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Yünsa in the World

Europe’s largest integrated wool fabric producer, Yünsa, is a global brand serving over 400 fashion and ready-to-wear companies in more than 50 countries.

International Sales Offices

USA, Germany, Great Britain

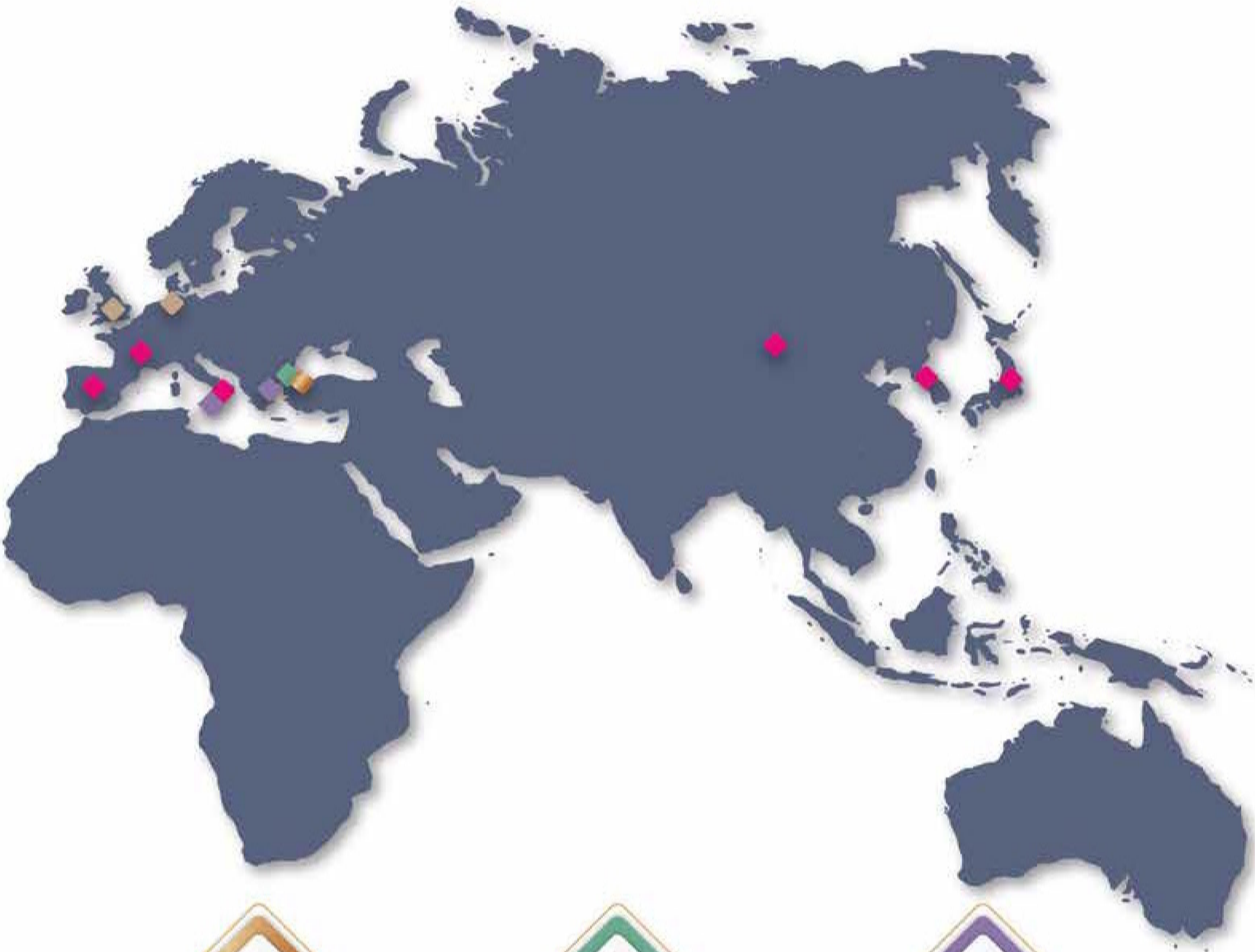
Agencies

USA, China, France, South Korea, Spain, Italy, Japan, Canada

868
Personnel

400+
Customer

50+
Country for Exportation



Headquarter
Istanbul - Turkiye

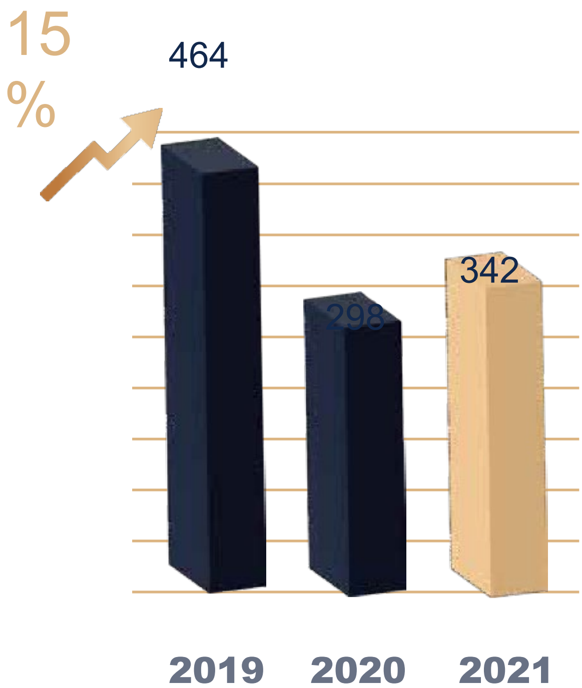
Manufacturing Site
Cerkezkoy - Turkiye

Design Office
Biella - Italy and
Cerkezkoy - Turkiye

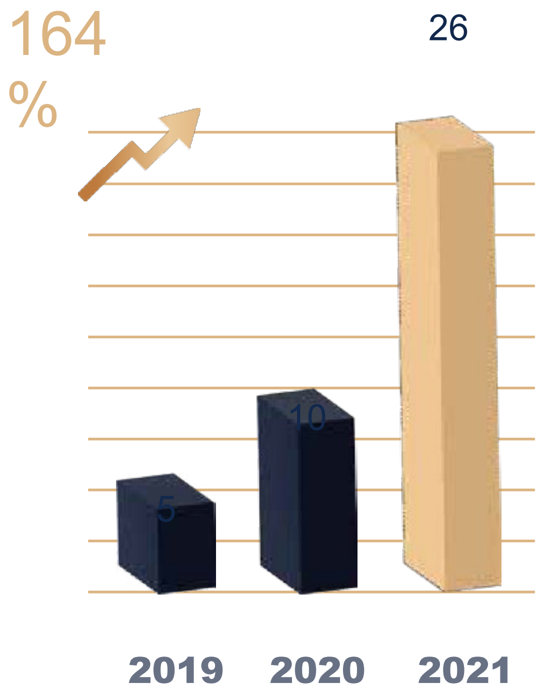
Yünsa in figures

In 2021, Yünsa achieved a turnover of TL 342 million and increased its net profit by 164% to TL 26 million thanks to its business strategy focused on sustainable growth and profitability despite the challenging conditions in the global market.

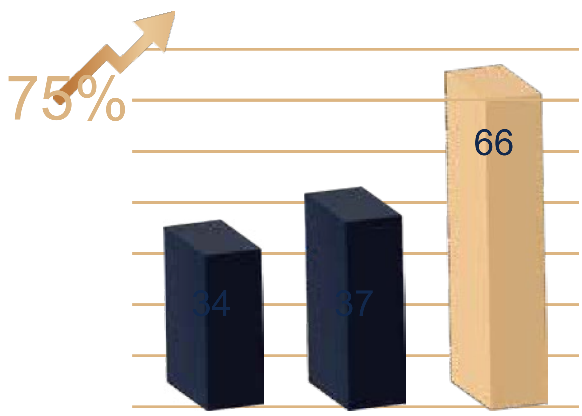
NET SALES
Million TL



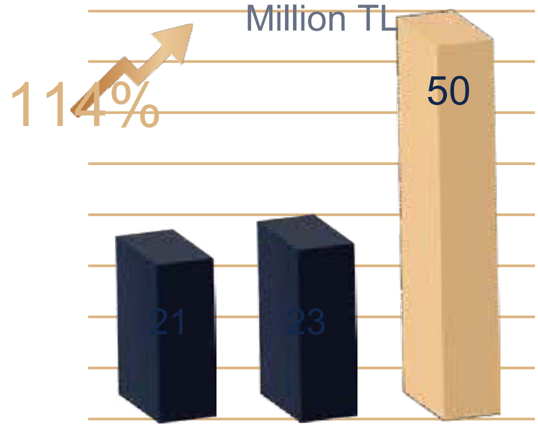
NET PROFIT
Million TL



EBITDA
Million TL



REAL OPERATING PROFIT
Million TL



2019	2020	2021

2019	2020	2021

34 Million TL
Net Sales

10 Million TL
Gross Profit

2 Million TL
Net Profit

392 Million TL
Total Assets

30%
Gross Profit Margin

8%
Net Profit Margin

	2019	2020	2021
Total Debts / Total Actives	73	69	74
Equities / Total Actives	27	31	26
Borrowing Ratio	270	227	290
Current Ratio	1.12	1.54	1.28
Acid-Test Ratio	0.60	0.81	0.62
Gross Profit Margin	16	22	30
Net Profit Margin	1	3	8
Earnings per Share	17	34	91

About Yünsa

Yünsa, one of the world's leading companies in the production of high-end woolen fabrics, has Europe's largest integrated woven fabric production facility under a single roof.

The success story of Yünsa, one of the five largest producers of high-end woolen fabrics in the world today, began in 1973. Yünsa, which started its activities by producing high-quality men’s clothing woolen woven fabric, later added women's clothing, corporatewear, and upholstery fabrics to its portfolio.

Yünsa is the leader in the export of woolen fabrics in Turkey with approximately two thirds of its production for export. With exports to more than fifty countries, the company contributes to the Turkish economy with its high export performance and is one of the leading national brands representing Türkiye internationally with its innovative products.

As a global Turkish company operating in many parts of the world, Yünsa has sales offices in the UK, Germany and the USA, and agencies in Spain, Italy, France, USA, China, South Korea, Japan and Canada. Yünsa, Europe's largest woven fabric manufacturer under a single roof with its integrated facility located in Çerkezköy, Tekirdağ on an area of approximately 200,000 m², has an annual capacity to produce 4,500 tons of worsted yarn and weave 10 million meters of fabric.

With its modern and technological infrastructure, the company carries out all yarn, warping and weaving, dyeing and finishing processes in-house.

10 million

meter / year

Fabric Weaving

4500

ton / year

Production Capacity

200.000

m2

Yarn Production

Capacity

Area of the Manufact uring Site

Partnership Structure

Yünsa Yünlü Sanayi ve Ticaret A.Ş. has been established in 1973 and its main activity is the production and marketing of woolen textile products.
As of December 31, 2021, the issued capital of Yünsa, which was offered to the public on April 06, 1990, is TL 29,160,000.00 and 2,916,000,000,000 bearer shares with a nominal value of 1 Kurus each and there are no privileged shares.

On October 24, 2019, with the approval of the sale by the Competition Board, all shares of Yünsa Yünlü Sanayi ve Ticaret A.Ş. with a nominal value of TL 16,878,507.00, representing 57.88% of the capital of Yünsa Yünlü Sanayi ve Ticaret A.Ş., were purchased from Hacı Ömer Sabancı Holding A.Ş. by Mustafa Sürmegöz and Sürmegöz Tekstil Yatırım A.Ş., a Ziraat Katılım Ortaklığı (Accession Partnership).*
Shares with a nominal value of TL 12,281,493.00, representing the remaining 42.12% of the Company's capital, are publicly traded on the BIST All, BIST Textile - Leather, BIST Industrials, BIST Main, BIST All 100 and BIST Tekirdağ indices. The shareholding structure of the Company, which continues its operations with the goal of sustainable profitability that creates value for its investors and all stakeholders, is as follows as of December 31, 2021:

Yünsa, which operates with the goal of sustainable profitability that creates value for its investors and all stakeholders, has 42% of its shares publicly traded on the Borsa Istanbul.

Name of the partner	Number of Shares	Share Ratio (%)
Sürmegöz Tekstil Yatırım A.Ş.	16,878,507	57.88
Other (Public)	12,281,493	42.12
TOTAL	29,160,000	100.00

* As a result of the share transfers between Sürmegöz Tekstil Yatırım A.Ş.'s shareholders Ziraat Katılım Bankası A.Ş. and Mustafa Sürmegöz, all of Ziraat Katılım's shares in Sürmegöz Tekstil have been taken over by Mustafa Sürmegöz as of 03.03.2022.

Vision, Mission, Values

Our Vision

To grow and become a global power by creating difference in textile products and services.

Our Mission

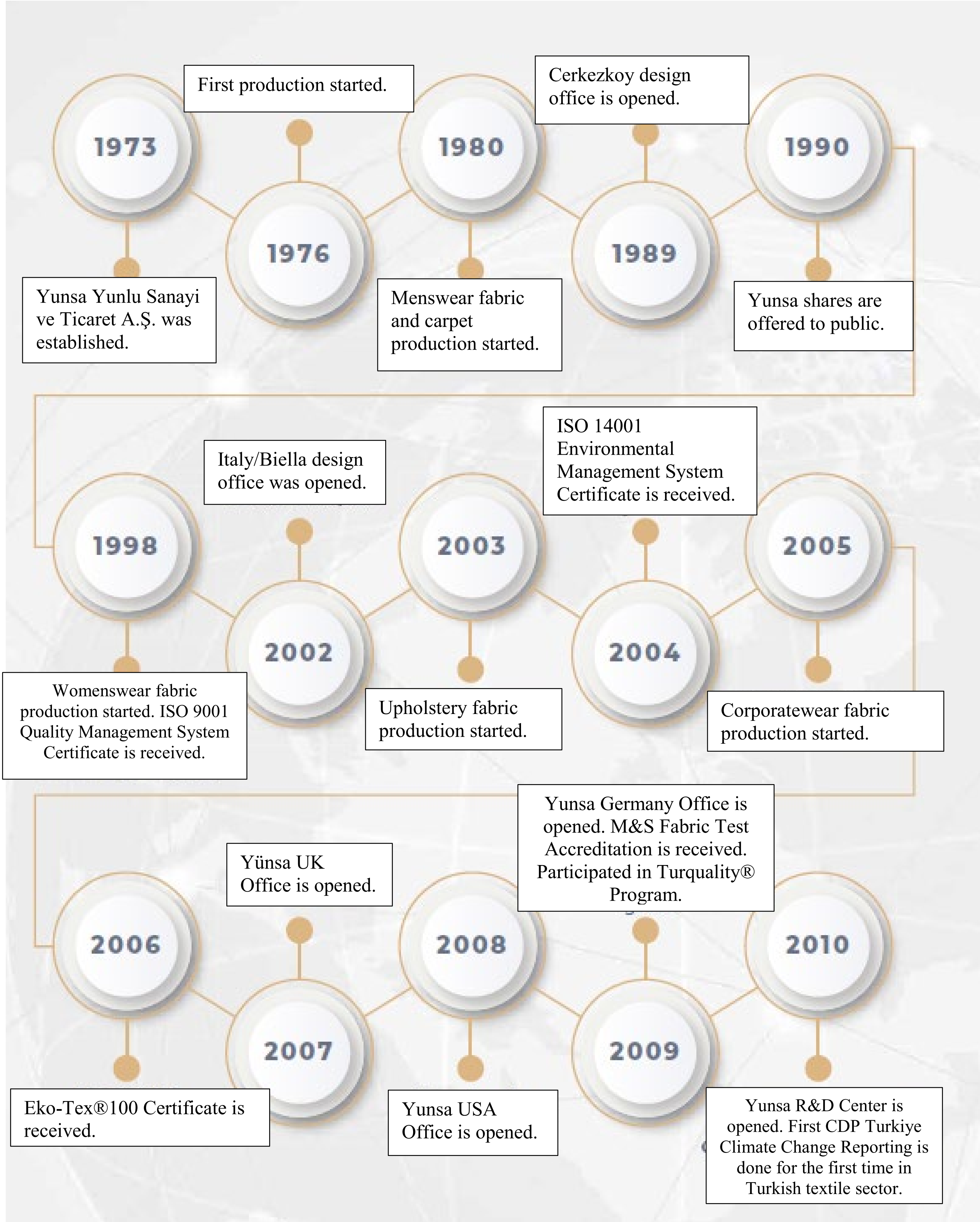
To be a leading organization that is preferred and creates value with pioneering and competitive approaches in different areas of textiles.

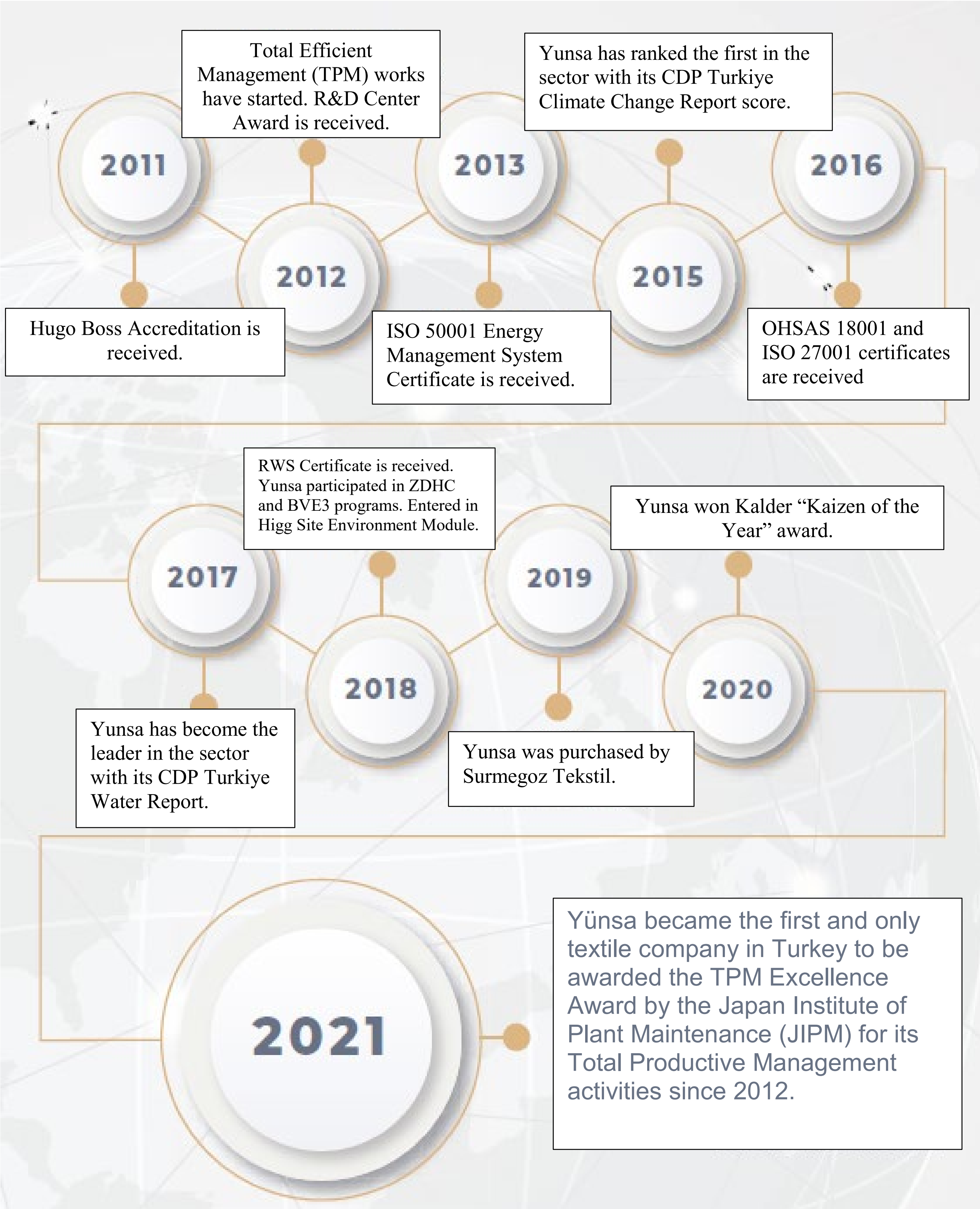
Our Values

- Reliability and Honesty
- Customer Orientation
- Continuous Development and Creativity
- Momentum and Flexibility
- Active Participation
- Teamwork and Collaboration
- Social Responsibility

Activity Report 2021
Yünsa at a glance

Milestones




2011
Hugo Boss Accreditation is received.
2012
Total Efficient Management (TPM) works have started. R&D Center Award is received.
2013
ISO 50001 Energy Management System Certificate is received.
2015
Yunsa has ranked the first in the sector with its CDP Turkiye Climate Change Report score.
2016
OHSAS 18001 and ISO 27001 certificates are received
2017
Yunsa has become the leader in the sector with its CDP Turkiye Water Report.
2018
RWS Certificate is received. Yunsa participated in ZDHC and BVE3 programs. Entered in Higg Site Environment Module.
2019
Yunsa was purchased by Surmegoz Tekstil.
2020
Yunsa won Kalder "Kaizen of the Year" award.
2021
Yünsa became the first and only textile company in Turkey to be awarded the TPM Excellence Award by the Japan Institute of Plant Maintenance (JIPM) for its Total Productive Management activities since 2012.

Message of the Chairman of Board of Directors

Yünsa
continues to lead the industry in 2021 with its commitment to sustainability, strong digital infrastructure, and a vision that prioritizes innovation.

Dear Our Stakeholders,

The global pandemic that has affected all sectors over the past two years has had a profound impact on many dynamics, especially raw materials and supply chains. The supply-demand balance has changed. While this situation led to a contraction in the textile industry, as in many other sectors, it also created new opportunities for our country. In 2021, due to the disruptions in the global supply chain, especially in China and the Far East markets, many buyers preferred to source products from nearby regions, further strengthening Turkey's position as an important textile and apparel exporter, especially to European countries.

In today's rapidly changing market conditions, it has become critical for companies to adapt to the so-called "new normal" and take the necessary actions in a timely manner. In this direction, our company has been implementing restructuring strategies for the past two years with the aim of increasing efficiency in all processes, especially in digitalization and information technologies, and has started to reap the positive results of these efforts and has shown a rising success graph in 2022. Yünsa closed the year with a very successful performance, especially in terms of profitability, by producing and becoming stronger.

As a domestic and national brand of our country, we are among the top five in the world in the production of high-end woolen fabrics, and we continue to be the largest in Europe. Our company proudly represents our country in the world with sustainable products. It also provides strong support to the country's economy with the foreign currency inflow it provides. Delivering its products to more than 400 fashion designers and companies in more than 50 countries globally, Yünsa sets the direction of the fashion and textile world with its innovative products prepared in the light of fashion trends. It reveals its difference with the added value it offers.

Yünsa, which completely reviewed and renewed its management processes, continued to lead its industry in 2021 with its sustainability efforts, strong digital infrastructure and vision that prioritizes innovation. We are leaving behind another year in our success story. With the efforts and contributions of our employees, whom we consider our most valuable asset, I am confident that our Company will continue to multiply its success in both domestic and export markets in the coming period.

I would like to sincerely thank Yünsa employees, who have the biggest share in reaching our current leading position with their devoted work in our journey of nearly half a century, and our valuable stakeholders who support us.

