities					
Bank loans	2,320,627	2,537,286	608,463	1,246,198	682,625
Lease liabilities	54,156	66,587	9,194	16,720	40,673
Trade payables	701,398	701,398	701,398	-	-
Total liabilities	**3,076,181**	**3,305,272**	**1,319,055**	**1,262,918**	**723,298**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

b) Financial risk factors (cont'd)

Liquidity risk management(cont'd)

31 December 2023	Book value	Total of cash outflows accordance with aggreement (I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Non-derivative financial liabilities					
Bank loans	3,923,994	4,408,880	968,413	2,368,525	1,071,942
Lease liabilities	81,611	100,037	13,812	33,542	52,683
Trade payables	610,308	539,016	539,016	-	-
Total liabilities	**4,615,913**	**5,047,933**	**1,521,241**	**2,402,067**	**1,124,625**

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 inflows), close to 70% of sales correspond to foreign currency based inputs (predominantly USD outflows) 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 and the derivative transactions that are open derivatives as of the 31 December 2024 and 2023 are disclosed in Note 25.

Transactions in foreign currencies cause foreign currency risk.

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

27. 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 2024				
	TL Equivalentı	**US Dollars**	**Euro**	**GBP**	**CHF**
1. Trade receivables	1,865,430	39,902	12,459	-	-
2a. Monatery assets	2,832,900	66,861	12,903	-	1
2b. Non-Monatery assets	2,550	62	10	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	**4,700,880**	**106,825**	**25,371**	**-**	**1**
5. Trade receivables	-	-	-	-	-
6a. Monetary assets	84,323	1,335	1,006	6	-
6b. Non-Monetary assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**84,323**	**1,335**	**1,006**	**6**	**-**
9. Total assets (4+8)	**4,785,203**	**108,160**	**26,377**	**6**	**1**
10. Trade payables	494,465	10,106	3,730	-	-
11. Financial liabilities	1,685,344	42,858	4,635	-	-
12a. Monetary liabilities	-	-	-	-	-
12b. Non-Monetary liabilities	-	-	-	-	-
13. Short-term liabilities (10+11+12)	**2,179,809**	**52,964**	**8,365**	**-**	**-**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	434,664	-	11,811	-	-
16a. Monetary liabilities	-	-	-	-	-
16b. Non-Monetary liabilities	-	-	-	-	-
17. Long-term liabilites (14+15+16)	**434,664**	**-**	**11,811**	**-**	**-**
18. Total labilities (13+17)	**2,614,473**	**52,964**	**20,176**	**-**	**-**
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)	**2,170,730**	**55,196**	**6,201**	**6**	**1**
21. Positions of Monetary items net foreign currency assets/ (liabilities) (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**2,170,730**	**55,196**	**6,201**	**6**	**1**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

27. 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	2,396,585	41,770	13,210	-	-
2a. Monatery assets	1,125,849	15,946	9,481	-	44
2b. Non-Monatery assets	-	-	-	-	-
3. Other	-	-	-	-	-
4. Current assets (1+2+3)	**3,522,434**	**57,716**	**22,691**	**-**	**44**
5. Trade receivables	-	-	-	-	-
6a. Monetary assets	370,613	7,664	954	-	-
6b. Non-Monetary assets	-	-	-	-	-
7. Other	-	-	-	-	-
8. Non-current assets (5+6+7)	**370,613**	**7,664**	**954**	**-**	**-**
9. Total assets (4+8)	**3,893,047**	**65,380**	**23,645**	**-**	**44**
10. Trade payables	298,564	6,041	836	32	5
11. Financial liabilities	3,013,938	51,412	17,502	-	1
12a. Monetary liabilities	-	-	-	-	-
12b. Non-Monetary liabilities	-	-	-	-	-
13. Short-term liabilities (10+11+12)	**3,312,502**	**57,453**	**18,338**	**32**	**6**
14. Trade payables	-	-	-	-	-
15. Financial liabilities	540,117	5,599	6,405	-	-
16a. Monetary liabilities	-	-	-	-	-
16b. Non-Monetary liabilities	-	-	-	-	-
17. Long-term liabilites (14+15+16)	**540,117**	**5,599**	**6,405**	**-**	**-**
18. Total labilities (13+17)	**3,852,619**	**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	720,914	13,456	1,174	-	-
19b. Amount of total hedged liabilities	-	-	-	-	-
20. Position of tet foreign currency assets/ (liabilities) (9-18+19)	**761,342**	**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)	**761,342**	**15,784**	**77**	**(32)**	**38**

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

27. 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 USD 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.