Kindly regards,

Metin Özdemir
Chairman of Board of
Directors

Message of General Manager

As Yünsa, thanks to the successful cost management strategies implemented in 2021, we increased our net profit by 164 percent compared to the previous year to 26 million TL, while our turnover reached 342 million TL.

Dear Our Stakeholders,

While the effects of the COVID-19 pandemic, which caused an unprecedented pause and contraction on a global scale for a long time, continued in 2021, disruptions in the global supply chain were one of the main issues affecting the textile industry. In the second half of the year, while the normalization process gained momentum with the spread of vaccination efforts, new variants and currency fluctuations continued to create uncertainty in the markets.

As an export-oriented company, we took all necessary measures throughout the year to minimize the impact of the uncertain global market environment on our business results. On the one hand, we successfully managed the negative impact of the global supply crisis by implementing the right raw material and inventory management strategies, and on the other hand, we took a series of strategic measures to increase operational efficiency and profitability. As a result of these systematic and focused efforts, we once again demonstrated the strength of our company by closing 2021 with growth despite all uncertainties.

As Yünsa, with successful financial and operational results, we achieved a turnover of TL 342 million in 2021 and increased our net profit by 164% to TL 26 million compared to the previous year. While our gross profit increased by 52% year-on-year to TL 101.5 million, we increased our earnings before interest, taxes, depreciation and amortization (EBITDA) by 75% to TL 66 million. As a result, we improved our gross profit margin by 7 points to 30% and our EBITDA margin to 19%.

As a result of our successful efforts, we are also increasing our brand value. According to the Brand Finance Turkey 100-2021 report published by Brand Finance, one of the world's leading brand valuation and strategy consulting organizations, which evaluates the brands operating in the sector in Turkey, Yünsa increased its brand value by 65.1 percent and became the second most valuable company in Turkey and ranked 89th in the ranking.

As a local brand that exports to more than 50 countries around the world, we proudly represent our country around the world and lead our sector with our export performance and other achievements in the international arena. Setting an example for the sector with its production and management standards, our company received the TPM Excellence Award from Japan's JIPM Institute in February with the Total Productive Management model we have been implementing since 2012, becoming the first and only textile company in Turkey to receive this prestigious award.

In line with the circular economy model we have adopted as a principle, environmentally friendly, sustainable solutions and innovation are always at the center of our production. We are leading the industry in creating a culture of continuous innovation, learning and developing new technologies; we are conducting studies in the field of technical textiles and smart textiles that can support the localization and commercialization of technological knowledge. In 2021, our participation in the Techxtile Innovation League, by being among the 10 most successful companies contributing to the textile industry with our work in R&D and innovation, is an important indicator of our success in this field.

In the coming period, we aim to further increase the global power of our brand by maintaining the growth momentum we have achieved through our strategic moves and investments. In this direction, 2022 will be a year in which we accelerate our investments. We will continue the renewal of our looms, which we started last year. We will also make investments in our dyeing plant that will give Yünsa a competitive edge, increase the efficiency, flexibility and quality of our production processes, reduce our water and energy consumption and increase our level of automation.

We will continue to create value for all our stakeholders and share the value we create together. I have confidence in our company, our know-how and our technological infrastructure, and I believe that we, as Yünsa, will achieve even greater success in the future. I would like to express my gratitude to my colleagues and all our stakeholders who, through their dedicated work and contributions, have always been with us on this journey and have enabled us to look to the future with confidence.

Kindly regards.

Mustafa Sürmegöz
General Manager

Board of Directors

Metin Özdemir

Chairman of Board of Directors

Graduating in 1990 from Istanbul University Faculty of Business Administration, Mr. Özdemir started his professional career at Kuveyt Türk Finans Kurumu A.Ş. in 1992 and continued his career as a manager in the retail sector since 1996. He served as a member of the Istanbul Metropolitan Municipality Assembly between 2004 and 2014. From April 2012 to May 2019, he served as a Board Member, Remuneration Committee Member and Credit Committee Alternate Member at Ziraat Bank. Between 2018 and 2021, he served as the Chairman of the Board of Directors of the Participation Banks Association of Turkey. Mr. Özdemir, who has been serving as a Member of the Board of Directors and Remuneration Committee Member at Ziraat Katılım Bankası A.Ş. since February 2015, was appointed as the General Manager of Ziraat Katılım Bankası A.Ş. in June 2017. Since July 2017, he has also served as the Chairman of the Credit Committee. Mr. Özdemir is also a member of the Board of Directors of Ziraat Participation Bank and Chairman of the Board of Directors of ADFIMI.

Mustafa Sürmegöz

Deputy Chairman of Board of Directors

Mustafa Sürmegöz graduated from Kabataş Boys' High School in 1985 and from Istanbul University Faculty of Business Administration in 1989. After studying foreign languages in London for a while, Mr. Sürmegöz started his career in the textile industry in 1991 and has been working as a senior manager in the woollen fabric market for more than 25 years. In 2019, he established Sürmegöz Tekstil Yatırım A.Ş.; in the same year, the partnership structure of the company became a 50-50 partnership with Ziraat Katılım Bankası. After Sürmegöz Tekstil Yatırım acquired 57.88% of Yünsa's shares in November 2019, Mustafa Sürmegöz assumed the position of deputy chairman of Yünsa's board of directors and has served as Yünsa's general manager since April 24, 2020.

Tahir Demirkıran

Member of Board of Directors

Tahir Demirkıran graduated from Istanbul University, Faculty of Economics, Department of Economics and started his career as Assistant Financial Analysis and Intelligence Specialist at Pamukbank T.A.Ş. in 1995. After working as a Specialist and Credit Service Manager, Mr. Demirkıran served as Financial Analysis and Credit Department Manager, Commercial Branch Manager and Head of Commercial Credits Department at Türkiye Halkbank A.Ş. and as a Board Member at Halk Leasing. In 2015, he served as the Head of Retail Loans Allocation and Management Group at Ziraat Bank. On February 12, 2016, he was appointed as Assistant General Manager of Credit Allocation and Management at Ziraat Katılım Bankası A.Ş.

Temel Tayyar Yeşil

Member of Board of Directors

After graduating from Erciyes University, Faculty of Economics and Administrative Sciences, Department of Economics, Temel Tayyar Yeşil started his career as an Assistant Specialist at Pamukbank T.A.Ş. in 1998. Afterwards, he worked as an officer and manager in the Credits and Project Evaluation departments of Türkiye Halkbank A.Ş. and continued his career as the Manager of Kayseri Commercial Branch between 2010 and 2012. In 2012, he served as the Head of Entrepreneurial Loans Allocation and Management Department at Ziraat Bank and as Regional Coordinator in 2016. Between 2017 and 2022, Mr. Yeşil served as Deputy General Manager of Marketing at Ziraat Kat- lım Bankası A.Ş., and as of January 2022, he continues to serve as Deputy General Manager of Corporate Banking at the same institution.

Board of Directors

Ahmet Cevat Acar

Independent Member of Board of Directors

Prof. Dr. Ahmet Cevat Acar graduated from Atatürk University, Faculty of Business Administration in 1980. He completed his master's degree in Personnel Management and Industrial Relations at Istanbul University, Faculty of Business Administration (IUIF) and his PhD at Istanbul University, Institute of Social Sciences, Department of Business Administration and Personnel Management-Organization. He was appointed as Assistant Professor in 1994, Associate Professor in 1998 and Professor in 2007 in the Department of Human Resources Management at IUIF. In 2012, he was elected as a full member of the Turkish Academy of Sciences (TÜBA). In addition to his academic studies, Prof. Acar has served as a member and executive member of many boards and commissions at universities and various organizations; IUIF Institute of Business Economics Education coordinator, Deputy Director and Board Member; IUIF Faculty and Faculty Executive Board memberships, company board memberships, ÇSGB Occupational Health and Safety and ÇASGEM Advisory Board memberships, TOBB Higher Education Advisory Board Membership, Graduate Program chairmanship. He served as Vice Rector of Istanbul University between 2010 and 2012, and served as President of TÜBA for two terms between 2012 and 2019. Currently, Acar is the Rector of Istanbul Sabahattin Zaim University, and also serves as a member of the Education and Training Policies Board of the Presidency of the Republic of Turkey and a member of the TÜBA Council.

Ahmet Yarız

Independent Member of Board of Directors

He received his bachelor's degree from Istanbul University, Faculty of Business Administration and his master's and doctorate degrees from Marmara University, Institute of Banking and Insurance. He has more than 30 years of working experience in industry, finance and service sectors. In 1988, he worked as an Accounting Assistant at Cicisan Gıda Sanayi A.Ş.; in 1989 as a Financial Analysis Assistant Specialist at Sınai Yatırım Bankası A.O.; between 1989 and 1992 as Project Specialist and Project Chief at Albaraka Türk Katılım Bankası A.Ş.; between 1997 and 2002 as Marketing Chief at Kuveyt Türk Katılım Bankası A.Ş.; between 1995 and 1997 as General Manager at Fırat Plastik A.Ş. A.Ş. between 1995 and 1997, Advisor to the General Manager between 1997 and 2002; Member of the Board of Directors responsible for Risk Management and Internal Audit at Türkiye Vakıflar Bankası A.Ş. in 2003; Board Member at the Savings Deposit Insurance Fund between 2004 and 2006. He served as a Board Member, Credit Committee Member and Audit Committee Member at Halkbank between 2008-2016 and 2018-2019, and also served as Chairman, Vice Chairman and Member of the Board of Directors at the Bank's subsidiaries.

Taha Adnan Sürmegöz

Member of Board of Directors

Taha Adnan Sürmegöz has been serving as a member of the Board of Directors of Yünsa since April 14, 2020.

Senior Management

Mustafa Sürmegöz

General Manager

Mustafa Sürmegöz graduated from Kabataş Boys' High School in 1985 and from Istanbul University Faculty of Business Administration in 1989. After studying foreign languages in London for a while, Mr. Sürmegöz started his career in the textile industry in 1991 and has been working as a senior manager in the woollen fabric market for more than 25 years. In 2019, he established Sürmegöz Tekstil Yatırım A.Ş.; in the same year, the partnership structure of the company became a 50-50 partnership with Ziraat Katılım Bankası. After Sürmegöz Tekstil Yatırım acquired 57.88% of Yünsa's shares in November 2019, Mustafa Sürmegöz assumed the position of deputy chairman of Yünsa's board of directors and has served as Yünsa's general manager since April 24, 2020.

Semih Utku

Finance Director

Semih Utku graduated from the University of Baltimore, Department of Business Administration-Finance in 1986 and started his career at Akçan- sa as Budget and Control Supervisor. He then worked as Financial Analyst, General Accounting and Finance Manager and Finance and Accounting Manager at Dusa Industrial Yarn, a Sabancı-Dupont joint venture, between 1988 and 1999. Mr. Utku joined Yünsa in June 1999 as Assistant General Manager of Financial Affairs and assumed responsibility in the areas of Financial Affairs, Human Resources, Supply Chain and IT. Semih Utku, who was also a member of the executive team as a Board Member at SKT Giyim, a subsidiary of Yünsa, between 2007 and 2010, served as Advisor to the General Manager at Yünsa between 2019 and 2021. Utku, who has more than 30 years of experience in the finance sector, has been appointed as Yünsa Finance Director as of June 2021.

Engin Sarıbüyük

Operations Director

He graduated from Ege University, Department of Textile Engineering in 2004 and completed the Executive MBA program at Sabancı University in 2011. Engin Sarıbüyük joined Yünsa in 2005 and served in various managerial positions in the Yarn Operations Directorate between 2005 and 2011. After serving as Yarn Operations Manager between 2011-2014 and Weaving Operations Manager between 2014-2015, he assumed the positions of Yarn and Weaving Manager together in 2015. Sarıbüyük, who served as Production Group Manager between 2015 and 2017, has been serving as Operations Director since September 2017.

Hakan Konuşkan

Supply Chain Director

Hakan Konuşkan graduated from Boğaziçi University, Department of Industrial Engineering in 1991 and started his career as a Process Control Engineer at Yünsa in the same year. Mr. Konuşkan worked in various positions in the Production Planning department between 1993 and 2013 and assumed the position of Planning Manager between 2013 and 2017. Mr. Konuşkan served as Supply Chain Director between 2017-2019, as a Consultant between 2019-2020, and as Supply Chain Director as of May 2020.

Product Groups

Leading fashion trends with its innovative products developed with a focus on sustainability, Yünsa responds to increasing comfort expectations with highly elastic, functional fabrics, while offering a rich variety of colors and patterns that appeal to all ages and styles.

In addition to creating fashion, Yünsa's basic approach is to breathe new life into fabrics with its innovative approaches. Exporting its products to more than fifty countries, the company diversifies its product portfolio taking into account the differences between continents, closely follows the important fashion trends in America and Europe for all its customers and prepares innovative collections for every need.

Yünsa is the top segment wool fabric supplier preferred by the world's leading brands with its innovative products developed with a focus on sustainability and designs that shape world fashion.

With half a century of experience in the woollen fabric industry, the company carries out all production processes from wool to fabric in its own Çerkezköy factory, which has a modern and technological infrastructure, and offers a wide range of products from men's and women's apparel fabrics to upholstery fabrics. Yünsa's collections, which are developed with 5 main product groups to meet the needs of different customer groups, combine quality, elegance, comfort and functionality with the latest fashion colors and designs.

Premium Fabric

Yünsa Premium collection consists of high quality fabrics made by blending wool, a 100% natural and sustainable raw material, with special natural fibers such as linen, silk and cashmere and enriched with assertive touches.

Yünsa Premium is a vibrant collection with innovative blends, micro-patterns, fine, thick, jaspe, muline with its durable feature, curl and nope effects with its protruding structure, and the qualities it contains have a natural touch with their lycra, elastic, matte appearance.
Yünsa's experienced technical teams provide mechanical stretch properties even to 100% wool fabrics without using elastane.

Today's fashion trends are determined by the preferences of consumers who do not want to sacrifice elegance and comfort. With comfort as the first choice, we are also seeing remarkable changes in style. Launched in 2015, Yünsa Premium Collection Yünsa, which created its premium collection according to these trends, takes its place in the showcases of giant brands with its ambitious designs.

Product Groups

Developed to meet the needs of different customer groups with five main product groups, Yünsa collections offer quality, elegance and comfort together with the latest fashion colors and designs.

Menswear Fabrics

Yünsa is a trend creator as the leader in woolen and worsted fabric production with its men's collection, which is its core business. In addition to fabrics produced from 100% wool in the men's clothing collection, the Company also focuses on innovative blends. In addition to creating different product groups by blending wool with other natural and regenerated cellulosic fibers, the Company also prepares capsule collections by blending it with chemical fibers that provide various functionalities to fabrics. In addition, it creates an easy-to-use wool fabric trend for the end consumer with different finishing applications such as washable, wrinkle-free, natural stretch, anti-odor, oil, water and sweat repellent.

Womenswear Fabrics

Since 1999, Yünsa has added womenswear clothing fabrics to its portfolio and has become one of the leading manufacturers of womenswear clothing with its elegant and exclusive collections that appeal to all ages and styles.

Yünsa's talented and experienced team responds to the ever-increasing comfort expectations with highly elastic, functional fabrics and offers ambitious designs that inspire fashionistas with rich color and pattern options. In the womenswear collections, light weight voile fabrics with a shiny appearance, light weight crepe fabrics with a draped look, seersucker and crinkle fabrics with their embossed and curved looks stand out.

In Yünsa womenswear collection, the fabrics are piece dyed and offered with different types of finishing applications such as water/oil repellent, washable, natural stretch. Benefiting from the capabilities of an integrated production facility, the company offers a wide range of touch options to its customers.

Yünsa continues its research and development activities in line with the expectations and needs of the customers and the industry, and takes firm steps forward in the upholstery fabric sector.

Corporatewear Fabric

Since 2005, Yünsa has added corporatewear fabrics to its portfolio and prepares customized collections with value-added fabrics in each geography to offer the best to its customers. 100% wool, wool/polyester (with/without lycra), wool blends with functional fibers and other wool compositions are offered to the customers with different types of finishing applications such as dyed, piece dyed, water/oil repellent, washable, natural stretch.

Upholstery fabrics

Yünsa started the production of wool blended upholstery fabrics in 2003 and gradually added polyester and recycled polyester qualities to its collections. The company, which continues its research and development activities in line with the expectations and needs of the customers and the sector, is on its way in the upholstery fabric sector.

Yünsa upholstery fabrics are mainly used in furniture, curtains, and decorative and office furniture. Yünsa upholstery fabrics, which are developed and produced to meet the demands for qualified fabrics for use in public areas, are also used in special projects such as hospitals, hotels, cinemas, and airports.

In addition, upholstery fabrics having technical properties such as flame retardant, high strength, and oil and liquid repellent characteristics, oriented to buses, trains, airplanes, and passenger ships and meeting the standards of the sector are produced for the public transportation sector.

Sales and Marketing

Yünsa exports to more than 50 countries through its extensive sales and marketing network consisting of sales offices in the UK, Germany and the USA and agents in different countries around the world.

The sustainable success of Yünsa, which analyzes global fashion trends very well and interprets them according to market needs, is based on the fact that it combines high quality fabrics with original collections created by taking into account customer expectations. Always positioning new generation technologies as a part of its production and creation process, Yünsa has become one of the innovative brands in its sector by producing new generation fabrics with features such as water repellent, UV protection, self-cleaning and natural stretching.

Proudly representing Turkey in world fairs with its unique collections that inspire the industry, Yünsa works with more than 400 customers worldwide and exports to more than 50 countries with its rich collections that meet customer expectations and needs, strong design team and the ability to serve all over the world.

The Company has sales offices in the UK, Germany and the USA, and agencies in Spain, Italy, France, the USA, China, South Korea, Japan, Japan and Canada.

Yünsa stands out from its competitors in the markets in which it operates thanks to its accurate marketing strategies, creative and differentiated product concepts, and fast and agile structure in a global competitive environment with the service it offers with high quality and high capacity without ever lowering standards.

The Company's largest export market is Germany, while Sweden, Italy, the UK, Spain, France, France, the USA, Denmark, Japan, the Netherlands, Israel, China and Ireland are among the important markets where the Company made sales in 2021. In 2021, Yünsa's net sales amounted to TL 342 million.

R&D and Innovation

In today's intensely competitive environment, it has become inevitable to systematically carry out technology and innovation activities and to develop innovative products with high added value in order to reach new markets and new customers. In order to increase its competitive power, improve its leading position in the world textile trade, increase its share in exports and social welfare, Yünsa aims to reach new markets and new customers with fast innovative products with high added value and to continue the adaptation and use of high technology. To this end, Yünsa R&D Center was established in 2010 to carry out R&D projects in coordination with universities and research centers, to create a culture of continuous innovation with its employees, and to lead the way in learning and developing new technologies.

In 2021, Yünsa R&D Center completed its eleventh year of operation and continues to be a motivating force for all stakeholders with its efforts to strengthen Yünsa's competitive structure, increase brand value and solve chronic problems in production processes.

At Yünsa R&D Center, a sustainable, pioneering and creative environment has been created where innovative ideas are transformed into projects with university collaborations in line with company goals. Within the scope of University-Industry Cooperation (USI), Yünsa R&D Center started to sign mutual cooperation protocols in 2014 in order to strengthen and further its cooperation with universities and continued its cooperation protocol activities in 2021. In addition to joint research and development projects, these protocols include open innovation meetings, student internships, laboratory facilities, events, publication subscriptions and technical trips.

In total, a cooperation protocol has been signed with 12 universities, a cooperation protocol with 1 Polymer Technology-Composite Application and Research Center, and an Applied-Internship Training protocol with 1 university.

Yünsa R&D Center, together with universities, creates new job opportunities for SMEs with research-oriented projects that will result in unique products and methods, and contributes to increasing their R&D levels. In addition to SMEs, it also continues its cooperation activities at the global level. Within the scope of national projects supported in 2021, 4 TEYDEB 1501 projects supported by Tübitak were successfully completed in the R&D Center project portfolio and 1 project is on-going.

In 2021, Yünsa joined the Techxtile Innovation League, ranking among the top 10 most successful companies contributing to the textile industry with its successful efforts in R&D and innovation.

Within the scope of internationally supported projects, 1 Horizon2020 and 1 European Union project supported by The European Bank for Reconstruction and Development (EBRD) were successfully completed. Applications for a total of 5 national projects, including 3 Tübitak 2209B and 2 ARDEB 1001 projects, have been made and work is ongoing.

Yünsa R&D Center continued its activities in 2021 with the strategy of transforming the results of its projects into scientific publications. In this context, 4 international papers and 1 international article were published. Yünsa R&D Center continued its patent/utility model studies in 2021 to protect intellectual property rights in its fields of activities. Yünsa, which had 1 patent application for intellectual property in 2020, increased this number to 3 in 2021.

Yünsa continued to offer business opportunities to undergraduate students through cooperation protocols in order to increase public-industry cooperation. In this context, it is ensured that undergraduate students complete their studies by learning the project systematics with Yünsa co-advisors in their graduation theses.

Yünsa R&D Center carries out activities in accordance with the Law No. 5746 on Supporting Research, Development and Design Activities, which supports innovation in products and production processes, improving product quality and standards, increasing productivity, reducing production costs, and commercialization of technological knowledge through R&D and innovation.

In 2021, within the framework of the relevant law, income tax, stamp tax, SSI employer's share, R&D personnel salary and R&D discount incentives were utilized on R&D Center personnel salaries.

Within the scope of the projects carried out at the Yünsa R&D Center, incentives are provided by the Scientific and Technological Research Council of Turkey (TÜBİTAK) and the Ministry of Science, Industry and Technology of the Republic of Turkiye.

Yünsa, leading the industry with successful R&D projects focusing on innovation and technology, had joined the Techxtile Innovation League in 2021, ranking among the top 10 most successful companies contributing to the textile industry with its successful efforts in R&D and innovation.

Developments in 2021

Yünsa increased its brand value by 65 percent
According to the research conducted by Brand Finance, one of the world's leading brand valuation and strategy consulting organizations, Yünsa became the second brand with the highest increase in value in Turkey. Yünsa, which increased its brand value by 65.1 percent in the Most Valuable Top 100 ranking compared to last year, reached a brand value of approximately $17 million.

According to the results of the "Brand Finance Turkey 100-2021" report, Yünsa ranked 89th in the "Most Powerful Brands" ranking in Turkey, moving up 11 places from last year and becoming one of the two textile brands in the top 100.

Mini Eco Fabric Collection with Low Carbon Footprint

In support of Turkey's Circular Economy Platform Turkey Materials Marketplace developed by Sustainable Development Association, Yünsa has launched the project "Development of a Mini Eco Fabric Collection with Low Carbon Footprint by Recycling Fabric Wastes". Within the framework of the project organized with the financial support of the European Bank for Investment and Development (EBRD), recyclable fabrics in 5 different compositions have been developed.

TPM Excellence Award
Setting an example for the sector with its production and management standards, Yünsa won the TPM Excellence Award from the Japan-based JIPM (Japan Institute of Plant Maintenance) Institute with the Total Productive Management (TPM) model it has been implementing since 2012. Yünsa became the first and only textile company in Turkey to receive this prestigious award.

In line with this management model, which covers all blue- and white-collar employees and all activities, Yünsa has been certified to have achieved a wide range of business results covering employee health and safety, production, quality, delivery, maintenance, cost, environment, sustainability and employee morale and motivation, as well as many activities in different fields for cultural transformation in an unprotected manner.

Golden Export Award to Yünsa

Yünsa received the gold award for its export performance in 2020 at the Adding Value to Exports Award Ceremony organized by the Istanbul Textile and Raw Materials Exporters' Association (ITHIB).

Yünsa became the first and only textile company in Turkey to receive the TPM Excellence Award with the Total Productive Management model it has been implementing since 2012.

Yünsa joins Techxtile Innovation League

Yünsa ranked among the top 10 companies in the Techxtile Innovation League with its successful R&D projects focusing on innovation and technology. Returning with an award from the Techxtile Award Ceremony organized with the project partnership of Uludağ Textile Exporters' Association, Uludağ Ready-to-Wear and Apparel Exporters' Association, Bursa Chamber of Commerce, BUTEKOM and BEBKA Development Agency, Yünsa participated in the Techxtile Innovation League by being among the top 10 most successful companies contributing to the textile industry with their successful R&D and innovation projects.

Sustainability Management

At Yünsa, the concept of "sustainability" is understood not only as the creation of economic value for shareholders, but also as the creation of value for all key stakeholders through social and environmental responsibility.

Managing the economic, social and environmental impacts of its activities based on its Code of Ethics since its foundation, Yünsa determines its sustainability strategy with a holistic approach by taking into account the expectations of its key stakeholders beyond its legal obligations.

At Yünsa, the concept of "sustainability" is not only creating economic value for shareholders, but also creating value for all key stakeholders with social and environmental responsibility.

MANAGEMENT STRUCTURE

At Yünsa, the Board of Directors is responsible for all operations of the company. While the General Manager/CEO assumes the role of executive, the Early Detection of Risk Committee has the authority and responsibility to oversee sustainability issues before the Board of Directors.

The Early Detection of Risk Committee (EDRC), which is composed of Board members, reports to the Board of Directors every two months in line with the feedback received from the General Manager. The Board of Directors, RESK and the General Manager together manage the economic performance of the company. In the management of sustainability topics, the General Manager takes the final decisions on targets, actions and necessary investments with the approval of the Board of Directors.

ECONOMIC PERFORMANCE

Yünsa believes that the key to sustainable growth is to share the economic value it creates with all key stakeholders, especially customers, employees and suppliers, as well as its shareholders. Closely following international standards with the aim of achieving sustainable solutions that create value, the Company integrates sustainability into all business processes with its Total Productive Management approach and continues to grow through R&D and innovation efforts.

In 2021, the Company achieved a turnover of TL 342 million and increased its net profit by 164% year-on-year to TL 26 million. In 2021, Yünsa generated a gross profit of TL 101.5 million and EBITDA of TL 66 million, thus increasing its gross profit margin to 30% and EBITDA margin to 19%.

SOCIAL PERFORMANCE

The health, safety and professional development of its employees is at the forefront of Yünsa's social impact. Operating with the goal of zero accidents, the Company considers diversity in human resources as part of its corporate culture and offers equal development and career opportunities to all employees from recruitment to retirement.

Yünsa operates with the priority of providing a working environment where ethical values are kept alive for a sustainable working life, mutual trust is ensured, responsibilities are embraced, achievements are appreciated, diversity and difference are respected, opinions and expectations are taken into consideration, work and private life balance is observed, and policies and practices are carried out beyond legal requirements.

It is essential that all practices regarding employees are carried out in compliance with legal regulations on working life, human rights and ethical values. All employees work voluntarily and without any threat of punishment. Personnel are not forced to work or made indebted.

Employees' rights to organize, unionize and collective bargaining, which are among the most fundamental rights of employees, are respected, and with this understanding, constructive relations based on mutual goodwill are carried out with the union to which employees are affiliated.

It is unacceptable to discriminate against Yünsa employees and candidates for employment based on language, race, color, gender, political opinion, belief, religion, sect, age, physical disability and similar reasons.

Yunsa Germany Office is opened. M&S Fabric Test Accreditation is received. Participated in Turquality® Program.

All employees of the Company are provided equal opportunities without discrimination in accordance with the constitution and all relevant laws. An Ethics Committee Advisor is available for employees to consult and receive support on all matters related to discrimination and harassment.

Yünsa is committed to fighting gender discrimination and striving to include female employees in the workforce. In 2021, the ratio of female employees in the company will be 33%.
Yünsa, which also takes initiatives to support social solidarity and cooperation in the regions where it operates, donated a total of TL 5,308 to the Tema Foundation in 2021 for employees in departments without work accidents for more than 1000 days. The long-standing practice of My First Bag from Yünsa for children starting primary school continued in 2021. The Innovative Productive Generations Association (YÜNDER), which was established with the support of Yünsa employees and provides scholarships to its scholarship recipients, paid a total of TL 92 thousand in scholarship payments to 26 students in the 2020-2021 academic year. In the 2021-2022 academic year, the activities of the association continue with 24 scholarship students.

ENVIRONMENTAL PERFORMANCE

With the aim of minimizing the negative impacts of its operations on the environment, Yünsa supports environmental sustainability through the projects it develops and the standards it implements in the areas of energy, waste, emission, emission, water and natural resource use. In this context, ISO 14001 Environmental Management System and ISO 50001 Energy Management System are implemented at Yünsa Çerkezköy Plant; the environmental impacts of the facility are evaluated and measures are taken to reduce or eliminate these impacts.
Investments are made in clean technologies and waste recycling practices that will continuously increase energy and water efficiency and gradually reduce emissions and other wastes at source.

Energy, Natural Resources and Raw Materials Management

The textile industry is among the sectors with high energy and water consumption.
In order to optimize the use of natural resources and reduce negative impacts on the environment, the Company carries out various efficiency projects and aims to reduce the energy and water intensity per meter of fabric produced.

Due to the high global warming potential of wool, sustainable material is one of the most important topics for Yünsa. The stage of wool production that has the main impact on climate change is the raw material stage due to methane gas emission. For this reason, efforts are made to reduce the ratio of raw materials used with recycled wool materials.

With Global Recycled Standard (GRS) and Recycled Claim Standard (RCS) certificates, recycled materials used in the end product are monitored and verified throughout the supply chain. In addition, with the Responsible Wool Standard (RWS) certificate, which sets standards for animal welfare and good management of the land on which animals graze, priority is given to wool procurement from farms that are certified to produce with respect for animal rights.

In line with its understanding of production that protects nature, Yünsa attaches importance to presenting products produced by consuming less natural resources and using recycled materials in its collections.

In collaboration with Unifi, one of the world's most efficient recycling companies, special REPREVE® fiber blends are produced from recycled plastic bottles. To date, more than 147 thousand kilograms of REPREVE® fiber have been used in the Yünsa collections, and approximately 8.7 million plastic bottles have been transformed into fabric. In total, 283,530 kilowatt hours of energy and 746,243 liters of water have been saved. In other words, energy savings equivalent to the one-year electricity consumption of 83 households or water savings equivalent to the one-year drinking water needs of 1,022 people were achieved.

Waste Management

Yünsa's waste policy is to minimize the impact of waste by controlling its harm to the environment and human health from the generation stage. Yünsa adopts a holistic and sustainable approach with its zero waste management system. Instead of traditional waste management designed for a linear economy, the company develops methods that benefit the circular economy by saving resources and energy. At the factory, waste generated by departments, including production and offices, is reduced at the source, recovered and disposed of without harming the environment. In addition, process waste from the production process that meets quality standards is recycled and used as raw materials.

Within the framework of the projects implemented in 2021, approximately 153 kg of metal waste was recycled annually by redesigning the metal waste generated as a result of changing the roller shafts and apron cages used in the finisher machines in the yarn preparation department due to deformation over time in the mechanical workshop of the factory, saving over 200,000 TL. In addition, in order to reduce the amount of water used for wetting the wooden cylinders in the dinging machine in the finishing department, a pool system was built to recirculate the water coming from the sprinklers, thus reducing the daily water consumption from 50 tons to 500 liters.

Other Sustainability Works

Sustainable Apparel Coalition Higg Index Environmental Management Module (SAC Higg Index FEM)

Yünsa uses the Higg Index Facility Environment Module (FEM) developed by the Sustainable Apparel Coalition (SAC), a platform established for sustainable production, where member brands, retailers and manufacturers in the sector transparently share their best practices. This module is a control system that measures and reports the environmental sustainability performance of businesses; data entry on the management of the environment, energy, water, wastewater, emissions, waste and chemicals, followed by on-site audits.

Zero Discharge of Hazardous Chemicals (ZDHC)

Chemicals used throughout the factory are managed in accordance with the list of restricted chemicals (MRSL) in line with the Zero Discharge of Hazardous Chemicals (ZDHC) program.
Prohibited chemicals are not used in production processes and close cooperation is maintained with suppliers in this regard.

Carbon Disclosure Project (CDP)

Yünsa demonstrated its sensitivity to climate change and became the first company in the Turkish textile industry to report on Climate Change within the scope of the Carbon Disclosure Project. Through CDP reporting, the Company discloses its greenhouse gas emissions and water management to the entire public with a transparent approach.

Oeko-Tex 100 Standard

The Oeko-Tex® 100 Standard is a globally standardized testing and certification system for raw materials, intermediate and finished products in all stages of processing related to textile products. Yünsa, which wants to provide its customers with products without health problems, renewed its Oeko-Tex® 100 certificate in 2021 and obtained the Oeko-Tex-re-cycle® 100 certificate, which covers recycled product content to ensure the traceability of recycled products.

Occupational Health and Safety

Beyond ensuring full compliance with legal regulations and standards regarding occupational health and safety risks, Yünsa shapes its OHS activities by taking into account the best practices in the sector and around the world.
The Company establishes measurable targets for occupational health and safety, regularly reviews the realization of these targets and continuously improves its management systems in line with its performance in this area.

Yünsa aims to implement and develop preventive Occupational Health and Safety systems in all of its activities carried out within the framework of the sustainability principle and to make this a lifestyle for everyone. Within the scope of the company's Occupational Health and Safety activities, which are among the primary sustainability issues of the company, Yünsa has successfully completed the transition to ISO 45001 Occupational Health and Safety Standard and has become one of the leading organizations in the Turkish textile industry in this field.

In production and field teams, daily field meetings, speeches and focus group studies are held in production areas with the participation of field employees in order to ensure that occupational safety responsibility is assumed and disseminated by field employees. In addition to continuously improving the work on Occupational Health and Safety and ensuring that the activities carried out within this framework are the joint responsibility of all employees, an award-winning card notification system is implemented to receive feedback from field employees when they see an accident risk or experience a near-miss.
In addition to its own employees, Yünsa prioritizes the accident-free work of all persons working on behalf of the company, such as subcontractors, visitors, interns, apprentices, etc., and aims to manage a solid-based relationship with all our stakeholders. In order to prevent the recurrence of internal incidents that threaten the safety of life and property, such as illness, injury, fire, etc., each case is investigated and analyzed, and preventive plans are prepared for each finding.

Emergency Response Team (ADME) and first aid teams have been established within the Company to support search, rescue, fire and spill response efforts in emergencies. Members of ADME and first aid teams receive refresher trainings in accordance with legal regulations. In addition, the Company conducts drills and preventive studies on emergency prevention and emergency management every year. Yünsa has taken a proactive approach to combat the COVID-19 pandemic, which has been affecting the whole world since 2020, and has carried out studies to reduce the risk of contamination in its facilities.

In this context, a Covid-19 Safe Production Certificate was obtained from the Turkish Standards Institute; awareness training on social distancing, masks and hygiene was organized; audit programs were developed; and appropriate physical preparations were made at the facility. All Yünsa employees were vaccinated against Covid-19 and the semi-remote working system was continued for certain positions in order not to disrupt business continuity.

In occupational health and safety practices, one of the most important tools of the approach to prevent occupational accidents is training activities.

Yünsa aims to implement and develop preventive Occupational Health and Safety systems in all its activities and to make it a lifestyle for everyone.

As part of the measures to combat COVID-19, OHS training, which was previously conducted as classroom training, has been moved to an online platform since 2020, and 12 hours of mandatory OHS training are provided to all employees through this platform. In 2021, Yünsa had no occupational accidents resulting in death, loss of limb or serious injury, and no cases of occupational diseases were reported. A total of 2 accidents that resulted in lost work days occurred during the year, accident analyses were conducted, and necessary actions were taken to prevent the recurrence of these accidents. After closing 2021 with a record of 491 accident-free working days, Yünsa aims to achieve 1000 accident-free working days throughout the factory.

Human Resources

With the awareness that employees are the most important asset in Yünsa's sustainable success, the Company's main goal is to create and disseminate a participatory, sharing, entrepreneurial culture that values diversity and creativity through solutions and practices that address the current and future needs of the organization.

The vision of making Yünsa a preferred and enjoyable place to work for current and potential employees is achieved by providing employees with a purpose and the opportunity for self-realization, providing a continuous learning and development environment, creating a positive climate that makes them feel valued, and having Human Resources practices that will provide a unique employee experience.

All Human Resources processes and activities are carried out in parallel with and supportive of the Company's strategies, sustainability and business goals.

The Company's long-term strategies and targets are translated into operations and performance is monitored through a balanced scorecard approach. Individual performance management ensures that the company's goals are communicated to employees, that employees are evaluated based on accurate and objective criteria, that they are motivated to produce results and that a culture of continuous development is established.

The recruitment process aims to recruit the most qualified candidates who will carry the company into the future, who have corporate values and who are best suited for the job.

The career planning and succession process identifies potential employees, provides them with the necessary professional knowledge, skills and development opportunities, and plans to prepare them for tasks that require more responsibility.

This strengthens critical positions in the organization and ensures sustained performance. Recognition, appreciation and reward systems are implemented to highlight and encourage achievements, behaviors and efforts that contribute to the achievement of the Company's goals and to increase motivation and loyalty to the Company. A compensation and benefits system is implemented to attract qualified employees to the Company and to reward our employees in accordance with the responsibilities they assume and the value they add to the Company.

In order to ensure employee participation and to learn about their perceptions and opinions on company practices, communication environments are provided where they can easily participate, and practices are reviewed with the feedback provided by employees. In this way, the aim is to identify and capitalize on areas of strength, identify areas for improvement, and ensure improvements through the implementation of action plans to be created for development.

Collective Bargaining Applications

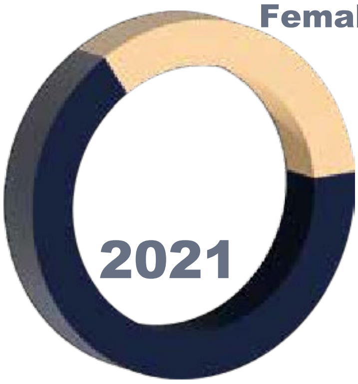
There is a XXVth Term Group Collective Bargaining Agreement between the Turkish Textile Industry Employers' Union (TTSİS), to which Yünsa is affiliated, and the Turkish Textile Knitting and Clothing Industry Workers' Union (TEKSİF), to which its employees are affiliated, which will be valid between 01.04.2019-31.03.2022.

Rights and Benefits Provided to Personnel and Workers

As part of the job evaluation and compensation policy, Yünsa employees are offered various benefits such as base salary, bonus, performance-based variable premium, private health insurance, employer contribution to private pension plan, accident and life insurance.

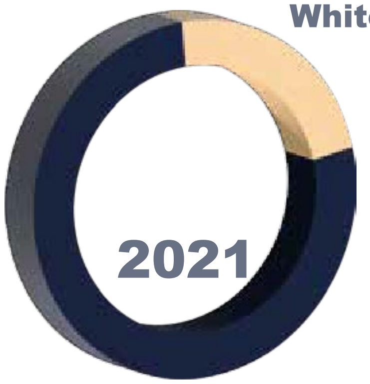
In addition, depending on their position, employees are provided with vehicles and mobile communication facilities. Employees who are members of a trade union receive wages, rights and benefits within the framework of the collective bargaining agreement.

%33
Female



%67
Male

%23
White-collar



%77
Blue-collar

No. of workers

Scope	Gender	2018	2019	2020	2021
Blue-collar	**Male**	598	629	597	450
	Female	259	278	265	215
White-Collar	**Male**	145	150	138	132
	Female	81	81	80	71
Total		**1,083**	**1,138**	**1,080**	**868**

Educational Status

Educational Status	2018	2019	2020	2021
Bachelor's, Master's and PhD	155	158	145	135
Vocational School	41	45	43	37
Vocational High School, High School and Below	887	935	892	696
Total	**1,083**	**1,138**	**1,080**	**868**

Continuous Development Activities

Human Resources and Organizational Development activities carried out within the framework of the Company's strategies and targets aim to standardize and continuously improve employees, processes and systems, and to support sustainable business results.

Organizational Development activities, which are based on continuous development, are structured under four main headings: Leadership, Talent, Professional and Personal Development.

Long-term development programs (schools) carried out to support strategic priorities and development programs for target employee groups aim to contribute to the development of knowledge, skills and competencies at the corporate level.

The "Operator Continuous Development School", which is conducted to improve operator competencies, includes a full-time technical instructor practice. In this framework, it is aimed to continuously improve operator knowledge and skill levels and to provide operators with multiple skills through job-specific continuous development activities for targeted areas. Operator development levels can be monitored on the ERP system and individual development needs can be differentiated.
Operator competency levels and performance realizations are correlated and activities are carried out within the continuous development cycle.

In the development activities carried out with the awareness that the most important value is "our employees", the Internal Training School aims to support employee development and motivation along with the effective use of internal resources.

In 2019, with the gamification-based New Generation Orientation Program "Yünsa Maceram", a new generation learning program supported by different tools and aiming to enrich the employee experience was put into practice.

In addition to the Vocational Internship and Apprenticeship programs, the "First Step to the Future" program for university students offers successful university students the opportunity to complete a three-month project-based internship. In this way, young talents are given the opportunity to experience the business environment through real activities, and the recruitment of young talents to the company is supported.

Efficiency management system practices based on the Total Productive Management (TPM) model, which is based on continuous improvement, management systems activities referencing ISO standards, process management studies and system development are structured under Corporate Development activities.

Yünsa holds ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety System, ISO 27001 Information Security Management System and ISO 50001 Energy Management System certifications within the scope of ISO standards.

Yünsa has been implementing the Total Productive Management model since 2012, carrying out systematic activities to reduce losses, increase productivity, and develop a culture of continuous improvement.

In 2020, employees contributed to and participated in the activities carried out with a matrix organizational structure through activities such as carding the non-conformities they noticed in their areas, conducting S/S Kaizen studies, making individual suggestions, and implementing improvement projects for losses.

5S studies are conducted at production sites and offices to carry out intensive activities to improve the sites. Process management activities aim to improve process performance with processes whose elements are defined, standardized, and free of inefficiencies. Employees who participate in continuous improvement activities will be rewarded through recognition, honor and reward practices.

In 2020, an average of 31 hours of training per employee was provided through numerous development activities tailored to different development needs.

Declaration of Compliance with Corporate Governance Principles

Yünsa Yünlü Sanayi ve Ticaret A.Ş. has complied with the "Capital Markets Board Corporate Governance Principles" in the "Corporate Governance Communiqué" numbered II-17.1 published by the Capital Markets Board (CMB) in the Official Gazette dated January 3, 2014 and numbered 28871 for the accounting period between January 1, 2021 and December 31, 2021.

Yünsa has adopted the principle of complying with the Corporate Governance Principles published by the Capital Markets Board and the 4 principles of corporate governance based on transparency, fairness, responsibility and accountability.

Yünsa's 'Declaration of Compliance with Corporate Governance Principles' for 2021 has been prepared in accordance with the new format in the Capital Markets Board's bulletin dated 27.01.2014 and numbered 2014/2.

Yünsa has taken the necessary steps in line with the Corporate Governance Principles and has shown that it is aware of its responsibility towards all its shareholders and all stakeholders with all the activities it has carried out so far and its determination to comply with the Corporate Governance Principles, The Company, together with all its employees and senior executives who are aware of the contributions provided to the Company by the adoption of Corporate Governance Principles within the Company, has made it a goal to further improve compliance with the Corporate Governance Principles, has taken the necessary care to comply with the compulsory/non-compulsory regulations in the Corporate Governance Principles in 2021, and has presented these issues in detail in the 'Declaration of Compliance with Corporate Governance Principles' and "Corporate Governance Information Form" published on the website of the Public Disclosure Platform (www. kap.org.tr) on March 24, 2022 for the information of shareholders and stakeholders in detail.

Company Operations and Significant Developments Regarding Operations

The Company's operations and significant developments regarding the operations are briefly described below, and detailed information is also provided in the footnotes of the Company's Explanatory Report on the Condensed Consolidated Financial Statements for the period January 1 - December 31, 2021.

Developments in Investments

The total values of domestic and imported goods incentivized investments made during the reporting period based on the number of investment incentive certificates received from the General Directorate of Incentive Implementation and Foreign Capital under the Ministry of Industry and Technology of the Republic of Turkey are as follows.

In 2021, there was an investment of USD 15,975 for Investment Incentive Certificate No. 501148 and USD 35,620 for Investment Incentive Certificate No. D - 122455, but there was no investment for Investment Incentive Certificate No. B - 122715. Completion visas for investment incentive certificates numbered B-122715 and D-122455 were made in 2022.

In addition, new investment incentive certificates numbered 532045 and 531161 were obtained in December 2021, and no investment was made in the relevant year based on these certificates. Total investment expenditures in 2021 amounted to TL 8,350,314.

Internal Control and Internal Audit

The Company has an Internal Audit Department that conducts audits, investigations and reviews to protect the rights and interests of the Company and to provide recommendations against internal and external risks. In accordance with the principle of independence, the Internal Audit Department reports directly to the Audit Committee, which is composed of independent members of the Board of Directors, and performs the duties assigned to it by the Board of Directors under the existing Internal Regulations of the Audit Committee.

The internal control mechanism is the responsibility of senior management and is regularly reviewed by the Company's Internal Audit Department. The duties of the Internal Audit Department are to check the reliability and accuracy of the financial statements of the Company and its subsidiaries, to ensure that the activities are carried out in accordance with the laws and the Company's accepted ethical rules, to analyze the processes in order to increase the effectiveness and efficiency of operations, to identify existing and potential risks and to provide assurance that these risks are reduced to a reasonable level, and to check whether the activities within the enterprise are carried out in accordance with the predetermined standards, policies and objectives.

Information on Subsidiaries and Share Ratios

Yunsa Germany Gmbh

The name of Exsa Deutschland GmbH, which is 100% owned by Yünsa, has been changed to Yunsa Deutschland GmbH as of 2009. The company was established to organize and carry out marketing and sales activities in and around Germany.

Yunsa UK Ltd.

Yunsa UK Ltd, in which Yünsa has a 100% shareholding, was established in 2007 in Leeds, England for the sales and marketing activities of Yünsa products.

Yunsa Italia S.R.L.

Yunsa Italia S.r.l., in which Yünsa has a 100% shareholding, serves as a fabric design office in Biella, Italy.

Yunsa USA Inc

The name of the company, in which Yünsa has a 100% shareholding, was changed to Yunsa USA Inc. in 2009.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. Istanbul Ataturk Airport Free Zone Branch

Yünsa Yünlü Sanayi ve Ticaret A.Ş. Istanbul Atatürk Airport Free Zone Branch was registered at the Istanbul Trade Registry Office on August 28, 2008 and has been operating since then.

Information on Significant Ongoing Lawsuits Filed Against the Company and Their Possible Consequences

During the reporting period, there were no lawsuits filed against the Company that could significantly affect the Company's financial position and operations.

Information on Significant Administrative Sanctions and Penalties Imposed on the Company and the Members of the Board of Directors Due to Practices Contrary to the Provisions of the Legislation

During the reporting period, there were no administrative and judicial sanctions imposed on the Company and the members of the Board of Directors due to practices contrary to the provisions of the legislation.