31 December 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	194,396	(194,396)	194,396	(194,396)
2- Amount hedged for US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 + 2)	194,396	(194,396)	194,396	(194,396)
In case the EUR gains / loses 10% against TL				
4- Euro net asset / liability	22,648	(22,648)	22,648	(22,648)
5- Amount hedged for Euro risk (-)	-	-	-	-
6- Euro net effect (4 + 5)	22,648	(22,648)	22,648	(22,648)
In case the GBP gains / loses 10% against TL				
7- GBP net asset / liability	25	(25)	25	(25)
8- Amount hedged for GBP (-)	-	-	-	-
9- GBP net effect (7+8)	25	(25)	25	(25)
In case the CHF gains / loses 10% against TL				
13- CHF net asset / liability	4	(4)	4	(4)
14- Amount hedged for CHF (-)	-	-	-	-
15- CHF net effect (13+14)	4	(4)	4	(4)
TOTAL (3 + 6 + 9 +15)	217,073	(217,073)	217,073	(217,073)

31 December 2023

	Profit / Loss		Shareholders equity	
	Foreign currency appreciation	Foreign currency depreciation	Foreign currency appreciation	Foreign currency depreciation
In case the US Dollar gains / loses 10% against TL				
1- US Dollar net asset / liability	9,397	(9,397)	9,397	(9,397)
2- Amount hedged for US Dollar risk (-)	(66,316)	66,316	-	-
3- US Dollar net effect (1 + 2)	(56,919)	56,919	9,397	(9,397)
In case the EUR gains / loses 10% against TL				
4- Euro net asset / liability	(5,370)	5,370	(5,370)	5,370
5- Amount hedged for Euro risk (-)	(5,775)	5,775	(5,775)	5,775
6- Euro net effect (4 + 5)	(11,145)	11,145	(11,145)	11,145
In case the GBP gains / loses 10% against TL				
7- GBP net asset / liability	(174)	174	(174)	174
8- Amount hedged for GBP (-)	-	-	-	-
9- GBP net effect (7+8)	(174)	174	(174)	174
In case the CHF gains / loses 10% against TL				
10- CHF net asset / liability	190	(190)	190	(190)
11- Amount hedged for CHF (-)	-	-	-	-
12- CHF net effect (10+11)	190	(190)	190	(190)
TOTAL (3 + 6 + 9 +12)	(68,048)	68,048	(1,732)	1,732

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

b) Financial risk factors (cont'd)

Interest rate sensitivity

Interest rate risk arises from the impact of changes in interest rates on the financial statements. The Group is exposed to interest rate risk due to timing mismatches or differences of assets and liabilities that are due to be expired or re-priced in a given period. The Group manages this risk by applying risk management strategies by matching the dates of interest rate change of assets and liabilities.

The interest structure of the Group's financial items with interest component at the reporting date is as follows.

	31 December 2024	31 December 2023
Amounts with fixed interest rate		
Financial assets	5,410,217	765,268
Financial liabilities	756,971	2,259,906
Amounts with variable interest rate		
Financial assets	59,130	-
Financial liabilities	1,617,812	1,745,699
Sensitivity by 1% variable interest	16,178	17,457

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

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

31 December 2024	Financial assets at amortized costs	FVTPL Financial asset	FVTPL Financial liability	Carrying value	Net book value	Note
Financial assets						
Cash and cash equivalents	5,611,300	-	-	-	5,611,300	31
Trade receivables	2,449,200	-	-	-	2,449,200	5
Financial investments	59,130	-	-	-	59,130	
Türev araçlar	-	4,318	-	-	4,318	25
Financial liabilities						
Financial borrowings	-	-	-	2,374,783	2,374,783	26
Trade payables	-	-	-	701,398	701,398	5
Payables of employe benefit	-	-	-	104,648	104,648	14

31 December 2023	Financial assets at amortized costs	FVTPL Financial asset	FVTPL Financial liability	Carrying value	Net book value	Note
Financial assets						
Cash and cash equivalents	1,441,121	-	-	-	1,441,121	31
Trade receivables	3,026,970	-	-	-	3,026,970	5
Financial investments	-	-	-	-	-	26
Financial liabilities						
Financial borrowings	-	-	-	4,005,605	4,005,605	26
Trade payables	-	-	-	610,308	610,308	5
Payables of employe benefit	-	-	-	90,165	90,165	14
Other payables	-	-	2,364	-	2,364	25

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

28. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

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).