Information on the Transactions of the Members of the Board of Directors with the Company on Their Own Behalf or on Behalf of Others within the Framework of the Permission Granted by the General Assembly of the Company and Their Activities within the Scope of Non-Competition

The Chairman and the members of the Board of Directors have been authorized by the Annual General Meeting to carry out transactions in accordance with Articles 395 and 396 of the Turkish Commercial Code. During the reporting period, the members of the Board of Directors of the Company did not enter into any transactions with the Company and/or did not participate in any companies that could be competitors in the same fields of activity.

Donations

During the period January 1 - December 31, 2021, donations amounting to TL 5.308 were made.

Information on the Company's Own Shares Acquired

The Company has not acquired any of its own shares.

Privileged Shares, Voting Rights of Shares

According to the Company's Articles of Association, shareholders are entitled to one vote for each share at the General Assembly meetings and there are no privileges in voting rights. Shareholders exercise their voting rights in proportion to the total nominal value of their shares in accordance with Article 434 of the Turkish Commercial Code.

Issued Capital Market Instruments, if any

Between January 1 - December 31, 2021, there are no capital market instruments issued.

Amendments to the Articles of Association During the Period

For the period January 1 - December 31, 2021, no amendments were made to the Articles of Association.

Information on Private Audit and Public Audit

During the period January 1 - December 31, 2021, there was no private or public audit in our Company.

Independent Audit Company

At the Ordinary General Assembly Meeting dated March 29, 2021, in line with the proposal of the Audit Committee and the recommendation of the Board of Directors, our shareholders approved PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi as the independent audit company to audit the financial reports of the Company for the fiscal year 2021 and to carry out other activities within the scope of the relevant regulations in these laws in accordance with the principles set out in the Turkish Commercial Code No. 6102 and the Capital Markets Law No. 6362.

Other Matters

The Company's targets and performance in 2021 will be discussed at the Ordinary General Assembly to be held during the year, and information and evaluations regarding the Company and the market in which it operates will be shared with our shareholders.

Pursuant to Article 199 of the TCC No. 6102, information on all purchases, sales and other transactions of Yünsa Yünlü San. ve Tic. A.Ş. with its subsidiaries, controlling company and subsidiaries of the controlling company.

The transactions are in line with the controlling company disclosures in the relevant articles of the TCC No. 6102 and there is no loss incurred due to its inclusion in the group of companies.

In the Report dated 10.03.2022 prepared by the Board of Directors of Yünsa Yünlü Sanayi ve Ticaret A.Ş., it is stated that Yünsa Yünlü San. ve Tic. A.Ş. with its subsidiaries, controlling company and affiliates of the controlling company in 2021, it has been concluded that all necessary legal actions have been taken and measures have been taken within the scope of the responsibilities specified in Article 199 of the TCC No. 6102 and assigned to the Board of Directors.

In accordance with the decision of the Capital Markets Board dated 10.01.2019 and numbered 2/49, the Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) templates were published on the PDP platform on 24.03.2022.

https://www.kap.org.tr/tr/Bildirim/1012732

and

https://www.kap.org.tr/tr/Bildirim/1012735

Financial Rights Provided to Members of the Board of Directors and Senior Executives

Detailed information on the financial benefits provided to board members and senior executives is provided in Note 5 of the explanatory report on the Company's Condensed Consolidated Financial Statements for the period January 1 - December 31, 2021.

Remuneration Policy for Members of the Board of Directors and Senior Executives

This policy document defines the remuneration systems and practices of our Board Members and senior executives who have administrative responsibilities within the scope of CMB regulations.

A fixed salary is determined at the Ordinary General Assembly Meeting to be valid for all members of the Board of Directors.

Executive members of the Board of Directors are paid within the scope of the policy determined for senior executives as detailed below.

Payment plans based on the Company's performance cannot be used in the remuneration of Independent Board Members.

Members of the Board of Directors are paid on a pro-rata basis, taking into account the time they have been in office as of their appointment and resignation dates. Expenses incurred by the members of the Board of Directors due to their contributions to the Company (transportation, telephone, insurance, etc. expenses) may be covered by the Company.

The remuneration of senior executives consists of two components: fixed and performance-based.

Our remuneration policy is organized and implemented in line with the main objectives of fair, objective, high performance-appreciating, competitive, rewarding and motivating criteria.

The main objectives of our remuneration policy are to make remuneration by emphasizing the concepts of job size, performance, contribution to work, knowledge/skills and competencies, to motivate employees and increase their loyalty by ensuring intra-company and inter-company wage balance and competitiveness in the market, and to recruit the workforce with the appropriate competencies that will enable our Company to achieve its goals.

The Job Family Model that we have implemented within our Company defines the roles in the organization, examples of basic responsibilities, performance indicators, knowledge/skills/experience and competencies, and our remuneration policy is based on an objective system based on our Job Family Model.

The purpose of the Variable Remuneration management, which is also implemented in our Company, is to encourage our employees to show superior performance by rewarding success and to establish a goal-oriented performance culture in our Company in order to support our company to realize its budget targets and to achieve business results above its targets.

In order to support salary management with additional benefits, "fringe benefits" are considered as an important part of total reward management. The fringe benefits we provide as a company are in line with market conditions, competitive and fair.

Risks and Assessment of the Governing Body

Risk assessment and internal control mechanisms are implemented at all levels of the company.

With the understanding that risks bring opportunities and with the aim to manage these risks in the most effective way, Corporate Risk Management is implemented in the company. Yünsa Corporate Risk Management is a planned, harmonized, consistent and continuous process that is structured within the company in order to identify and implement the measures and strategies to be taken against the factors that constitute threats and opportunities in achieving the company's goals.

The Company's risks are monitored using key risk indicators defined by the Company. These indicators are continuously monitored and periodically reported. The Company takes the necessary measures to manage the risks indicated by the key risk indicators. The Board of Directors is periodically informed about these risks through the Early Detection of Risk Committee.

The Company acts in accordance with its risk management policy, which defines roles and responsibilities and creates a common language that illustrates the Company's risk management approach, strategies, methods and approaches. As part of this policy, the Company has established a Risk Management Department to better identify, measure and manage its risks.

Within the framework of the policies, standards and procedures approved by the Board of Directors, the Risk Management Department, with the full support and responsibility of the Board of Directors and with the active participation of the Company's employees, shall continue its activities in identifying the Company's major and critical risks, working with the risk owners to make recommendations for mitigating, eliminating or transferring such risks, monitoring the action plans of the functions, conducting studies to determine the Company's risk appetite and monitoring that the risks are managed within the framework of this appetite.

The Company has an Internal Audit Department that conducts audits, investigations and reviews to protect the rights and interests of the Company and to develop recommendations against internal and external risks.

In accordance with the principle of independence, the Internal Audit Department reports directly to the Audit Committee, which is composed of independent members of the Board of Directors, on a regular basis within the organizational structure of the Company and fulfills the duties assigned to it by the Board of Directors within the framework of the existing Internal Regulations of the Audit Committee.

The internal control mechanism is the responsibility of senior management and is regularly reviewed by the Company's Internal Audit Department.

The duties of the Internal Audit Department are to verify the reliability and accuracy of the financial statements of the Company and its subsidiaries, to ensure that activities are conducted in accordance with the laws and the Company's accepted ethical rules, to analyze processes to increase the effectiveness and efficiency of operations, to identify existing and potential risks and to ensure that these risks are reduced to a reasonable level, and to verify that activities within the Company are conducted in accordance with established standards, policies and objectives.

Auditor's Report on the Early Detection of Risk System and Committee

To the Board of Directors of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

1. We have audited the early detection of risk system and committee established by Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("the Company").

Responsibility of the Board of Directors

2. Pursuant to paragraph one of Article 378 of the Turkish Commercial Code No. 6102 ("TCC"), the Board of Directors is responsible for establishing a specialized committee, operating and improving the system for the purposes of early identification of causes that jeopardize the existence, development and continuity of the Company, applying the necessary measures and remedies in this regard, and managing the risks.

Responsibility of the Auditor

3. Our responsibility is to reach a conclusion on the early detection of risk system and committee based on our audit. Our audit was conducted in accordance with the Turkish Commercial Code, the "Principles Regarding the Auditor's Report on the Early Detection of Risk System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority and ethical rules.

Our responsibility is to reach a conclusion on the early detection of risk system and committee based on our audit. Our audit was conducted in accordance with the Turkish Commercial Code, the "Principles Regarding the Auditor's Report on the Early Detection of Risk System and Committee" issued by the Public Oversight Accounting and Auditing Standards Authority and ethical rules.

Information on the Early Detection of Risk System and Committee

4. The Company has established an early detection of risk system and committee and the committee consists of 2 members. The Committee has submitted its reports to the Board of Directors for the period January 1 - December 31, 2021 for the purpose of early identification of causes that jeopardize the existence and development of the Company, applying the necessary measures and remedies in this regard, and managing the risks.

Conclusion

5. As a result of our audit, we have concluded that Yünsa Yünlü Sanayi ve Ticaret A.Ş.'s early detection of risk system and committee are adequate in all material respects in accordance with Article 378 of the TCC.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Gökhan Yüksel, SMMM
Responsible Auditor
Istanbul,
March 1, 2022

Committees and Policies

Audit Committee

The Audit Committee consists of two persons who do not directly perform executive functions, are independent Board Members and have sufficient knowledge and experience in financial matters. At the meeting of the Board of Directors held on November 26, 2019, Ahmet Cevat Acar, an independent member of the Board of Directors, was elected as the Chairman and Ahmet Yarız, an independent member of the Board of Directors, was elected as a member. The term of office of the members of the Committee is the same as the term of office of the members of the Board of Directors of the Company.

The Chairman and the member of the Audit Committee are appointed by the Board of Directors. The Internal Audit Department of the Company shall act as the Rapporteur of the Audit Committee. The Rapporteur shall be appointed by the Chairman of the Audit Committee.
The Board of Directors shall provide the Audit Committee with the necessary resources and support to carry out its work.

The role of the Audit Committee is to inform the Board of Directors about the functioning and effectiveness of the Company's accounting, financial reporting, public disclosure of financial information, independent auditing and internal control systems, and to support the Company's efforts to comply with applicable laws and regulations, in particular capital market legislation, corporate governance principles and the Company's Code of Ethics, and to perform its oversight function with respect to the aforementioned matters. The Audit Committee reviews internal audit reports, approves the audit calendar and reports to the Board on the truth and accuracy of the financial statements to be disclosed to the public.

The Audit Committee submits to the Chairman of the Board of Directors its activities, findings and recommendations in relation to its duties and responsibilities.

The Audit Committee shall meet at least four times a year, at least once every three months, at the Company's headquarters or at such other location as may be determined by the Chairman of the Audit Committee.
The Committee may be convened for an extraordinary meeting by the Chairman or the Committee Chairman. It may hold meetings with the auditors and management with a special agenda.

Corporate Governance Committee

The Corporate Governance Committee consists of three members within the Company. At the November 26, 2019 Board of Directors Meeting, Independent Board Member Ahmet Yarız was elected as the Chairman and Board Members Tahir Demirkıran and Fahri Çelik were elected as members. On 08.05.2020, Güneş Gonca Yıldırım was elected to replace Fahri Çelik, who resigned as a member of the Corporate Governance Committee, in accordance with the criteria determined within the scope of the Capital Markets Board's "Corporate Governance Communiqué" numbered II-17.1. The term of office of the Committee members is in parallel with the term of office of Yünsa Yünlü Sanayi ve Ticaret A.Ş. Board Members.

The purpose of the Corporate Governance Committee is to make recommendations to the Board of Directors of the Company in order to ensure compliance of the Company's corporate governance principles with the internationally accepted corporate governance principles determined by the CMB, to formulate recommendations to ensure the realization and implementation of these principles, to monitor the Company's compliance with these principles and to carry out improvement studies on these issues.

The Committee determines whether the Corporate Governance Principles are being implemented in the Company, if not, the reasons thereof and the conflicts of interest arising from the failure to fully comply with these principles, and makes recommendations to the Board of Directors to improve corporate governance practices. The Committee also fulfills the duties of the Nomination Committee and the Remuneration Committee as specified in the Corporate Governance Principles.

The meeting agenda is determined by the Committee Chairman. Members and shareholders notify the Chairman of the Corporate Governance Committee through the rapporteurs of the issues they wish to be included in the agenda.

Meetings are held at least four times a year at a place and date deemed appropriate by the Chairman. At the beginning of each year, the annual meeting schedule of the Corporate Governance Committee is determined by the Chairman of the Committee and announced to all members. The Governance Committee puts all its activities in writing and keeps a record of them, and submits reports containing all information about its activities and the results of its meetings to the Board of Directors. Persons deemed appropriate by the Chairman may attend the meetings.

The Board of Directors of the Company shall provide all necessary resources and support for the Committee to fulfill its duties.

Early Detection of Risk Committee

The Early Detection of Risk Committee has been established by the Board of Directors for the purpose of early detection of all types of strategic, operational, financial and other risks that may jeopardize the existence, development and continuity of Yünsa Yünlü Sanayi ve Ticaret A.Ş., taking the necessary measures and remedial actions in this regard and managing the risks.

The Chairman of the Early Detection of Risk Committee shall be appointed by the Board of Directors of the Company from among the independent members. The Committee shall consist of at least one member elected by the Board of Directors, excluding the Chairman. At the meeting of the Board of Directors held on November 26, 2019, independent director Ahmet Yarız was elected as the Chairman of the Committee and director Temel Tayyar Yeşil was elected as a member of the Committee. The term of office of the members of the Committee is the same as the term of office of the members of the Board of Directors of the Company.

The Early Detection of Risk Committee works to identify risks that may jeopardize the existence, development and continuity of the Company, to establish crisis prevention models and management systems, to identify and detect risks, to take necessary measures against risks and to manage risks.

It reviews the risk management systems at least once a year and oversees that the practices related to risk management are carried out in accordance with the decisions of the Committee.

The agenda of the meetings is set by the Chairman of the Committee. The Board and the Committee members shall inform the Committee Chairman of the items they wish to be included on the agenda. The Committee may invite such managers as it deems necessary to attend its meetings and obtain their views.

Policies

Detailed information on the following Company policies can be found on the Company's corporate website (www.yunsa.com) under Investor Relations > Corporate Governance.

Donation and Aid Policy	https://www.yunsa.com/files/document/594-bagis-ve-yardim-politikasi.pdf
Notification Policy	https://www.yunsa.com/files/document/606-bilgilendirme-politikasi.pdf
Human Resources Policy	https://www.yunsa.com/files/document/619-insan-kaynaklari-politikasi.pdf
Profit Distribution Policy	https://www.yunsa.com/files/document/599-kar-dagitim-politikasi.pdf
Anti-Bribery and Anti-Corruption Policy	https://www.yunsa.com/files/document/603-rusvet-ve-yolsuzlukla-mucadele-politikasi.pdf
Sustainability Policy	https://www.yunsa.com/files/document/2767-surdurulebilirlik-politikasi.pdf
Remuneration Policy	https://www.yunsa.com/files/document/620-ucretlendirme-politikasi.pdf
Sustainability Framework Compliance Report	https://www.yunsa.com/files/document/2768-surdurulebilirlik-uyum-raporu.pdf

Ordinary General Assembly Agenda

1. Opening and formation of the Meeting Presidency,
2. Reading and discussion of the Board of Directors' Annual Report for 2021,
3. Reading and discussion of the Auditor's Report for the fiscal year 2021,
4. Reading, discussion and approval of the financial statements for the fiscal year 2021,
5. Informing the General Assembly about the donations made by the Company in 2021,
6. Release of the members of the Board of Directors for the activities of 2021,
7. Determining the utilization method of the profit for 2021 and the rates of profit and dividends to be distributed,
8. Discussing and resolving on the amendment of Articles 4, 9, 12 and 19 of the Company's Articles of Association pursuant to the permission obtained from the Capital Markets Board and the Ministry of Trade,
9. Election of the members of the Board of Directors and determination of their terms of office,
10. Determination of the remuneration of the members of the Board of Directors,
11. Election of the auditor,
12. Determining the limit of donations to be made by the Company in 2022,
13. Granting permission to the Chairman and Members of the Board of Directors to carry out the transactions specified in Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and closing.

Proposal of Board of Directors on Dividend Distribution

MEETING MINUTES OF THE BOARD OF DIRECTORS OF YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş.

MEETING

Venue	: General Directorate Meeting Hall
Date	: March 10, 2022
Time	: 11:30
Resolution No.	1180

PARTICIPANTS

Metin ÖZDEMİR	: Chairman of the Board of Directors
Mustafa SÜRMEGÖZ	: Deputy Chairman of the Board of Directors
Tahir DEMİRKIRAN	: Member of the Board of Directors
Temel Tayyar YEŞİL	: Member of the Board of Directors
Taha Adnan SÜRMEGÖZ	: Member of the Board of Directors
Ahmet Cevat ACAR	: Member of the Board of Directors-Independent
Ahmet YARIZ	: Member of the Board of Directors-Independent

AGENDA:

1. Discussing and resolving on the 2021 Profit Distribution Table and the profit distribution proposal to be submitted to the Ordinary General Assembly Meeting of our Company dated April 14, 2022

DISCUSSION AND DECISION:

1. At the end of the discussion, it was unanimously resolved to approve the Profit Distribution Table for the year 2021. According to our consolidated financial statements for the accounting period 01.01.2021 - 31.12.2021, prepared by our Company in accordance with the Capital Markets Board's Communiqué Serial (II - No. 14.1) "Communiqué on Principles Regarding Financial Reporting in Capital Markets" and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., "Net Period Profit" amounting to TL 26,397,450.97 was obtained when "Deferred Tax Income" and "Period Tax Expense" are taken into consideration together.

According to the Legal Accounting Records for the accounting period 01.01.2021-31.12.2021, which are kept within the scope of the provisions of the Tax Procedure Law (TPL) and in accordance with the Uniform Chart of Accounts ("Accounting System Implementation General Communiqué") published by the Ministry of Finance, "Net Distributable Profit for the Period" amounting to TL 6,656,559.26 was calculated after the "Period Tax Expense" was allocated.

It is unanimously decided to distribute the Net Distributable Period Profit for 2021 amounting to TL 26,397,450.97 calculated in accordance with the CMB Legislation as follows,

First dividend	: 1.458.000,00 TL
Second dividend	: 23.042.000,00 TL
Total Gross Profit Share	: 24.500.000,00 TL
General Legal Reserves (2nd Order))	: 2.304.200,00 TL
Extraordinary Reserves	: 10.658.156,00 TL

As a result of the dividend distribution according to the above principles,

- According to our consolidated financial statements for the accounting period 01.01.2021 - 31.12.2021, TL 15,739,294.97 of the gross dividend of TL 24,500,000.00 to be distributed to the shareholders shall be covered from the Net Distributable Period Profit, TL 777,450.00 from Retained Earnings and TL 10,287,455.03 from Extraordinary Reserves,

- Considering our legal records, out of the gross dividend of TL 24,500,000.00 to be distributed to the shareholders; TL 6,656,559.26 from the Net Distributable Period Profit, TL 356,999.00 from Retained Earnings, TL 2,774,790.94 from special funds and TL 17,015,850.80 from Extraordinary Reserves,

Thus, it has been unanimously resolved to submit for the approval of the Ordinary General Assembly to be held on April 14, 2022, the issue of distributing a total of TL 24,500,000.00 in cash from the profit of 2021 to the shareholders representing the capital of TL 29,160,000.00, at the rate of 84.02% (Gross) and 75.62% (Net) depending on their legal status, as of April 19, 2022.

Metin Özdemir Chairman of the Board of Directors	**Mustafa Sürmegöz** Deputy Chairman of the Board of Directors	**Temel Tayyar Yeşil** Member	**Tahir Demirkıran** Member

Taha Adnan **S** **ü** **rmegöz**
Member

Ahmet Cevat Acar
Independent Member

Ahmet Yarız
Independent
Member

2021 Dividend Distribution Table

Yünsa UK Office is opened.

1. PAID/ISSUED CAPITAL	**29.160.000,00 TL**
2. General Legal Reserves (According to Legal Records)	**13.028.322,81 TL**
If there is a privilege in dividend distribution in accordance with the articles of association, information on such privilege	**None**

		According to CMB	According to Legal Records (LR)
3.	**Period Profit**	**19.328.866,00 TL**	**9.884.539,99 TL**
4.	**Taxes (-)**	**-7.068.584,97 TL**	**3.227.980,73 TL**
5.	**Net Period Profit (=)**	**26.397.450,97 TL**	**6.656.559,26 TL**
6.	**Previous Years' Losses (-)**	**0,00 TL**	**0,00 TL**
7.	**General Legal Reserves (-)**	**0,00 TL**	**0,00 TL**
8.	**NET DISTRIBUTABLE PERIOD PROFIT (=)**	**26.397.450,97 TL**	**6.656.559,26 TL**
9.	Donations made during the year (+)	0,00 TL	0,00 TL
10.	**Net Distributable Profit for the Period Adding Donations**	**26.397.450,97 TL**	**6.656.559,26 TL**
11.	**First Dividend to Shareholders**	**1.458.000,00 TL**	
	-Cash	1.458.000,00 TL	
	-Free of charge	0,00 TL	
	-Total	1.458.000,00 TL	
12.	Dividends Distributed to Preferred Shareholders	0,00 TL	
13.	**Other Distributed Profit Share**	**0,00 TL**	
	- To the Member of Board of Directors,	0,00 TL	
	- To the workers,	0,00 TL	
	- Persons Other Than Shareholders,	0,00 TL	
14.	Dividends Distributed to Beneficial Shareholders	0,00 TL	
15.	**Second Dividend to Shareholders**	**23.042.000,00 TL**	
16.	**General Legal Reserves**	**2.304.200,00 TL**	
17.	Status Reserves	0,00 TL	
18.	Special Reserves	0,00 TL	
19.	**EXTRAORDINARY RESERVES**	**10.658.156,00 TL**	
20.	**Other Resources Proposed to be Distributed**	**11.064.905,03 TL**	**20.147.640,74 TL**
	- Undistributed Retained Earnings	777.450,00 TL	356.999,00 TL
	- Special Funds (**)		2.774.790,94 TL
	- Extraordinary Reserves	10.287.455,03 TL	17.015.850,80 TL
	- Pursuant to the Law and Articles of Association	0,00 TL	0,00 TL
	- Distributable Other Reserves	0,00 TL	0,00 TL

(**) Corporate income corresponding to the corporate tax exemption related to the sale of land was realized in 2014.

TOTAL DIVIDENDS DISTRIBUTED			TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
	CASH (TL)	FREE OF CHARGE (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
GROSS	24,500,000.00	-	368.06	0.8402	84.02
NET*	22,050,000.00	-	331.25	0.7562	75.62

* Net calculation is based on the assumption of 10% income tax withholding.

Independent Auditor's Report on the Annual Report of the Board of Directors

To the General Assembly of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

1. Opinion

We have audited the annual report of Yünsa Yünlü Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") for the period January 1 - December 31, 2021.

In our opinion, the financial information provided in the annual report of the Board of Directors and the analysis made by the Board of Directors of the Group's position using the information provided in the audited consolidated financial statements are consistent, in all material respects, with the audited full set of consolidated financial statements and the information obtained during the audit and give a true and fair view.

2. Basis for Opinion

We conducted our audit in accordance with Standards on Independent Auditing ("SIA") which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under these standards are described in detail in the "Independent Auditor's Responsibilities for the Independent Audit of the Annual Report" section of our report. We are independent of the Group in accordance with the Code of Ethics for Independent Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to our audit. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and regulations. We believe that the independent audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Our Opinion on the Full Set of Consolidated Financial Statements

We have expressed an unqualified opinion in our auditor's report dated March 1, 2022 on the Group's consolidated financial statements for the period January 1 - December 31, 2021.

4. Responsibility of the Board of Directors for the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code No. 6102 ("TCC") and Capital Markets Board's ("CMB") Communiqué No. II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué"), the Group management is responsible for the following in relation to the annual report:

a) It shall prepare the annual activity report within the first three months following the balance sheet date and submit it to the General Assembly.

b) The Group prepares its annual report in such a manner as to present fairly, in all material respects, the business and financial position of the Group for the year. This report evaluates the financial position in accordance with the financial statements. It also includes a fair review of the development and performance of the business and the position of the Group, together with a description of the risks to which the Group is exposed. The Board of Directors' assessment of these matters is also included in the report.

c) The annual report also includes the following:

− Significant events that occurred after the end of the fiscal year,

− Company's research and development activities,

− Financial benefits such as salaries, premiums, bonuses, allowances, travel, accommodation paid to board members and senior executives and representation expenses, in-kind and in-cash facilities, insurances and similar guarantees.

While preparing the annual report, the board of directors also takes into account the secondary legislation regulations issued by the Ministry of Trade and related institutions.

5. Independent Auditor's Responsibility for the Independent Audit of the Annual Report

Our aim is to express an opinion, in accordance with the provisions of the TCC and the Communiqué, on whether the financial information provided in the annual report and the assessments made by the Board of Directors using the information provided in the audited financial statements are consistent with the Group's audited consolidated financial statements and the information obtained during the independent audit and presented fairly, and to prepare a report including our opinion.

We conducted our audit in accordance with ISAs. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial information in the annual report and the Board of Directors' discussions using the information in the audited financial statements are free from material misstatement and consistent with the consolidated financial statements and the information obtained during the audit.

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Gökhan Yüksel, SMMM
Responsible Auditor
Istanbul, March 1, 2021

Declaration of Responsibility

Statement of Responsibility Regarding the Financial Statements, Annual Report and Corporate Governance Report between January 1, 2021 and December 31, 2021

Date of Resolution: March 1, 2022
No. of Resolution: 1178

The financial statements for the period 01.01.2021 - 31.12.2021 prepared by our Company in accordance with the Communiqué on Principles Regarding Financial Reporting in Capital Markets (Communiqué) numbered II-14.1 of the Capital Markets Board (CMB) and in compliance with the Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the financial reporting formats determined by the CMB and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik AŞ (PricewaterhouseCoopers International) and the consolidated statement of financial position, statement of income, statement of comprehensive income, statement of cash flows and statement of changes in shareholders' equity (collectively, the "Financial Statements") and the Annual Report and the Corporate Governance Reports consisting of the Corporate Governance Compliance Report (CRF) and the Corporate Governance Information Form (CGIF) prepared in accordance with the Capital Markets Board's (CMB) decision dated 10.01.2019 and numbered 2/49 have been submitted for our review and pursuant to Article 9 of the Communiqué; we submit:

a) That the Financial Statements, Annual Report and Corporate Governance Reports have been examined by us,

b) Within the framework of the information we have within the scope of our duties and responsibilities at the Company, that the Financial Statements and Annual Report and Corporate Governance Reports do not contain any misrepresentation of the facts on material issues or any omissions that may be construed as misleading as of the date of the disclosure,

c) That within the framework of the information within the scope of our duties and responsibilities in our company;

- - The Financial Statements prepared in accordance with TAS/TFRS as per the Communiqué, together with those included in the scope of consolidation, give a true and fair view of the Company's assets, liabilities, financial position and profit and loss
- - The Annual Report prepared in accordance with the Communiqué honestly reflects the development and performance of our Company and its financial position, together with those in the scope of consolidation, together with the significant risks and uncertainties it faces
- - We hereby submit for public information that the Corporate Governance Reports provide our stakeholders with sufficient information about our corporate governance practices in line with the criteria set forth in the CMB's Corporate Governance Principles and related regulations, and we declare that we are responsible for the disclosures made.

Kindly regards,

Ahmet Cevat ACAR	**Ahmet YARIZ**	**Semih UTKU**
Chairman of the Audit Committee	Member of the Audit Committee	Financial Affairs Director

Financial Statements and Independent Audit Report

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

A. Independent Audit of Consolidated Financial Statements

1. Opinion

We have audited the consolidated financial statements of Yünsa Yünlü Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 at December 31, 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

2. Basis of Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the "Independent 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 (including Independence Standards) ("Code of Ethics") issued by POA and the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Code of Ethics and regulations issued by POA. We have fulfilled our other ethical responsibilities in accordance with the Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. Key Audit Issues

Key audit missuesatters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. Key audit issues 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 those issues.

Key Audit Issues	**The Way How the Audit Addresses the Issue**
Recording revenue The Company has generated revenue of TL 341,540,179 for the period from January 1, 2021 to December 31, 2021. As stated in Note 2.4 "Summary of Significant Accounting Policies", revenue is recognized when (or as) the performance obligation is fulfilled by the transfer of control over the products sold to customers. Revenue represents one of the most significant amounts in the Group's income statement and is an important aspect of our audit procedures because it has a significant impact on the Group's key performance indicators. The Group's sales consist primarily of sales of woven fabrics and apparel. The Group's sales are recognized periodically at the invoiced value on the date of delivery. For the reasons stated above, the recognition of these sales is a significant matter for our audit. The basis of accounting is disclosed in note 2.4 and note 18.	During our audit, we performed the following procedures in relation to revenue recognition - Evaluating whether the accounting policies are consistent with TFRS and applied consistently from period to period, - Performing inquiries of the Company's management to understand the Company's performance in the industry in which it operates and its plans for the future, taking into account the effects of the Covid 19 outbreak, and evaluating the statements made in the context of macroeconomic data, - Analyzing significant changes and trends by examining monthly sales breakdowns, taking into account data from previous years, - Compare and reconcile invoices received from customers with sales quantities and prices in the system, - Performing detailed tests to compare the consistency of items recognized as revenue with the terms and conditions of the customer contracts to which they are linked, and testing reconciliations on a sample basis, - Performing detailed tests to ensure that transactions recognized as revenue before and immediately after the accounting period are recognized in the correct period in accordance with the principle of periodicity, As a result of our work, we did not identify any significant findings in the audit procedures performed in relation to revenue recognition.

4. Management's and Senior Management's Responsibilities for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRSs 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.

5. Independent Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

In an independent audit, we, the independent auditors, have the following responsibilities:

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also consider:

• 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 due to fraud is higher than the risk of not detecting a material misstatement due to error, as fraud can involve collusion, forgery, intentional omission, misrepresentation or violation of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the independent auditor's report. However, future events or circumstances 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 segments 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 are also solely responsible for our audit opinion.

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

We have communicated to those charged with governance that we comply with the ethical requirements regarding independence. We have also communicated to those charged with governance all relationships and other matters that may reasonably be thought to bear on our independence, and the steps we have taken, if any, to address those threats.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in our audit of the consolidated financial statements of the current period, and are therefore key audit matters. We may decide not to disclose a matter in our auditor's report if the matter is not permitted by law or in very exceptional circumstances where the adverse consequences of disclosure could reasonably be expected to outweigh the public interest in disclosure.

B. Other Liabilities Arising from Legislation

1. In accordance with paragraph 4 of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"), nothing has come to our attention that may cause us to believe that the Company's bookkeeping activities for the period January 1 - December 31, 2021 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2. Pursuant to subparagraph 4 of Article 402 of the TCC, the Board of Directors provided us with the necessary explanations and submitted the required documents within the scope of audit.

3. Pursuant to subparagraph 4 of Article 398 of the TCC Pursuant to paragraph 4 of Article 398 of the TCC, the Auditor's Report on the Early Detection of Risk System and Committee was submitted to the Company's Board of Directors on March 1, 2022.

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

Gökhan Yüksel,
CPA Responsible Auditor

Istanbul, March 1, 2022

YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş.
AND ITS SUBSIDIARIES

CONVENIENCE TRANSLATION INTO ENGLISH OF
CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2021

YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2021

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated)

		Current Year	Prior Year
		(Audited)	(Audited)
	Notes	31 December 2021	31 December 2020
Assets			
Current assets		**291,956,792**	**228,588,959**
Cash and cash equivalents	4	21,809,211	68,708,259
Trade receivables	6	100,853,547	37,483,610
- Trade receivables from third parties	*6*	*100,853,547*	*37,483,610*
Other receivables	7	1,251,212	1,556,515
- Other receivables from third parties	*7*	*1,251,212*	*1,556,515*
Inventories	8	150,811,947	108,997,736
Prepaid expenses	9	8,903,939	2,726,618
Other current assets	16	8,326,936	9,116,221
- Other current assets from third parties	*16*	*8,326,936*	*9,116,221*
Non-current assets		**99,899,626**	**95,362,651**
Property, plant and equipment	10	48,278,171	54,095,150
Right of use assets	10.1	4,406,233	5,682,323
Intangible assets	10.2	22,899,523	23,098,402
Prepaid expenses	9	24,940	43,143
- Prepaid expenses to third parties	*9*	*24,940*	*43,143*
Deferred tax asset	23	24,290,759	12,443,633
Total assets		**391,856,418**	**323,951,610**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(Amounts expressed inTurkish Lira ("TRY"), unless otherwise indicated)

	Notes	Current Year (Audited) 31 December 2021	Prior Year (Audited) 31 December 2020
Liabilities			
Total short term liabilities		**228,855,033**	**148,543,598**
Short-term borrowings	12	115,922,267	98,246,321
- Short term borrowings from related parties	*5*	*20,248,722*	*24,344,671*
- Bank loans	*5.12*	*11,991,532*	*16,768,933*
- Other short term borrowings	*5*	*8,257,190*	*7,575,738*
- Other short term liabilities to third parties	*12*	*95,673,545*	*73,901,650*
- Bank loans	*12*	*93,715,278*	*72,271,934*
- Lease borrowings	*12*	*1,958,267*	*1,629,716*
Trade payables	6	83,611,010	37,114,827
Trade payables to third parties	*6*	*83,611,010*	*37,114,827*
Payables related to employee benefits	15	6,719,393	2,908,394
Current income tax liability	23	3,047,274	--
Short-term Provisions	16	7,017,691	5,774,914
- Provision for Employee Benefits	*16*	*5,040,464*	*5,312,130*
- Other provisions	*16*	*1,977,227*	*462,784*
Deferred income (Except obligations arising from customer contracts)	7	12,180,577	4,177,473
- Deferred income from third parties	*7*	*12,180,577*	*4,177,473*
Other short term liabilities	16	356,821	321,669
- Other short term liabilities to third parties	*16*	*356,821*	*321,669*
Total long term liabilities		**62,611,439**	**76,339,823**
Long term borrowings	12	33,298,627	55,030,801
- Long term borrowings from related parties	*5*	*21,543,904*	*40,956,234*
- Bank loans	*5*	*2,085,674*	*13,374,533*
- Other long term borrowings	*5*	*19,458,230*	*27,581,701*
- Other long term liabilities to third parties	*12*	*11,754,723*	*14,074,567*
- Bank loans	*12*	*9,249,930*	*10,000,000*
- Lease borrowings	*12*	*2,504,793*	*4,074,567*
Long term provisions	15	29,312,812	21,309,022
- Long term provisions for the employee benefits	*15*	*29,312,812*	*21,309,022*
Total equity		**100,389,946**	**99,068,189**
Share capital	17	29,160,000	29,160,000
Adjustment to Share Capital	17	30,657,866	30,657,866
Share premium (discounts)		92,957	92,957
Other comprehensive income and expenses not to be reclassified to accumulated profit or loss	17	(12,175,329)	(5,805,532)
Other comprehensive income and expenses to be reclassified to accumulated profit or loss	17	9,152,935	3,858,832
- Foreign currency translation differences	*17*	*9,152,935*	*3,858,832*
Restricted profit reserves	17	16,326,616	28,487,872
Prior years profits		777,450	2,602,356
Net profit for the current year	24	26,397,451	10,013,838
Total liabilities and equity		**391,856,418**	**323,951,610**

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in of Turkish Lira ("TRY"), unless otherwise indicated)

	Notes	Current Year (Audited) 1 January 2021- 31 December 2021	Prior Year (Audited) 1 January 2020- 31 December 2020
Revenue	18	341,540,179	297,670,488
Cost of sales	18	(240,057,846)	(231,022,040)
Gross profit from trade operations		**101,482,333**	**66,648,448**
General administrative expenses	19	(13,092,412)	(11,140,538)
Marketing expenses	19	(25,121,415)	(31,733,294)
Research and development expenses	19	(2,805,644)	(2,546,500)
Impairment loss on / (reversal) of trade receivables	6	1,771,566	(2,213,521)
Other operating income	20	40,495,944	37,302,652
Other operating expenses	20	(52,479,640)	(32,855,620)
Operating profit		**50,250,732**	**23,461,627**
Income from investment activities	20	1,313,305	8,321,839
Finance incomes	22	1,636,665	903,376
Finance expenses	22	(33,871,836)	(19,788,097)
Profit before tax from continuing operations		**19,328,866**	**12,898,745**
Tax (expense)/income from continuing operations	23	**7,068,585**	**(2,884,907)**
Tax (expense)/ income for the period	23	(3,186,091)	-
Deferred tax (income)/benefit	23	10,254,676	(2,884,907)
Profit for the year from continuing operations		**26,397,451**	**10,013,838**
Profit/(loss) for the year		**26,397,451**	**10,013,838**
Distribution of profit/(loss)			
Equity holders of the parent		**26,397,451**	**10,013,838**
Earnings per share	24	**0,0091**	**0,0034**

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

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Amounts expressed in of Turkish Lira ("TRY"), unless otherwise indicated)

	Notes	Current year (Audited) 1 January 2021- 31 December 2021	Prior year (Audited) 1 January 2020- 31 December 2020
Profit for the period		**26,397,451**	**10,013,838**
Other comprehensive income not to be reclassified to profit or loss		**(6,369,797)**	**135,995**
Defined benefit plans remeasurements gains/(losses)	15	(7,962,247)	169,994
Taxes on other comprehensive income items not to be reclassified in profit or loss		**1,592,450**	**(33,999)**
- Deferred tax (expense)/income	23	1,592,450	(33,999)
Other comprehensive income/(expense) to be reclassified to profit or loss		**5,294,103**	**1,512,120**
Other comprehensive income (expense) related to cash flow hedges		**-**	**-**
- Gain (loss)on cash flow hedges		-	-
Foreign currency translation differences	17	**5,294,103**	**1,512,120**
- Gain (losses) from foreign currency translation differences		5,294,103	1,512,120
Taxes on other comprehensive income items to be reclassified in profit or loss		**-**	**-**
- Deferred tax (expense) income		-	-
OTHER COMPREHENSIVE INCOME (LOSS)		**(1,075,694)**	**1,648,115**
TOTAL COMPREHENSIVE INCOME (LOSS)		**25,321,757**	**11,661,953**
Distribution of total comprehensive income			
Equity holders of the parent		**25,321,757**	**11,661,953**

The accompanying notes are integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in of Turkish Lira ("TRY"), unless otherwise indicated)

					Other comprehensive income /(expense) not to be reclassified to profit or loss	Other comprehensive Income/(expense) to be classified to profit and					
	Notes	Paid in Capital	Inflation adjustment	Share premium	Remeasurement earnings/(losses) in the defined retirement plans	Foreign currency translation diff.	Hedging reserve gains / (losses)	Restricted reserves	Retained earnings/ (accumulated deficit)	Net profit(loss) for the period	Total equity
As at 1 January 2020	**17**	**29,160,000**	**30,657,866**	**92,957**	**(5,941,527)**	**2,346,712**	**-**	**26,662,966**	**-**	**5,035,564**	**88,014,538**
Transfers		-	-	-	-	-		1,824,906	2,602,356	(4,427,262)	-
Total comperensive income		-	-	-	135,995	1,512,120	-	-	-	10,013,838	11,661,953
Profit for the year		-	-	-	-	-	-	-	-	*10,013,838*	*10,013,838*
Other comperensive income		-	-	-	*135,995*	*1,512,120*	-	-	-	-	*1,648,115*
Dividend		-	-	-	-	-	-	-	-	(608,302)	(608,302)
Balances as at 31 December 2020	**17**	**29,160,000**	**30,657,866**	**92,957**	**(5,805,532)**	**3,858,832**	**-**	**28,487,872**	**2,602,356**	**10,013,838**	**99,068,189**
As at 1 January 2021	**17**	**29,160,000**	**30,657,866**	**92,957**	**(5,805,532)**	**3,858,832**	**-**	**28,487,872**	**2,602,356**	**10,013,838**	**99,068,189**
Transfers		-	-	-	-	-	-	-	10,013,838	(10,013,838)	-
Total comperensive income		-	-	-	(6,369,797)	5,294,103	-	-	-	26,397,451	25,321,757
Profit for the year		-	-		-	-	-	-	-	*26,397,451*	*26,397,451*
Other comperensive income		-	-	-	*(6,369,797)*	*5,294,103*	-	-	-	-	*(1,075,694)*
Dividend		-	-	-	-	-	-	(12,161,256)	(11,838,744)	-	(24,000,000)
Balances as at 31 December 2021	**17**	**29,160,000**	**30,657,866**	**92,957**	**(12,175,329)**	**9,152,935**	-	**16,326,616**	**777,450**	**26,397,451**	**100,389,946**

The accompanying notes are integral part of these consolidated financial statements.

YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated)

	Notes	Current Period (Audited) 31 December 2021	Prior Period (Audited) 31 December 2020
Cash flows from operating activities			
Profit for the period	24	26,397,451	10,013,838
Adjustment to reconcile net profit			
Adjustments related to depreciation and amortization	21	15,384,846	13,997,480
Adjustments for impairment(reversal) of inventories	8	1,831,699	1,292,419
Adjustments for (reversal of) provision related to employee benefits	15.16	4,227,711	6,595,540
Adjustments related to interest income / participation share	22	(1,636,665)	(960,318)
Adjustments related to interest expenses / participation share	22	7,886,914	9,791,677
Adjustments related to tax (income)/expense	23	(7,207,402)	2,884,907
Adjustments for loss (gains) on sale of property, plant and equipment	16.18	(1,313,305)	(8,321,839)
Adjustments for fair value loss (gains) of derivative financial instruments		-	(2.683.700)
Adjustments for unrealized foreign exchange losses		57,587,572	7,967,156
Other adjustments	10.1.10.2	1,224,579	1,760,049
Adjustments for impairment (reversal) of receivables	6	(1,771,566)	2,213,521
Adjustments for (reversal of) provision related with legal case	16	1,514,443	(508,360)
Other adjustments related to profit/loss reconciliations		10,700,320	(7,819,294)
Changes in working capital		**114,826,597**	**36,223,076**
Adjustments for decrease (increase) in trade receivables		(61,545,167)	61,675,372
Adjustments for (increase) decrease in inventories		(43,426,784)	1,091,076
Decrease (increase) in the prepaid expenses		(6,159,118)	1,289,980
Adjustments for decrease (increase) in the trade payables		46,403,496	(49,889,618)
Increase (decrease) in other operating payables to unrelated parties		(10,807,441)	5,488,961
Cash inflows/outflows from derivative assets and liabilities		-	2,683,700
Adjustments for decrease (increase) in employee benefits		3,810,999	(3,243,602)
Cash inflows/outflows from deferred income (Except obligations arising from customer contracts)		8,038,256	1,605,130
Cash flows from activities		**51,140,838**	**56,924,075**
Provisions paid related to employee benefits	15	(4,457,834)	(1,858,364)
Tax refunds/payments	23	54,903	112,934
Net Cash Generated From Operating Activities		**46,737,907**	**55,178,645**
Cash flows from investing activities			
Cash outflow from purchase of intangible assets	10.2	(6,368,863)	(6,877,967)
Cash outflow from purchase of property, plant and equipment	10	(2,392,639)	(19,199,994)
Cash inflow due to the sale of tangible assets		1,313,305	9,139,272
Cash inflow / outflow due to the government incentives	10.2	411,188	219,920
Net cash used in investment activities		**(7,037,009)**	**(16,718,769)**
Cash flows used in financing activities			
Cash in from loans	12	149,436,160	266,111,916
Cash out from loans	12	(204,330,445)	(237,801,481)
Cash outflows from factoring transactions	12	-	(5,366,418)
Dividend paid (-)	12	(24,000,000)	(608,302)
Interest / participation share paid	12	(10,101,578)	(9,599,664)
Interest / participation share received	22	1,636,665	903,376
Cash flows from financing activities		**(87,359,198)**	**13,639,427**
Effect of foreign exchange-rate changes on cash and cash equivalents		759,252	4,848,315
Net increase on cash and cash equivalents		(47,658,300)	52,099,303
Cash and cash equivalents at the beginnin of the period	4	68,708,259	11,760,641
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**4**	**21,809,211**	**68,708,259**

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

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("The Company") and its subsidiaries (will be together referred as "The Group"). Yünsa Yünlü Sanayi ve Ticaret A.Ş. is the parent company, which owns/controls the majority of the shares, consist of four subsidiaries.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. was established in 21 June 1973 for the manufacturing, marketing and selling wool textile products. The main shareholder of the Company is Sürmegöz Tekstil Yatırım A.Ş. The shares of the Company and its main shareholder are quoted on Borsa İstanbul A.Ş. and traded in the national market. The share transfer agreement regarding the sale of all TRY16,878,507 nominal amount of capital, 57.88% of the Company's shares owned by Hacı Ömer Sabancı Holding A.Ş. to Sürmegöz Tekstil was signed on 27 August 2019 and the eligibility of the share transfers was allowed by the decision of the Competition Authority dated 24 October, 2019 and numbered 77234294-120.01.06-E,12159. As of 26 November 2019, sales and transfer transaction of all 57.88% of the Company's shares which represents TRY16,878,507 nominal amount of capital between Hacı Ömer Sabancı Holding A.Ş to Sürmegöz Tekstil was completed.

The average number of the personnel employed within the Company is 961 employees (Average number of the personnel for 2020 was 1,116 employees).

The registered office address of the Company is as follows:

Vadistanbul 1B Blok Kat: 23
34396 Ayazağa, İstanbul

As of 31 December 2021 and 2020, the subsidiaries controlled by the Company with their respective shareholding ratios (direct and indirect) and their field of activities are disclosed as follows:

	31 December 2021	31 December 2020	
Subsidiaries	Direct Ownership Ratio (%)	Direct Ownership Ratio (%)	Field of Activity
Yünsa Germany Gmbh	100	100	Marketing-Sale
Yünsa Italia SRL	100	100	Fabric Design
Yünsa UK Limited	100	100	Marketing-Sale
Yünsa USA Inc.	100	100	Marketing-Sale

Dividend paid:

The group paid dividends in the current period TRY24,000,000 (31 December 2020 – TRY608,302).