	Level 1	Level 2	Level 3
31 December 2024			
Derivative instruments	-	4,318	-
31 December 2023			
Derivative instruments	-	(2,364)	-

29. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDIT FIRM

For the years ended 31 December 2024 and 2023, the Group's fees for the services received from the Independent Audit Firm (IAF) are as follows:

	31 December 2024	31 December 2023
	Independent audit firm	Independent audit firm
Audit fees related to reporting period	2,000	4,080
Other fees related to assurance services	80	79
Tax consulting fee	-	-
Other service fee apart from audit	-	-
	2,080	4,159

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

30. EVENTS AFTER THE REPORTING PERIOD

The Group will establish the first heavy industry facility in the Eastern Anatolia and Black Sea regions, which will operate in the hygienic paper sector and completed in phases as announced to the public in the prospectus approved by the Capital Markets Board (SPK). The second phase of this investment, with a planned investment period from 2024 to 2026, aims to launch the "Fifth Paper Production Line-TM5" with a production capacity of 30,000 tons/year at the beginning of 2027. However, it has been decided to increase the capacity to 70,000 tons/year based on updated feasibility studies resulting from an assessment of needs in regional and international markets. In this regard, a contract was signed with Valmet AB on January 10, 2025, regarding the production of the TM5 paper production line.

According to the Company's Board of Directors' decision dated 13 February 2025, and numbered 738, and considering the provisions of the Company's Articles of Association and Profit Distribution Policy, it has been decided to allocate a profit share of TL 885,004, which is 80.18% of the gross net distributable period profit, obtained by adding donations calculated in accordance with the Capital Markets Board (CMB) regulations to the net distributable period profit, to the shares representing the issued capital. The gross dividend will be paid in cash to shareholders on 1 July 2025, and these matters will be presented for the approval of the shareholders at the Ordinary General Assembly meeting for the year 2024, which will be held on March 20, 2025.

31. CASH AND CASH EQUIVALENTS

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

	31 December 2024	31 December 2023
Cash on hands	-	28
Banks	5,567,447	1,374,004
- Demand deposits	*157,230*	*608,736*
- Time deposits	*5,410,217*	*765,268*
Other cash and cash equivalents (*)	43,853	67,089
Total	5,611,300	1,441,121

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

(Amounts expressed in thousands of Turkish Lira ("TL") in terms of purchasing power of the TRY at 31 December 2024 unless otherwise indicated.)

31. CASH AND CASH EQUIVALENTS (cont'd)

			31 December 2024	
Currency	Interets rate (%)	Maturity	Original currency	TL Equivalent
TL	44-46	1-10 Days	2,732,529	2,732,529
Euro	2.25-3.84	1-30 Days	11,703	430,007
US Dollars	2.30-3.95	1-30 Days	63,812	2,247,681
				5,410,217

			31 December 2023	
Currency	Interets rate (%)	Maturity	Original currency	TL Equivalent
TL	40.5-43	1-30 Days	164,896	238,076
Euro	1.5	1-30 Days	2,277	107,081
US Dollars	2.5	1-30 Days	9,884	420,111
				765,268

32. EXPLANATIONS ON NET MONETARY POSITION GAINS/(LOSSES)

Non-Monetary Items	1 January-31 December 2024
Statement of financial positions	
Inventories	(16,039)
Prepaid expenses	(1,099)
Property, Plant and Equipments	127,740
Intangibles	842
Right of use assets	(1,047)
Subsidiaries	902
Deferred tax liabilities	(130,353)
Paid-in Capital	(253,112)
Premiums on share	(380,025)
Items that will not be reclassified subsequently to profit or loss	9,182
Restricted reserves	(23,790)
Retained earnings	(988,775)
Statement of profit or loss items	
Revenue	(1,567,478)
Cost of sales	1,768,006
Marketing, sales and distribution expenses	224,844
General administrative expenses	68,416
Incomes from investing activities	(3,608)
Finance income and expenses	(103,396)
Other income and expenses from operating actvities	(2,552)
Current tax expenses	399,436
Monetary gain and /(losses)	(871,906)