Approval of consolidated financial statements:

The consolidated financial statements for the period ended 31 December 2021 have been approved by the Board of Directors on 1 March 2021. General Assembly and specific regulatory institutions have the power to amend the financial statements.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2. Basis of presentation of consolidated financial statements

2.1 Basis of presentation

a) Statement of compliance

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

The consolidated financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

b) Adjustment of financial statements in hyperinflationary economies

c) The Public Oversight Authority made a declaration on the Implementation of Financial Reporting in High Inflation Economies within the scope of Turkish Financial Reporting Standards for the Large and Medium Sized Enterprises on 20 January 2022, and it has been stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Basis of measurement

The consolidated financial statements are prepared on historical cost basis, except the derivative financial instruments that are carried at the fair value. See Note 26 for fair value explanations.

d) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in TRY, which is the functional currency of the Company and the presentation currency of the Company.

As of 31 December 2021, the functional currencies of the subsidiaries of the Group as based on the countries in which they operate are Euro, Pound and US Dollar and the currency for the presentation is TRY. The translation difference arising of these subsidiaries consolidated are reported under foreign exchange translation differences account under the equity. The Financial statements of subsidiaries operating in countries other than Turkey are compiled by the TAS/TFRS promulgated by the POA to reflect the proper presentation and content. Subsidiaries' assets and liabilities are translated into TRY from the foreign exchange rate at the reporting date and income and expenses are translated into TRY at the average foreign exchange rate. Exchange differences arising from the translation of the opening net assets and differences between the average and balance sheet date rates are recognised in the "currency translation difference" under the use of equity.

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

2. Basis of presentation of consolidated financial statements (Continued)

2.1 Basis of presentation (Continued)

d) Basis of consolidation

Consolidated financial statements include the financial statements of the entities controlled by the Company. The control is provided when a control is achieved on the financial and operational policies in order to acquire benefits from the operations of an entity.

The results of the purchased or sold subsidiaries are shown in the consolidated income statement after the dates after they are purchased or until the date they are disposed. Where necessary, adjustments related to the accounting policies are made to the financial statements of subsidiaries to be in compliance with the accounting policies used by the Group.

The shares other than the parent company shares in the net assets of the consolidated subsidiaries (non-controlling interests) are shown separately in the equity of the Group. Non-controlling interests is the total of these shares that are formed during the first entity mergers and changes after the merger date.

When a company is purchased by the Group, the assets and the liabilities of the relevant subsidiary are measured with their fair values as of the purchase date. Non-controlling interests are measured by calculating the fair values of the assets and liabilities at the ratio of non-controlling interests. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

In case the Company pays a price over the net asset value for the asset purchased, then goodwill arises during the consolidation. Following the valuation, in case the net fair value of the Group shares of the assets, liabilities and the contingent liabilities of the purchased Company exceeds the cost related to the acquisition, then the surplus amount is accounted for in the income statement.

The changes in the capital share of the Group's existing subsidiary:

The changes in the Group's subsidiaries that do not result in loss of control of the subsidiaries are accounted for as equity transactions. Group's shares and the carrying amount of non-controlling interests are adjusted to reflect the changes in their shares in the subsidiaries. Any difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid or received is recognized directly in equity as the share of the Group.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the consideration received and the fair value of any remaining interest and (ii) the previous book values of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling shares.

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

2.2 Changes published but not yet effective and not early applied as of 31 December 2021

Changes that have been published but not effective and not early implemented

Some of the new standards, interpretations and changes that were published as of the reporting date but not yet effective and early implementation are permitted but not early adopted by the Group are as follows.

Updated Conceptual Framework (2018 version)

The updated Conceptual Framework was published by Public Oversight Accounting and Auditing Standards Authority on 27 October 2018. Conceptual Framework; It sets out the basic framework that will provide guidance to Public Oversight Accounting and Auditing Standards Authority in developing new TFRS. Conceptual Framework; It helps to ensure that standards are conceptually consistent and that similar transactions are handled in the same way, thereby providing useful information for investors, lenders and other creditors. The Conceptual Framework helps companies to develop accounting policies where no TFRS are applicable for a particular transaction, and more broadly, to help stakeholders understand and interpret these standards. The updated Conceptual Framework, on the other hand, is more comprehensive than its previous version, and aims to provide the Public Oversight Accounting and Auditing Standards Authority with all the tools required to establish standards. The updated Conceptual Framework covers all aspects of setting standards, from the purpose of financial reporting to presentation and disclosure. The updated Conceptual Framework will be effective from annual periods beginning on and after January 1, 2020, although early application is permitted for companies using the Conceptual Framework to improve their accounting policies in cases where no TFRS is applicable for a particular transaction.

a. New standards effective as of 31 December 2021 and changes and comments on existing previous standards:

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform

- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9; effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023

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

2.2 Changes published but not yet effective and not early applied as of 31 December 2021 (Continued)

b. Standards and changes published as of 31 December 2021 but not yet early adopted by the Company:

- **Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features

- **Amendments to IAS 1, Presentation of financial statements' on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

- **Narrow amendments in TFRS 3, TAS 16, TAS 37 and some annual improvements in TFRS 1, TFRS 9, TAS 41 and TFRS 16** are valid for annual reporting periods starting on or after 1 January 2022.

    - **Amendments to TFRS 3, 'Business combinations';** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

    - **Amendments to TAS 16, 'Property, plant and equipment'**; prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

    - **Amendments to TAS 37, 'Provisions, contingent liabilities and contingent assets'**; specify which costs a company includes when assessing whether a contract will be loss-making.

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

2.2 Changes published but not yet effective and not early applied as of 31 December 2021 (Continued)

- Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'
- **Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences

2.3 Significant Changes Regarding the Current Period

The Group management tried to take the necessary measures to minimize the possible effects of COVID-19, which affects the whole world, on the Group's activities and financial status. Due to the COVID-19 epidemic, in parallel with the developments / slowdowns in the sector in which the Group is involved and in the general economic activity, there were disruptions in the supply and sales processes in the countries where the Group operates, and production activities were temporarily suspended, especially during periods of curfews. In the meantime, actions were taken by the Group to minimize the increase in investment expenditures, operational expenses and stocks, and the cash management strategy was reviewed in order to strengthen its liquidity position. With the reduction of restrictions to prevent the spread of the epidemic, especially the recovery in demand has had a positive effect on the Group's activities.

As of the date of approval of the financial statements, it is observed that the impact of the epidemic gradually diminishes and life begins to partially normalize in countries where the Group is active in markets. While preparing the consolidated financial statements dated 31 December 2021, the Group evaluated the possible effects of the COVID-19 outbreak on the financial statements and reviewed the estimates and assumptions used in the preparation of the consolidated financial statements. In this context, the Group did not detect any additional impairment in the values of financial assets, stocks and tangible fixed assets included in its consolidated financial statements dated 31 December 2021. In addition, in line with the revised production plans, no provision for impairment was recognized in the financial statements dated 31 December 2021 regarding the effects of Covid 19 on the assets of the Group.

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

2.4 Summary of significant accounting policies

Significant accounting policies used in the preparation of the consolidated financial statements are summarized below:

a) Revenue

TFRS 15 requires revenue recognition for all contracts with customers to follow the five-step approach to revenue recognition.

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 contracts 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 Group accounts the contracts as a single contract

Step 2: Identifying the performance obligations

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 Group considers variable elements of consideration, as well as the existence of a significant financing component.

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 Group 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. In cases where advance for the services are received and the payment scheme is broadly aligned with the Group's performance throughout the period, the Group concludes that the period between performance and payment is never more than 12 months, therefore the expedient is applied.

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

2.4 Summary of significant accounting policies (Continued)

a) Revenue (Continued)

Significant financing component (Continued)

Variable consideration

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.

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
- Group's performance does not create an asset for which the entity has an alternative use and there is a right to payment for performance to date.

For each performance obligation that is satisfied over time, an entity selects a single measure of progress, which depicts the transfer of control of the goods or services to the customer. The Group uses a method that measures the work performed reliably. The Group uses cost incurred to measure the progress towards to completion of the project where the input method is used and uses units transferred to measure the progress towards to completion of the project where the output method is used. If a performance obligation is not satisfied over time, then the Group recognize revenue at the point in time at which it transfers control of the good or service to the customer. The Group recognizes a provision in accordance with TAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the unavoidable costs of meeting the obligations under a contract exceed the economic benefits.

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

2.4 Summary of significant accounting policies (Continued)

a) Revenue (Continued)

Contract modifications

The Group recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services that are distinct and an increase in the price of the contract by an amount of consideration that reflects the entity's stand-alone selling price of those goods or services adjusted to reflect the circumstances of the contract. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

Sales of the Group are mainly comprised of wool fabric.

The Group has determined that for made-to-order products, the Group controls all of the work in progress as the products are being manufactured. This is because if a contract is terminated by the customer, then the Group is not entitled to reimbursement of the costs incurred to date, including a reasonable margin. Customers obtain control of products when the goods are delivered to and have been accepted at their premises for order made to order products.

The customers acquire the control of the fabric when the products are delivered during the sales which are not made on order and the revenues are accounted on this date

b) 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 with weighted average method.

Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a 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 profit/(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.

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

2.4 Summary of significant accounting policies (Continued)

c) Related Parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity')

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

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

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post employment defined 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 related parties, regardless of whether a price is charged.

d) Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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

2.4 Summary of significant accounting policies (Continued)

d) Financial instruments (Continued)

ii. Classification and subsequent measurement

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL.

Financial assets are not reclassified after initial recognition unless the Group changes its operating model to manage financial assets. In this case, all affected financial assets are reclassified on the first day of the first reporting period following the change in operating model.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Business model assessment:

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

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

2.4 Summary of significant accounting policies (Continued)

d) Financial instruments (Continued)

- the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected;
- - the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL

Financial assets - Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

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

2.4 Summary of significant accounting policies (Continued)

d) Financial instruments (Continued)

Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognized.

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

2.4 Summary of significant accounting policies (Continued)

d) Financial instruments (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

iv. Financial assets and liabilities offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

TFRS 9 also includes new hedge accounting rules that are intended to align hedge accounting with risk management practices. TFRS 9 provides the option of deferring the adoption of TFRS 9's hedge accounting in the selection of accounting policies and the option to continue the application of the requirements in TAS 39 "hedge accounting". In this context, the Group will continue to apply the requirements of TAS 39 hedge accounting.

Derivatives are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at their respective fair values. Following the first accounting of the derivative instruments, they are accounted for the fair value changes in the profit or loss.The Group uses derivative financial instruments (primarily foreign currency forward contracts) in order to hedge risk arising from exchange rate fluctuations due to projected cash flows.

The Group documents, at the inception of the transaction the relationship between hedging instrument and hedged item, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Cash flow hedging transactions

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the statements of income.The gain or loss relating to the ineffective portions of cross currency swaps and forward transactions that are designated for hedging is recognised in the statement of profit or loss. The effective portion of the change in the fair value of the derivative instrument determined on the present value basis from the beginning of the hedge relationship recognized in other comprehensive income is limited to the cumulative effect of the change in the fair value of the hedging instrument. As of 31 December 2021 and 2020, the Group did not have any derivative financial instruments.

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

2.4 Summary of significant accounting policies (Continued)

e) Impairment of the assets

i. Non-derivative financial assets

Financial instruments and contract assets

The Group recognises loss allowances for ECLs on:

– Financial assets measured at amortised cost;

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating its ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort that relates to the estimation of expected credit losses, including the effects of expected prepayments.. This information includes quantitative and qualitative information and analysis based on the Group's past credit loss experience and containing forward-looking information.

The Group assumes that the credit risk on a financial asset increases significantly after 90 days due.

The Group considers a financial asset to be in default in the following situations:

- Failure of the borrower to fully fulfill its loan obligations without taking actions such as using the collateral (if any) by the Group, or
- Financial instrument being past due 360 days.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive)

The cash shortfalls is the difference between the cash flows to be incurred and the cash flows expected to be received by the entity. As the amount and timing of payments are considered in expected credit losses, a credit loss occurs even if the entity expects to receive the full payment in the contract with the maturity specified in the contract.

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

2.4 Summary of significant accounting policies (Continued)

e) Impairment of the assets (Continued)

Evidence that a financial asset is credit-impaired includes the following observable data significant financial difficulty of the borrower or issuer;

- the borrower or issuer is in significant financial difficulty;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for a security because of financial difficulties

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off.

However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

ii. Non-financial assets

- In each reporting period, the Group reviews the book values of non-financial assets (excluding inventories, contract assets and deferred tax assets) to determine whether there are any signs of impairment. If there is such an indicator, the recoverable amount of the asset is estimated.

- For impairment testing, assets are grouped into the smallest group of assets that generate cash inflows, regardless of continuous use, cash inflows from other assets or NYBs. Goodwill arising from a business combination is allocated to CGUs or NYB groups that are expected to benefit from the synergy of the merger.

- The recoverable amount of an asset or CGUs is the higher of its value in use and its GUD at lower costs. Value in use is based on the time value of money and estimated future cash flows, which are reduced to their present value using a pre-tax discount rate that reflects current market assessments of risks specific to the asset or NYB.

- If the recoverable amount of an asset or CGU is lower than its book value, the book value of the said asset or CGU is reduced to its recoverable amount.

Impairment losses are recognized in profit or loss. It will first reduce the book value of any goodwill distributed to the NYB, and then it is distributed by reducing the book values of other assets in the NYB.

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

2.4 Summary of significant accounting policies (Continued)

f) Property, plant and equipment

Property, plant and equipment are carried at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on property, plant and equipment on a straight-line basis (except land). Lands are not subject to depreciation due to their unlimited useful life. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land improvements	15-25
Buildings and land improvements	25-50
Machinery and equipment	4-15
Motor vehicles	5
Furniture and fixtures	3-10
Leasehold improvements	5

The useful lives of leasehold improvements are depreciated over their economic life or the shorter of the lease period.

Expected useful life, residual value and depreciation method are reviewed annually for possible effects of changes in estimates and are recognized prospectively if there is a change in estimates.

The gain or loss resulting from the disposal of tangible fixed assets or decommissioning a tangible fixed asset is determined as the difference between the sales revenue and the asset's book value and is included in the consolidated statement of profit or loss

Maintenance and repair expenses incurred, are recognized as expenses.The capital expenditures that raise the future benefits by increasing the capacity of the tangible assets, are added to cost of tangible assets.

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

2.4 Summary of significant accounting policies (Continued)

g) Intangible Assets

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

Internally generated intangible assets and research and development expenses

Research expenses are recorded in the profit or loss statement in the period they are incurred.

Development activities (or Intra-group's project at the development phase) , resulting from internally generated intangible assets are only recognized when the following conditions are all met:

- Technical possibility to completion of the intangible asset's readiness for use or to sell,
- Having intention to sell, operate or completion of intangible assets,
- Intangible assets that can be used or sold,
- The asset that would generate probable future economic benefits are certain,
- The existence of the required appropriate technical, financial and other resources in order to complete the development of intangible assets, use or sell. The development cost of the asset during the development process are to be measured in a reliable way

The amount of internally generated intangible assets, consist of the expenditures that meet the requirements of the above mentioned recognition criteria from the moment the total amount of the expenditure is composed. When internally generated intangible assets are not recorded, development expenditure is recognized as an expense in the period in which they occur.

After initial recognition, the internally-generated intangible assets are shown as the seperately acquired intangible assets. After reducing the accumulated amortization and accumulated impairment losses. These assets are amortized within 5 years.

Other intangible assets

Other intangible fixed assets purchased by the Group with a certain useful life are measured by subtracting the accumulated amortization and, if any, accumulated impairment losses from their costs.

h) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an qualifying assets are included in the cost of the asset until the asset is ready to use or sale.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

2.4 Summary of significant accounting policies (Continued)

i) Corporate income taxes

Turkish Tax Legislation does not permit to file a consolidated tax preparation to parent company and its subsidiary, as reflected in the accompanying financial statements, the tax provision is calculated separately based on each company.

Income tax expense consists of the sum of current tax and deferred tax expense.

Current tax

Current year tax liability is calculated over the part of the taxable profit. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized. The Group's current tax liability is computed by using enacted or substantively enacted tax rate.

Deferred Tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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 assets and liabilities are not recognised 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 are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are calculated over the tax rates (tax regulations) that are expected to be effective in the period in which the assets and liabilites are realized.

During the calculation of deferred tax assets and liabilities, the tax consequences of the Group's anticipated recovery of its carrying amount or the fulfillment of its obligation as at the balance sheet date are taken into account.

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

2.4 Summary of significant accounting policies (Continued)

i) Corporate income taxes (Continued)

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority or if there is a legal right for the Group to offset these items.

Deferred tax and tax charge for the current period

The tax charge for the current period recognized as expense or income in the profit or loss at the current period except for the items recognized under equity (in which case the deferred tax related to those items is recognized under equity as well) or the items, that were recognized under equity for business mergers. Tax effect is taken into consideration in business mergers in calculating goodwill or in determining the fair value of the acquired share of defined assets, liabilities or contingent liabilities exceeding the purchasing costs.

j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Vacation pay liability

In accordance with the existing labor law in Turkey, the Company is required to pay to the employee, whose employment is terminated due to any reasons, the wage of the deserved and unused vacation days over the gross prevailing wage and other benefits subject to contract at the date the contract is terminated. Unused leave provision is the earned and unused vacation rights of its employees of the Company, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

(iii) Long-term employee benefits

In accordance with the current labor law in Turkey, the Company is obliged to pay certain amounts to employees who have completed 1 year who quit their jobs for reasons such as retirement, military service or death. The provision for severance pay represents the present value of the Company's estimated probable future liability in the event of the retirement of its employees. The provision for severance pay is calculated as if all employees would be subject to such payment and is reflected in the financial statements on an accrual basis. The provision for severance pay is calculated according to the severance pay ceiling announced by the government.

All actuarial gains and losses are accounted under the other comprehensive income.

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

2.4 Summary of significant accounting policies (Continued)

k) Effects of change in the rates of exchange

Each Group entity's financial statements are presented by the functional currencies of their economic environments. Financial positions and operational results of the each entity is presented in TRY, which is Company's functional and presentation currency for the consolidated financial statements.

Transactions realized in foreign currencies (currencies other than TRY) during the preparation of the financial statements of each of the entities are recorded based on the exchange rates at the transaction date. Monetary assets and liabilities in foreign currencies are converted to Turkish Lira at the rates prevailing at the balance sheet date. Non-monetary items that are measured at fair value and recorded in foreign currency, are converted to TRY (based on the dates the fair values are determined.). Non-monetary items that are measured in terms of historical cost in a foreign currency are not subject to conversion again.

Date	US Dollar/TRY	Euro/TRY
31 December 2021	13,3290	15,0867
31 December 2020	7,3405	9,0079

Exchange differences, except as specified below, are recognized in profit or loss in the period in which;

- Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,
- Foreign exchange differences arising from hedging transactions for foreign currency risks.

Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, and debt and receivables without intention or possibility of any payment, which arise due to operations in foreign jurisdictions.The Group's assets and liabilities of foreign operations are expressed in TRY using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

l) Earnings per share

Earnings per share disclosed in the accompanying consolidated statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

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

2.4 Summary of significant accounting policies (Continued)

m) Capital and dividends

The ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period are deducted.

n) Provisions, contingent assets and liabilities

A provision is recognized in the accompanying consolidated financial statements if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

Contingent liabilities are reviewed to determine if there is a possibility that the outflow of economic benefits will be required to settle the obligation. Except for the economic benefit outflow possibility is remote such contingent liabilities is disclosed in the notes to the financial statements.

In case the provision is measured by using the estimated cash flows required to meet the current liability, the book value of the said provision is equal to the present value of the relevant 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

o) Reporting of cash flow

In the consolidated cash flow statement, cash flows are classified as operating, investing and financing activities.Cash flows from operating activities shows the cash flows from main operations of the Group including sales of garment and textile products.Cash flows from investing activities represent the cash flows used in / provided from investing activities (tangible and intangible investments). Cash flows from financing activities represent the funds used in and repayment of the funds during the period.

Cash and cash equivalents are cash, bank deposits and other short term investments whose maturity are less than 3 months after purchasing date, having high liquidity without having risks of significant change of value.

p) Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the reporting date and the date when reporting was authorised for the issue. There are two types of subsequent events:

- Those that provide evidence of conditions that existed as at reporting date (adjusting events after the reporting date); and
- Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements

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

2.4 Summary of significant accounting policies (Continued)

r) Segment reporting of financial information

The operating segment is a division that periodically reviewed by the authority to make decisions about the operations of the business in order to make decisions about the resources to be allocated to the department and evaluate the performance of the business, and that separate financial information is available about the business.

Reportable segment is an activity segment whose segment information must be disclosed. Requirement for an operating segment to be designated as a reportable segment; The majority of segment revenue is earned from sales to non-group customers and segment revenue from sales to non-group customers and transactions with other segments constitutes at least 10% of the total internal and external revenue for all segments, or the segment result resulting in profit or loss means that the total results of the divisions making a profit and the total results of the losing segments correspond to at least 10% of the absolute largest, or the segment assets constitute at least 10% of the total assets of all segments.

s) Government grants and incentives

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants are reflected in profit or loss in a systematic manner throughout the periods in which expenses that intended to be recovered by these government grants recognized as an expense. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

The Group is supported by the Scientific and Technological Research Council of Turkey ("TUBITAK"). TUBITAK carries out a program to organize and regulate the support of the Republic of Turkey in order to encourage research and technology development activities of industries in Turkey. Within the framework of this program, some part of the development expenses of industrial companies is reimbursed.

Government incentives granted in order to recover the expenses and losses incurred previously or to provide immediate finance support without causing the entity any cost in the future are recognized in profit or loss in the period in which they become collectable. The benefit of the loan taken from the government with an interest rate lower than that of the market is considered as government incentive. The benefit created by this lower interest rate is measured as the difference between the carrying value of the loan in the beginning and the acquired gains.

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

2.4 Summary of significant accounting policies (Continued)

t) Finance income and finance expenses

Finance income consists of bank deposit interest income, which forms part of the cycle used for financing purposes, and foreign exchange difference income on financial assets and liabilities (other than trade receivables and liabilities).

Finance expenses include interest expenses on bank loans, early collection commission expenses on credit cards, and foreign exchange difference expenses on financial assets and liabilities (other than trade receivables and payables). Borrowing costs, which cannot be directly related to the acquisition, construction or production of an asset, are accounted for in profit or loss using the effective interest rate.

Foreign exchange difference income and expenses on financial assets and liabilities (other than trade receivables and liabilities) are reported as net in financing income or financing expenses according to the net position of foreign exchange difference movements. Foreign exchange difference and rediscount income on trade receivables and liabilities are reported in other income from operating activities and foreign exchange difference and rediscount expenses are reported in other expenses from operating activities. Interest income is recognized using the effective interest method.

u) Significant accounting estimates and assumptions

The preparation of financial statements in conformity with TFRS requires management to make judgments, estimates and assumptionsthat affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Liability for employee termination benefits

The present values of employee termination liabilities are determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net cost of employee termination liabilities and include the discount rate. The carrying amount effects employee termination liability is affected by changes in these assumptions. The Group recognizes actuarial gains and losses in the consolidated statement of comprehensive income.

The Group determines the appropriate discount rate at the end of each year. Discount rate is used during computation of present value of employee termination liabilities (Note 15).

Net realizable value of inventory

Inventories are stated at the lower of cost and net realizable value. The Group management has determined that the cost of some portion of the inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of 31 December 2021 the cost of inventories was reduced by TRY4,990,513 (31 December 2020: TRY3,158,814) (Note 8).

Deferred Tax

As at 31 December 2021, the Group estimates that the Group will be able to benefit from reduced corporate tax rates in the future over the scope of the incentive investment documents and research and development discount. The Group recognized deferred tax assets for the foreseeable three years since it is not predictable how long the benefit will be utilized.

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

2.4 Summary of significant accounting policies (Continued)

u) Significant accounting estimates and assumptions (Continued)

Doubtful receivables

The Company calculates the provision for impairment of trade receivables to cover the estimated losses resulting from the inability of its customers to make required payments and according to expected credit loss model. In case of collection of partial or all doubtful receivable, the amount collected is deducted from the provision for doubtful receivable and is associated with profit or loss. Changes to the expected credit losses are recognized in profit or loss in the same way.

Recovery of internally generated intangible assets

During the period, the Group management has re-examined the existence of probable future economic benefits of internally generated intangible assets. The Group's management believes that the projects will continue as expected, and analysis of projects is expected to generate similar economic benefits. Management is sure to recover the carrying values of the assets, even if economic benefits have decreased. This situation is closely monitored by the Group management and the management will make such corrections in cases where it is necessary due to the future market conditions.

In preparing the (consolidated) financial statements, the management made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the amounts of reported assets, liabilities, income and expenses. Actual amounts may vary from estimated amounts.

Estimates and related assumptions are constantly reviewed. Changes to estimates are accounted prospectively.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

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

2.4 Summary of significant accounting policies (Continued)

u) Significant accounting estimates and assumptions (Continued)

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

When measuring the fair value of an asset or liability, the company uses as much market-observable information as possible. Fair valuation is classified to different levels in the fair valuation hierarchy determined based on the information used in the valuation techniques mentioned below:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

If an asset or a liability is used to measure the fair value of the fair valuation hierarchy of information that can be classified to a different level if this fair valuation fair valuation hierarchy that is significant to the whole measurement of smallest information to the same level of are classified.

The Company accounts for transfers between levels in the fair valuation hierarchy at the end of the reporting period when the change occurs.

NOTE 3 - SEGMENT REPORTING

As Group has started to implement the TAS 8 from 1 January 2009, the operating segments are defined by the the Group's decision-making authority based on regularly revised internal reports. The Group decision-making authority is the general manager and the board of directors.

Group's decision-making authority, examines the results and activities on a product basis in order to make decisions about resources to be allocated to the segments and to evaluate the segments' performance. The Group's operating segments on the basis of the distribution of the business segments are as follows: textiles and garments.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

The distribution of the operating segments of the Group on the basis of product groups is as follows. Textile and Garment.

a) Segment Revenues	1 January- 31 December 2021	1 January- 31 December 2020
Textile	325,077,210	287,917,958
Garment	16,462,969	9,752,530
Total	**341,540,179**	**297,670,488**

b) Segment Assets	31 December 2021	31 December 2020
Textile	377,702,035	315,796,462
Garment	14,154,383	8,155,148
Segment Assets	**391,856,418**	**323,951,610**

c) Segment liabilities	31 December 2021	31 December 2020
Textile	288,718,180	224,877,369
Garment	2,748,292	6,052
Segment liabilities	**291,466,472**	**224,883,421**

d-1) 1 January - 31 December 2021 period segment analysis:

	Textile	Garment	Total
Sales revenue	325,077,210	16,462,969	341,540,179
Cost of sales	(227,593,134)	(12,464,712)	(240,057,846)
Gross operating profit	**97,484,076**	**3,998,257**	**101,482,333**
General administration expenses	(13,092,412)	-	(13,092,412)
Marketing selling and distribution expenses	(23,923,271)	(1,198,144)	(25,121,415)
Research and development expenses	(2,805,644)	-	(2,805,644)
Impairment loss on trade receivables	1,771,566	-	1,771,566
Other operating income	40,495,944	-	40,495,944
Other operating expenses	(52,479,640)	-	(52,479,640)
Segment result	**47,450,619**	**2,800,113**	**50,250,732**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 3 - SEGMENT REPORTING (Continued)

d-2) 1 January - 31 December 2020 period segment analysis:

	Textile	Garment	Total
Sales revenue	287,917,958	9,752,530	297,670,488
Cost of sales	(223,659,811)	(7,362,229)	(231,022,040)
Gross operating profit	**64,258,147**	**2,390,301**	**66,648,448**
General administration expenses	(11,140,538)	-	(11,140,538)
Marketing selling and distribution expenses	(29,624,429)	(2,108,865)	(31,733,294)
Research and development expenses	(2,546,500)	-	(2,546,500)
Impairment loss on trade receivables	(2,213,521)	-	(2,213,521)
Other operating income	37,302,652	-	37,302,652
Other operating expenses	(32,855,620)	-	(32,855,620)
Segment result	**23,180,191**	**281,436**	**23.461.627**

e) Capital expenditures:

	1 January – 31 December 2021	1 January – 31 December 2020
Textile	8,350,314	25,858,041
Total	**8,350,314**	**25,858,041**

f-1) 1 January - 31 December 2021 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Amortization and depreciation	15,384,846	-	15,384,846
- Provisions for the employee benefits	4,224,509	3,202	4,227,711
- Lawsuit provisions	1,514,443	-	1,514,443
Total	**21,123,798**	**3,202**	**21,127,000**

f-2) 1 January - 31 December 2020 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Amortization and depreciation	13,941,914	55,566	13,997,480
- Provisions for the employee benefits	6,587,155	8,385	6,595,540
- Lawsuit provisions	(508,360)	-	(508,360)
Total	**20,020,709**	**63,951**	**20,084,660**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Bank		
- Demand deposit	21,809,211	12,943,083
- Time deposit	-	55,307,075
Credit card receivables (*)	-	458,101
Total	**21,809,211**	**68,708,259**

(*) Credit card receivables have a maturity of less than three months.

31.12.2020 Time Deposit

Foreign exchange type	Foreign currency amount	TRY Amount	Maturity	Interest Rate
USD	500,000	3,670,250	15.01,2021	%2.53
USD	350,000	2,569,175	4.01,2021	%2.78
EUR	3,500,000	31,527,650	15.01,2021	%1.81
TRY	1,150,000	1,150,000	4.01,2021	%17.10
TRY	2,000,000	2,000,000	5.01,2021	%17.22
TRY	4,640,000	4,640,000	4.01,2021	%15.94
TRY	9,750,000	9,750,000	18.01,2021	%18.97
Total		**55,307,075**		

The Group has no blocked deposits on 31 December 2021 and 2020.

The explanations on the nature and level of the risks of the cash and cash equivalent are disclosed in Note 25.

NOTE 5 – RELATED PARTY DISCLOSURES

a) Receivables from and payables to the related parties

a) Other short-term borrowings	31 December 2021	31 December 2020
Ziraat Katılım Bankası A.Ş. (1)	8,257,190	7,575,738
Total	**8,257,190**	**7,575,738**

b) Other long-term borrowings	31 December 2021	31 December 2020
Ziraat Katılım Bankası A.Ş. (1)	19,458,230	27,581,701
Total	**19,458,230**	**27,581,701**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 – RELATED PARTY DISCLOSURES (Continued)

c) Bank deposits	**31 December 2021**	**31 December 2020**
Ziraat Katılım Bankası A.Ş. (1)		
- Demand deposit	11,295,977	12,021,281
- Time deposit	-	42,987,900
T.C.Ziraat Bankası A.Ş. (2)		
- Demand deposit	7,311,416	551,665
Total	**18,607,393**	**55,560,846**

As of 31 December 2021, the deposit details are as follows:

	TRY	**USD**	**EUR**	**GBP**	**CHF**
Ziraat Katılım Bankası A.Ş.	541,509	534,912	239,400	716	-
Ziraat Bankası A.Ş.	15,278	433,107	100,273	581	2

As of 31 December 2020, the deposit details are as follows:

	TRY	**USD**	**EUR**	**GBP**
Ziraat Katılım Bankası A.Ş. (1)	593	641,015	782,537	26,781
Ziraat Bankası A.Ş. (2)	6,737	3,180	7,658	45,516

d) Bank loans	**31 December 2021**	**31 December 2020**
Ziraat Katılım Bankası A.Ş. (*)		
- Short	11,991,532	16,768,933
- Long	2,085,674	13,374,533
Total	**14,077,206**	**30,143,466**

(*) Details of the loans are as follows:

31.12.2021 Loans

	TRY Amount	**Maturity**	**Interest rate**
Ziraat Katılım Bankası A.Ş. (**)	8,684,554	4.04,2023	%7.50
Ziraat Katılım Bankası A.Ş.	5,392,652	3.02,2022	%7.95
Total	**14,077,206**		

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 5 – RELATED PARTY DISCLOSURES (Continued)

31.12.2020 Loans

	TRY Amount	Maturity	Interest rate
Ziraat Katılım Bankası A.Ş. (**)	14,622,050	4.04,2023	%7.50
Ziraat Katılım Bankası A.Ş.	15,521,416	3.02,2022	%7.95
Total	**30,143,466**		

(**) The guarantee of the related loan used under the CGF guarantee also includes the guarantee of Sürmegöz Tekstil, and all other loans are unsecured.

e) Interest and foreign exchange (expense)/income:

	1 January- 31 December 2021	1 January- 31 December 2020
Ziraat Katılım Bankası A.Ş. (**)		
- Interest and foreign exchange income/(expense)	(2,434,877)	(4,652,599)
- Commission	(32,799)	(253,256)
- Derivative financial instrument loss	-	(2,683,700)
T.C.Ziraat Bankası A.Ş.(***)(1)		
- Interest and foreign exchange income/(expense)	2,448,319	1,802,103
- Commission	(2,404,256)	-
Total	**(2,423,613)**	**(5,787,452)**

(1) Main partner of Ziraat Katılım

(**) TRY3,312,900 of the interest and exchange rate expense realized by Ziraat Katılım during the year consists of foreign exchange income. (2020: TRY492,396).

(***) TRY3,015,907 of the interest and exchange difference income realized with Ziraat Bank during the year consists of foreign exchange income. (2020: TRY2,775,778 exchange difference expense).

f) Wages and similar remuneration paid to Board members and senior management personnel:

	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and other short term benefits	5,910,588	3,984,409
Other long term benefits	439,462	501,791
Total	**6,350,050**	**4,486,200**

There is no receivable or payable amount to the Board members and senior management personnel.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

Short term trade receivables	**1 January - 31 December 2021**	**1 January - 31 December 2020**
Trade receivables	84,681,306	34,857,029
Notes receivable	20,666,553	8,792,885
Credit cards receivables (*)	-	152,778
Provision for doubtful trade receivables	(4,521,591)	(6,293,157)
Total	**100,826,268**	**37,509,535**
Less: Financing income not accrued	27,279	(25,925)
Trade receivables, net	**100,853,547**	**37,483,610**

Trade receivables generally have a maturity of less than 90 days (31 December 2020: less than 90 days) and As of 31 December 2021, trade receivables in TRY and foreign currency, respectively 9.90% per annum.(31 December 2010: 8.97%) and discounted using market interest rates.

(*) Credit card receivables are longer than 90 days.

The explanations of nature and level of risks in trade receivables are given in Note 25.

Provision for doubtful receivables	**2021**	**2020**
1 January	(6,293,157)	(4,079,636)
Provisions made during the period	(980,919)	(4,038,465)
Provisions no longer required	2,752,485	1,824,944
31 December	**(4,521,591)**	**(6,293,157)**

Short term trade payables	**31 December 2021**	**31 December 2020**
Trade payables to foreign suppliers	34,624,871	18,260,390
Trade payables to domestic suppliers	38,153,254	15,643,492
Work and service payables	11,038,132	3,508,879
	83,816,257	**37,412,761**
Less: Financing expense not accrued	(205,247)	(297,934)
Trade payables, net	**83,611,010**	**37,114,827**

The maturity of the trade payables is 90 days and the trade receivables are discounted by using the annual rates of 9.90% (31 December 2020: 8.97%) and discounted using market interest rates.

The explanations of nature and level of risks in trade receivables are given in Note 25.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 7 - OTHER RECEIVABLES AND DEFERRED INCOME

Other receivables	**31 December 2021**	**31 December 2020**
Income accruals (*)	488,070	770,584
Due from personnel	14,521	21,188
Deposits and guarantees given	456,784	390,519
Other	291,837	374,224
Total	**1,251,212**	**1,556,515**

(*) As of 31 December 2021 and 2020, income accruals are mainly consist of incentive accruals.

Deferred income	**31 December 2021**	**31 December 2020**
Order advances received (*)	12,180,577	4,177,473
Total	**12,180,577**	**4,177,473**

(*) Consists of the revenue arising from the contractual obligations, related to the sales whose payment has been received but the control has not yet been transferred. It will be recognized in the profit or loss statement after the transfer of control takes place.

NOTE 8 - INVENTORIES

	31 December 2021	**31 December 2020**
Raw materials	45,623,873	23,113,689
Work in progress	57,429,579	24,417,360
Finished goods	27,481,616	48,507,020
Trade goods	341,643	67,669
Other inventories	24,925,749	16,050,812
Provision for impairment of inventories (-)	(4,990,513)	(3,158,814)
Total	**150,811,947**	**108,997,736**

The movement in the provision for impairment of inventories is as follows:

	2021	**2020**
1 January	(3,158,814)	(1,866,395)
Provisions used within the period	731,291	4,349,038
Provisions recognized during the period	(2,562,990)	(5,641,457)
31 December	**(4,990,513)**	**(3,158,814)**

As of 31 December 2021, TRY731,291 of the inventory impairment provision has been canceled due to the fact these impaired inventories were sold in the current period (31 December 2020: TRY4,349,038). The provision expense and reversals of inventory impairment is recognised in the cost of goods sold.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 9 - PREPAID EXPENSES

Short term	31 December 2021	31 December 2020
Consultancy and fair advances	930,927	494,904
Insurances expenses	125,803	341,610
Advance given for inventory purchase	7,671,292	1,659,553
Other	175,917	230,551
Total	**8,903,939**	**2,726,618**

Long term	31 December 2021	31 December 2020
Consultancy expenses	24,940	43,143
Total	**24,940**	**43,143**

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT

Movements of tangible fixed assets during the period are as follows:

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Cost:					
Land	340,501	-	-	-	**340,501**
Land improvements	6,811,908	-	-	-	**6,811,908**
Buildings	44,030,140	235,118	-	-	**44,265,258**
Machinery,plant and equipment	182,058,695	985,261	(897,250)	8,728,231	**190,874,937**
Vehicles	240,152	-	-	-	**240,152**
Furniture and fixture	8,789,268	1,172,260	-	-	**9,961,528**
Leasehold improvements	2,650,401	-	-	-	**2,650,401**
Construction in progress	8,728,231	-	-	(8,728,231)	**-**
	253,649,296	**2,392,639**	**(897,250)**	-	**255,144,685**
Accumulated depreciation					
Land improvements	(5,988,237)	(128,528)	-	-	**(6,116,765)**
Buildings	(27,774,787)	(909,074)	-	-	**(28,683,861)**
Machinery and equipment	(158,844,274)	(5,992,947)	897,250	-	**(163,939,971)**
Vehicle	(149,570)	(31,703)	-	-	**(181,273)**
Furniture and fixture	(6,498,350)	(617,286)	-	-	**(7,115,636)**
Leasehold improvements	(298,928)	(530,080)	-	-	**(829,008)**
	(199,554,146)	**(8,209,618)**	**897,250**	**-**	**(206,866,514)**
Net book value	**54,095,150**				**48,278,171**

Current period depreciation expenses have been included in cost of goods sold amounting to TRY6,849,017 in operating expenses amounting to TRY1,125,160. The depreciation expense capitalized on the inventory amounting to TRY135,441. (as of 31 December 2020,depreciation and amortization expenses was included in cost of goods sold amounting to TRY6,093,464, in operating expenses amounting to TRY838,169. The depreciation expense capitalized on the inventory amounting to TRY74,075) There are no pledges or mortgages on property, plant and equipment. (2020: None).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT(Continued)

As of 31 December 2021, the insurance coverage for tangible fixed assets in 2021 is USD77,255,000 (31 December 2020: USD82,285,000).

The movements of the tangible assets in the previous period are as follows:

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost:					
Land	340,501	-	-	-	**340,501**
Land improvements	6,837,162	18,991	(44,245)	-	**6,811,908**
Buildings	46,289,113	-	(2,258,973)	-	**44,030,140**
Machinery,plant and equipment	184,935,948	6,576,933	(9,454,186)	-	**182,058,695**
Vehicles	140,821	99,331	-	-	**240,152**
Furniture and fixture	7,669,495	1,174,436	(54,663)	-	**8,789,268**
Leasehold improvements	207,444	2,650,401	(207,444)	-	**2,650,401**
Construction in progress	48,329	8,679,902	-	-	**8,728,231**
	246,468,813	**19,199,994**	**(12,019,511)**	-	**253,649,296**
Accumulated depreciation					
Land improvements	(5,901,389)	(131,093)	44,245	-	**(5,988,237)**
Buildings	(28,276,894)	(976,223)	1,478,330	-	**(27,774,787)**
Machinery and equipment	(163,337,344)	(4,941,167)	9,434,237	-	**(158,844,274)**
Vehicles	(101,882)	(47,688)	-	-	**(149,570)**
Furniture and fixture	(5,976,263)	(575,254)	53,167	-	**(6,498,350)**
Leasehold improvements	(156,744)	(334,283)	192,099	-	**(298,928)**
	(203,750,516)	**(7,005,708)**	**11,202,078**	**-**	**(199,554,146)**
Net book value	**42,718,297**				**54,095,150**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10.1 - RIGHT OF USE ASSETS

	1 January 2021	Additions	Disposals	31 December 2021
Cost				
Properties	3,958,351	462,278	-	4,420,629
Vehicles	4,494,094	724,011	(515,031)	4,703,074
Total	**8,452,445**	**1,186,289**	**(515,031)**	**9,123,703**
Accumulated amortization				
Properties	(790,808)	(878,803)	-	(1,669,611)
Vehicles	(1,979,314)	(1,395,239)	326,694	(3,047,859)
Total	**(2,770,122)**	**(2,274,042)**	**326,694**	**(4,717,470)**
Net book value	**5,682,323**			**4,406,233**

Current period depreciation has been included in the cost of goods sold amounting to TRY545,690 and in operating expenses amounting to TRY1,728,352.(as of 31 December 2020, depreciation has been included in the cost of goods sold amounting to TRY1,082,758 and in operating expenses amounting to TRY1,864,758.).

	1 January 2020	Additions	Disposals	31 December 2020
Cost				
Properties	3,958,351	-	-	3,958,351
Vehicles	1,647,072	4,130,248	(1,283,226)	4,494,094
Total	**5,605,423**	**4,130,248**	**(1,283,226)**	**8,452,445**
Accumulated amortization				
Properties	(87,640)	(703,168)	-	(790,808)
Vehicles	(1,018,155)	(2,244,385)	1,283,226	(1,979,314)
Total	**(1,105,795)**	**(2,947,553)**	**1,283,226**	**(2,770,122)**
Net book value	**4,499,628**			**5,682,323**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 10.2 - INTANGIBLE ASSETS

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Cost:					
Rights	343,237	123,160	-	-	466,397
Software programs	10,607,321	239,898	-	-	10,847,219
R&D projects in progress	10,227,410	5,594,617	(1,036,242)	(8,323,354)	6,462,431
Capitalized development project costs	37,108,911	-	-	8,323,354	45,432,265
	58,286,879	**5,957,675**	**(1,036,242)**	**-**	**63,208,312**
Accumulated amortization:					
Rights	(186,996)	(23,758)	-	-	(210,754)
Software programs	(8,746,420)	(511,260)	-	-	(9,257,680)
R&D projects	(26,255,061)	(4,585,294)	-	-	(30,840,355)
	(35,188,477)	**(5,120,312)**	**-**	**-**	**(40,308,789)**
Net book value	**23,098,402**			**-**	**22,899,523**

Current period depreciation has been included in the cost of goods sold amounting to TRY4,272,379 and in operating expenses amounting to TRY764,248. Depreciation expense capitalized on the inventory amounting to TRY83,685. (as of 31 December 2020, depreciation has been included in the cost of goods sold amounting to TRY3,620,288 and in operating expenses amounting to TRY497,976 . Depreciation expense capitalized on the inventory amounting to TRY45,750). There are no collaterals, pledges or mortgages on tangible assets (2020- None).

Government grant amounting to TRY411,188 has been received for intangible asset (2020: TRY219,920)

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost:					
Rights	343,237	-	-	-	**343,237**
Software programs	9,894,149	713,172	-	-	**10,607,321**
R&D projects in progress	11,021,922	5,944,875	(1,760,049)	(4,979,338)	**10,227,410**
Capitalized development project costs	32,129,573	-	-	4,979,338	**37,108,911**
	53,388,881	**6,658,047**	**(1,760,049)**	**-**	**58,286,879**
Accumulated amortization:					
Rights	(170,946)	(16,050)	-	-	**(186,996)**
Software programs	(8,241,490)	(504,930)	-	-	**(8,746,420)**
R&D projects	(22,612,027)	(3,643,034)	-	-	**(26,255,061)**
	(31,024,463)	**(4,164,014)**	**-**	**-**	**(35,188,477)**
Net book value	**22,364,418**			**-**	**23,098,402**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 11 - GOVERNMENT INCENTIVES AND GRANTS

	31 December 2021	31 December 2020
Development incentive (*)	8,530,897	8,206,955
Total	**8,530,897**	**8,206,955**

(*) Group, as a result of Research and Development Center application, has been granted to obtain, Industry and Trade Ministry's Research and Development Center Certificate on 25 October 2010 consists of the incentive amount received according to 5746 numbered Research and Development Activities in Support of the Law on the framework provided in the amount of Research and Development Center staff on the wages benefited income Tax, Stamp Tax, Social Security incentives, approved TUBITAK projects and European Union (EU) Horizon 2020 project

Government incentives, as a finance tool, recognized at balance sheet by netting cost of investments instead of recognizing in profit or loss, and depreciated over the useful lives of related assets on a systematic basis in profit or loss.

NOTE 12 – SHORT TERM BORROWINGS

	31 December 2021		31 December 2020	
	Weighted average annual effective interest rate %	**TRY**	**Weightedaverage annual effective interest rate %**	**TRY**
Short term bank loans				
TRY borrowings	8.61	-	7.00	26,500,000
USD borrowings	0.50	6,676,500	-	-
EUR borrowings	0.20	86,149,230	0.50	45,039,500
Interest accrual		120,017		780,488
Interest accrual (Short-term portions of long-term borrowings)		12,761,063		16,720,879
		105,706,810		**89,040,867**
Other short-term payables		8,257,190		7,575,738
Short-term lease liabilities TRY		1,958,267		1,602,721
Long-term lease liabilities EUR		-		26,995
Short term factoring payables		-		-
Total		**115,922,267**		**98,246,321**
Long-term bank loans				
TRY borrowings	9.75	11,335,604	8.66	23,374,533
Other long term payables		19,458,230		27,581,701
Short-term lease liabilities TRY		2,504,793		4,074,567
Long-term lease liabilities EUR		-		-
Total		**33,298,627**		**55,030,801**

Explanations on the nature and level of risks in borrowing are explained in Note 25. As of 31 December 2021, the Group does not have any mortgages or guarantees given for its financial borrowings.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 12 – SHORT TERM BORROWINGS (Continued)

Reconciliation of liabilities arising from financing activities	2021	2020
Financial liabilities at the beginning of the period,1 January	153,277,122	118,837,741
Inflows during the period (*)	149,436,160	260,745,498
Outflows during the period	(204,330,445)	(237,801,481)
Interest / Participation Share payment for the period	(10,101,578)	(9,599,664)
Interest / Participation Share expense for the period	7,886,914	9,791,677
Effects of exchange rate changes during the period	53,052,721	11,303,351
Financial liabilities at the end of the period	**149,220,894**	**153,277,122**

As of 31 December 2021 and 2020, the Group does not have any mortgages or guarantees given for its financial borrowings.

(*) The principal inflows for the period of 31 December 2020 include cash inflows from sales and leaseback transactions amounting to TRY35,093,700

NOTE 13 – PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2021	31 December 2020
Bails received and guarantee notes	74,085,091	47,542,737
Letters of guarantees received	60,378,565	17,545,200
Mortgages received	655,000	655,000
Total	**135,118,656**	**65,742,937**

Guarantees received has been received essentially regarding the sale made to customers. Financial risks regarding with letter of guarantee received is shown in Note 25. Company's exports are also insured by Turkish Eximbank.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

Group's collaterals, pledge and mortgage ("CPM") positions is as follows:

	31 December 2021					31 December 2020				
	TRY equivalent	**TRY**	**US Dollar**	**Euro**	**Other**	**TRY equivalent**	**TRY**	**US Dollar**	**Euro**	**Other**
A. Total amount of CPM's given for companies own legal entity	**23,020,060**	**21,511,390**	**-**	**100,000**	**-**	**9,131,976**	**8,231,186**	**-**	**100,000**	**-**
Collateral	3,020,060	1,511,390	-	100,000	-	9,131,976	8,231,186	-	100,000	-
Pledge	20,000,000	20,000,000	-	-	-	-	-	-	-	-
Mortgage		-	-	-	-			-	-	-
B. Total amount of CPM's given on behalf of fully consolidated companies	-	-	-	-	-	-	-	-	-	-
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
C. Total amount of CPM's given for continuation of its economic activities on behalf of third parties										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
D. Total amount of other CPM's given										
i. Total amount of CPM's given on behalf of the majority shareholder										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
ii. Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
Total CPM	**23,020,060**	**21,511,390**	**-**	**100,000**	**-**	**9,131,976**	**8,231,186**	**-**	**100,000**	**-**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

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

The ratio between other CPM's given by the Group and the Group's equity is 0% as of 31 December 2021. (31 December 2020: 0%).

Letters of guarantee are given to various Customs Directorates. As of 31 December 2021 and 31 December 2020, the Group has no other given CPMs.

NOTE 14 - COMMITMENTS

The Group, under the inward processing authorization documents, has export commitment amounting US Dollar 5,861,515 (31 December 2020: US Dollar 5,006,692).

Lease Contracts

As of 31 December 2021, Group's expenses associated with current year operating leases are TRY350,708 (31 December 2020: TRY436,098).

The Group's lease commitments related to operating leases are as follows:

	31 December 2021	**31 December 2020**
Within 1 year	79,810	65,803
	79,810	**65,803**

NOTE 15 - PROVISIONS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS

Short term provision for employee benefits:

	31 December 2021	**31 December 2020**
Social security deductions payable	2,536,725	1,229,672
Taxes and funds payable	2,233,633	1,126,248
Wages of employee payable	1,949,035	552,474
Total	**6,719,393**	**2,908,394**

Provisions for long-term employee benefits

	31 December 2021	**31 December 2020**
Provision for employee termination benefits	29,312,812	21,309,022
Total	**29,312,812**	**21,309,022**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 15 - PROVISIONS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (Continued)

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The indemnity payable is one month's salary limited to a maximum of TRY8,284.51 for each year of service as of 31 December 2021 (31 December 2020: TRY7,117.17).

TAS 19 ("Employee Benefits") suggests that the Group's liabilities are developed using the actuarial valuation techniques within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are mentioned below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Therefore, as of 31 December 2021, provisions in the accompanying consolidated financial statements, future, contingent liabilities due to retirement of employees is calculated by estimating the present value. Provisions in the balance sheet date, 15,9% of the annual inflation rate and 20,2% of discount rate is calculated on the estimations obtained as 3.73% real discount rate used (31 December 2020: 4.86%). Estimated turnover rate for probability of retirement is calculated as 95.34%. The severance pay amount that not given to the employee, as a consequence of optional reginations is taken into account. Employees of the Group as of 31 December 2021 of 4.57% are more likely to leave the job with their requests. (31 December 2020: 4.57%).

For the periods ended 31 December; movements in the provision for employment termination benefits are as follows:

	2021	**2020**
1 January	21,309,022	19,096,173
Interest cost	2,468,826	2,222,733
Cost of services	2,030,551	2,018,474
Actuarial gain / loss	7,962,247	(169,994)
Payments	(4,457,834)	(1,858,364)
31 December	**29,312,812**	**21,309,022**

NOTE 16 - OTHER ASSETS AND LIABILITIES AND OTHER PROVISIONS

Other current assets	**31 December 2021**	**31 December 2020**
Deferred VAT	7,549,383	8,535,540
VAT return to be requested	725,496	438,924
Other	47,332	117,236
Job advances	4,725	24,521
Total	**8,326,936**	**9,116,221**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 16 - OTHER ASSETS AND LIABILITIES AND OTHER PROVISIONS (Continued)

Other short term liabilities	31 December 2021	31 December 2020
Other Miscellaneous Payables	338,293	234,786
Other Liabilities Payable	14,681	63,547
Other Miscellaneous Foreign Resources	3,847	23,336
Total	**356,821**	**321,669**

Other provisions	31 December 2021	31 December 2020
Lawsuit provisions	1,977,227	462,784
Total	**1,977,227**	**462,784**

The movements for the lawsuit provisions for the period ending on December 31 are as follows:	2021	2020
1 January	462,784	971,144
Provision	1,514,443	-
Payments	-	(508,360)
31 December	**1,977,227**	**462,784**

For the periods ended on 31 December, the movement of vacation pay provision is as follows:

Short term provisions for the employee benefits	31 December 2021	31 December 2020
Unused vacation liability	5,040,464	5,312,130
Total	**5,040,464**	**5,312,130**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 – EQUITY

A) Paid in capital:

As of 31 December 2021, the issued capital of the Group is TRY29,160,000 and it is divided into 2,916,000,000 bearer shares with a nominal value of 1 Kurus each. a total of 2,916,000,000 shares. There are no privileged shares (31 December 2020: 2,916,000,000 bearer shares with a nominal value of 1 Kurus each. a total of 2,916,000,000 shares).

Shareholders of the Company as of 31 December 2021 are as follows:

31 December 2021	TRY	Share (%)
Sürmegöz Tekstil	16,878,507	57.88
Publicly listed and other	12,281,493	42.12
Total	**29,160,000**	**100**

Shareholders of the Company as of 31 December 2020 are as follows

31 December 2020	TRY	Share (%)
Sürmegöz Tekstil	16,878,507	57.88
Publicly listed and other	12,281,493	42.12
Total	**29,160,000**	**100**

The Company adopted the registered capital system according to the provisions of the Capital Market Board ("SPK") Law no 6362 and passed to this system under the permit of the Capital Market Board ("SPK") no 280 dated 3 May 1990. The Company's registered capital ceiling is TRY35,000,000 and it is composed of 3,500,000,000 shares each one with a nominal value of 1 Kuruş.

The capital adjustment differences in the amount of TRY30,657,866 as of 31 December 2021 is composed of the capital adjustment differences arising of the inflation adjustment of the paid in capital of the Company and not set off from the previous year losses or not added to the capital (31 December 2020: TRY30,657,866).

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 17 – EQUITY (Continued)

B) Restricted reserves:

Restricted reserves are reserves which are reserved for specific purposes other than law or contractual obligations or dividend payments. These reserves are presented as the same amount in Company's statutory books and differences arising preparing the financial statements in accordance with TFRS are associated with prior years' profit or losses.

The details of the Group's reserves on restricted reserves as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
1st group legal reserves	2,257,192	286,826
2nd group legal reserves	437,400	437,400
Extraordinary reserves	13,632,024	16,532,893
Special fund (*)	-	11,230,753
Total	**16,326,616**	**28,487,872**

(*) The corporate income corresponding to the corporate tax exemption related to the sale of the land was generated in 2014.

In accordance with the Turkish Commercial Code ("TCC") numbered 519, the first legal reserve is appropriated out of statutory profits at the rate of 5 percent per annum, until the total reserve reaches 20 percent of the company's paid-in share capital. The second legal reserve is appropriated at the rate of 10 percent per annum of all cashdistributions in excess of 5 percent of the paid-in share capital.

C) Foreign currency translation difference

Financial statements of the 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 Turkish Lira ("TRY"), which is the functional currency of the Company, and the reporting currency for the consolidated financial statements.

The movements in the foreign currency conversion differences are as follows:

	2021	2020
1 January	3,858,832	2,346,712
Foreign currency translation differences	5,294,103	1,512,120
31 December	**9,152,935**	**3,858,832**

D) Other comprehensive income and expenses not to be re-classified to accumulated profit or loss

	31 December 2021	31 December 2020
Opening balance	(5,805,532)	(5,941,527)
Defined benefit plans remeasurements gains/(losses)	(7,962,247)	169,994
Tax effect of defined benefit plans remeasurements gains/(losses)	1,592,450	(33,999)
Closing balance	**(12,175,329)**	**(5,805,532)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 18 - REVENUE AND COST OF SALES

a) Revenue	1 January- 31 December 2021	1 January- 31 December 2020
Export sales	168,268,318	148,669,402
Domestic sales	174,702,102	149,734,237
Other sales	751,707	2,274,267
Sales returns (-)	(1,974,969)	(2,199,981)
Other discounts from the sales (-)	(206,979)	(807,437)
Net sales	**341,540,179**	**297,670,488**
Cost of sales	**(240,057,846)**	**(231,022,040)**
Gross profit	**101,482,333**	**66,648,448**

b) Cost of sales	1 January- 31 December 2021	1 January- 31 December 2020
Raw material and material expenses	(124,837,598)	(115,060,350)
Direct labor costs	(52,427,906)	(35,895,624)
General production expenses	(59,929,945)	(52,248,807)
Amortization expense	(13,050,379)	(12,304,921)
Change in inventories of work in progress	33,112,809	(18,484,324)
Changes in inventories of finished goods	(21,025,404)	4,285,204
Cost of finished goods sold	**(238,158,423)**	**(229,708,822)**
Cost of trade goods sold	**(67,724)**	**(20,799)**
Cost of services sold	**-**	**-**
Change in provision for impairment of inventories (Note 8)	**(1,831,699)**	**(1,292,419)**
Cost of sales	**(240,057,846)**	**(231,022,040)**

NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

General administrative expenses	1 January- 31 December 2021	1 January- 31 December 2020
Personnel	(9,588,052)	(7,601,597)
Depreciation and amortization	(1,621,289)	(1,104,681)
Consulting	(839,598)	(720,431)
Rent	(54,858)	(358,465)
Vacation	(151,566)	(188,467)
Small fixture	(22,320)	(203,609)
Representation and hospitality	(84,210)	(92,400)
Newspaper and communication	(34,638)	(212,487)
Other	(695,881)	(658,401)
Total general administrative expenses	**(13,092,412)**	**(11,140,538)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 19 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

Marketing expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Export and freight	(7,602,527)	(9,871,499)
Consulting	(607,410)	(2,197,186)
Personnel	(9,260,892)	(11,111,992)
Transportation	(1,998,590)	(3,240,153)
Advertising expenses	(1,740,489)	(1,460,677)
Travel and communication expenses	(600,521)	(389,982)
Tender expenses	(614,659)	(791,415)
Cargo expenses	(765,308)	(767,302)
Rent	(805,240)	(691,473)
Depreciation and amortization	(713,178)	(587,878)
Other	(412,601)	(623,737)
Total marketing expenses	**(25,121,415)**	**(31,733,294)**

Research and development expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel	(2,057,440)	(1,593,462)
Depreciation and amortization	(61,847)	(90,214)
Other	(686,357)	(862,824)
Total research and development expenses	**(2,805,644)**	**(2,546,500)**

NOTE 20 - OTHER OPERATING INCOME / (EXPENSES) AND INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange gain from trade receivables and payables	36,345,724	33,146,420
Fair incentive incomes	785,788	1,180,012
Incentives	130,701	25,025
Rediscount revenues	5,249	1,799,763
Price difference claim income	413,842	138,203
Raw material and scrap material sales income	486,369	254,574
Interest income due to overdue receivables	-	56,942
Other	2,328,271	701,713
Total other operating income	**40,495,944**	**37,302,652**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 20 OTHER OPERATING INCOME / (EXPENSES) AND INCOME FROM INVESTING ACTIVITIES) (Continued)

	1 January- 31 December 2021	1 January- 31 December 2020
Income from fixed asset sales	1,313,305	8,321,839
Total other operating income	**1,313,305**	**8,321,839**

	1 January- 31 December 2021	1 January- 31 December 2020
Rediscount expenses	(44,731)	(674,747)
Foreign exchange loss from trade receivables and payables	(45,916,564)	(28,042,369)
Eximbank credit insurance premiums	(481,477)	(693,471)
Fees and dues	(2,409,845)	(262,418)
Special transaction tax	(22,106)	(17,025)
Other	(3,604,917)	(3,165,590)
Total other operating expenses	**(52,479,640)**	**(32,855,620)**

NOTE 21 EXPENSES BY NATURE

A) Accrued wages and salaries	1 January- 31 December 2021	1 January- 31 December 2020
Cost of the goods sold	(52,427,906)	(35,895,624)
Marketing, selling and distribution expenses	(9,260,892)	(11,111,992)
General administrative expenses	(9,588,052)	(7,601,597)
Research and development expense	(2,057,440)	(1,593,462)
Capitalized at development projects	(3,102,951)	(3,502,142)
Total	**(76,437,241)**	**(59,704,817)**

B) Distribution of depreciation and amortization	1 January- 31 December 2021	1 January- 31 December 2020
Cost of the goods sold	(12,988,532)	(12,214,707)
Marketing, selling and distribution expenses	(713,178)	(587,878)
Research and development expense	(61,847)	(90,214)
General administrative expenses	(1,621,289)	(1,104,681)
Total	**(15,384,846)**	**(13,997,480)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 22 FINANCIAL EXPENSES

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange difference (expense)/revenue	(23,253,986)	(9,206,916)
Interest expense (*)	(1,026,575)	(2,808,501)
Participation share payments	(6,860,339)	(6,983,176)
Other financial expenses	(2,730,936)	(789,504)
Total	**(33,871,836)**	**(19,788,097)**

(*) As of December 31, 2021, investment loans from the Development and Investment Bank of Turkey at rates below the inflation rate consist of financing expenses.

	1 January- 31 December 2021	1 January- 31 December 2020
Interest / Participation share incomes	1,636,665	903,376
Total	**1,636,665**	**903,376**

NOTE 23 TAX ASSETS AND LIABILITIES

Tax amounts recognized is as follows:

	31 December 2021	31 December 2020
Corporate and income taxes payable	(3,186,091)	-
Less: Prepaid taxes	138,817	83,914
Current income tax liability	**(3,047,274)**	**83,914**

Corporation tax

The Group's main shareholder, the Company is subject to corporation tax applicable in Turkey. Corporate tax expense recognized in the consolidated accompanying financial statements for the estimated tax liabilities related to the Group's results for the current period. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit after adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

With the amendment in the Corporate Tax Law, which came into force by being published in the Official Gazette dated 22 April 2021 and numbered 31462, the corporate tax rate in Turkey is 25% as of December 31, 2021 (2020: 22%). Accordingly, while calculating the deferred tax assets and liabilities in the financial statements of the Group as of 31 December 2021, the tax rate is taken into account as 23% for the parts of the temporary differences that will occur by 2022, and as 20% for the parts that will occur from 2023.

NOTE 23 TAX ASSETS AND LIABILITIES (Continued)

Corporation tax (Continued)

7532 Law on amending the Tax Procedure Law and Corporate Tax Law was enacted on 20 January 2022. It has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the provisional accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. In line with the Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will not be taxed.

Exemptions from corporation tax:

75% of the income derived by entities from the sale of participation shares, immovable property, preferential rights, founders' shares and redeemed shares which are carried in assets at least for two years is exempt from corporate tax as of 31 December 2018. However, according to the amendments by Law numbered 7061, this rate is reduced from 75% to 50% and tax declarations starting from 2018 will be calculated using 50%.

In order to benefit from the exception, the income in question must be kept in a passive fund account and must not be withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale was made. Advance tax in Turkey is calculated as three-month period and accrued. During the taxation of the corporate earnings for the year 2021 as of the advance tax periods, a provisional tax of 25% was calculated over the corporate earnings (31 December 2020: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be deducted retrospectively from previous years' profits. There is no procedure for a final and definitive agreement on tax assessment in Turkey. Companies prepare their tax returns between 1 and 25 April in the year following the closing period of the relevant year. The said declarations and the accounting records underlying them can be examined and changed within 5 years by the Tax Office.

Income Tax Withholding:

In addition to corporate taxes, in case of allocating get a profit share and incorporate this dividend at the company's income statement that resident corporations and foreign companies through dividends except for those distributed to branches in Turkey also income tax withholding should be calculated. Income withholding tax was applied as 10% between April 24, 2003 and July 22, 2006 in all companies. This rate has been applied as 15% since 22 July 2006, with the Council of Ministers Decision numbered 2006/10731. Dividends not distributed but added to capital are not subject to income tax withholding.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 23 TAX ASSETS AND LIABILITIES (Continued)

For the years ended 31 December 2021 and 2020, tax amounts recognized in the profit or loss statement are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Tax expense for the period	(3,186,091)	-
Deferred tax income / (expense)	10,254,676	(2,884,907)
	7,068,585	**(2,884,907)**

Deferred Tax

The Group recognizes deferred tax assets and liabilities for temporary timing differences arising from the differences between the tax base financial statements and the financial statements prepared in accordance with TFRS. Such differences usually arise due to the fact that certain income and expense items are included in different periods in the tax base financial statements as well as in the consolidated financial statements prepared in accordance with TFRS, the differences are stated below.

The amendments on tax laws was published on 5 December 2017. Accordingly, the corporate income tax rate for all companies in Turkey was increased from 20% to 22% for the years 2019 and 2020. Within the scope of the aforementioned law, deferred tax assets and liabilities in the consolidated financial statements dated 31 December 2021, 25% tax rate is used for calculation of the part of temporary differences that will have tax effect in 2021, and 23% is used for the part of temporary differences that will have tax effect in 2021 and later periods. Tax losses cannot be carried back to offset profits from previous periods

The Group registered TRY3,227,359 of deferred tax assets calculated for 3 years within the scope of incentive investment documents as of 31 December 2021 (31 December 2020: TRY3,445,766).

The breakdowns of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) at 31 December 2021, 2020 are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Investment allowance	(3,227,359)	(3,445,766)	3,227,359	3,445,766
Research and development deduction	-	399,812	-	(87,959)
Property, plant and equipment and intangible assets	(54,493,622)	(5,068,579)	10,898,724	1,013,716
Right of use assets	(4,463,059)	(5,704,283)	1,026,504	1,254,942
Inventories	(4,650,658)	(2,944,665)	1,069,651	647,826
Provision for employee termination benefits	(29,312,812)	(21,309,022)	5,862,562	4,261,804
Unused vacation liability	(5,040,464)	(5,312,130)	1,159,307	1,062,426
Other provisions	(2,075,940)	(462,784)	477,466	101,812
Provision for doubtful receivables	(4,521,591)	(6,293,157)	1,039,966	1,384,495
Non-accrued financial expenses (net)	2,271,587	2,329,298	(522,465)	(512,446)
Other	(224,719)	585,229	51,685	(128,749)
Deferred tax assets - net	**(105,738,637)**	**(47,226,047)**	**24,290,759**	**12,443,633**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 23 TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of the tax expense of the period and the profit of the period is as follows:

	2021	2020
Balance at 1 January	**12,443,633**	**15,362,539**
Current year deferred tax income/(expense)	10,254,676	(2,884,907)
Reflected to other comprehensive income statement	1,592,450	(33,999)
Balance at 31 December	**24,290,759**	**12,443,633**

	31 December 2021	31 December 2020
Deferred tax assets expected to be benefitted from in a period longer than one year	21,015,149	9,976,228
	21,015,149	**9,976,228**

	1 January- 31 December 2021	1.January- 31 December 2020
(Loss)/profit before tax	**19,328,866**	**12,898,745**
Income tax rate (%25)	(4,832,217)	(2,837,724)
Tax effects of:		
Non-tax deductible expenses	(148,660)	(603,624)
Effect of change in statutory tax rate on deferred tax	-	(13,416)
Research and development deduction	4,579,292	666,604
Lump sum expense deduction	199,262	174,077
Investment deduction	(218,407)	-
Revaluation effect of fixed assets (*)	10,309,853	-
Other	365,553	(270,824)
Tax income/(expense) on profit or loss statement	**10,254,676**	**(2,884,907)**

(*) With Article 11 of the Law No. 7326 published in the Official Gazette on 9 June 2021, the opportunity to revalue the properties and depreciable economic assets on the effective date of the law was introduced. The provision of the article can be used until 31 December 2021. These assets will be valued with the Producer Price Index ("PPI") rate and tax, calculated 2% of valuation difference, paid in 3 installments (at two-month intervals) at the rate of 2%. For revalued assets, the valuation difference can be depreciated and written off as an expense. Within the scope of the law amendment, deferred tax asset has been recognised in the statement of financial position based on the revaluation records for fixed assets in the legal book, and the deferred tax income related to this asset has been recorded in the consolidated statement of profit or loss

NOTE 24 - EARNINGS / (LOSSES) PER SHARE

	31 December 2021	31 December 2020
Net profit	26,397,451	10,013,838
Weighted average number of shares per 1 Kr in nominal value	2,916,000,000	2,916,000,000
Diluted (loss)/earnings per share (Kr)	0,0091	0,0034

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a.1 Credit risk management

As of 31 December 2020, a portion of trade receivables amounting to TRY458,101 consist of receivables from credit card and maturity up to 3 months (31 December 2021: None.)

As at balance sheet date, the total amount of overdue receivables and guarantees received for these receivables is as follows:

	31 December 2021	31 December 2020
Overdue for 1-30 days	6,787,514	4,841,982
Overdue for 1-3 months	531,102	1,137,505
Overdue for 3-12 months	577,836	7,086,831
Overdue for 1-5 years	691,205	298,893
Total past due receivables	**8,587,657**	**13,365,211**
Secured portion covered by a guarantees etc.	**5,427,613**	**8,023,582**

Guarantees received for the overdue receivables for which a provision is not allocated:

	31 December 2021	31 December 2020
Export insurance	5,427,613	4,109,402
Letter of guarantee	-	3,914,180
Total	**5,427,613**	**8,023,582**

The credit risk is distributed due to the large number of institutions constituting the customer base. The following charts provide information about the credit risk of the trade receivables and contract assets for the customers to which sales are being carried out as of 31 December 2021 and 31 December 2020 and exposure to ECLs.

31 December 2021

	Weighted average Loss ratio % (*)	Net book value	Loss provision
Current (not overdue)	2.24	92,265,890	111,243
Overdue for 1-30 days	0.07	6,787,514	45,354
Overdue for 31-90 days	0.10	531,102	6,446
Overdue for 91-360 days	0.12	577,836	422,953
Overdue for 360 or more days	0.16	691,205	89,601
Total		**100,853,547**	**675,597**

(*) It is calculated over the net receivables after reducing the guarantees in compliance with TFRS 9. The loss provision in the table is the loss provision calculated according to the expected credit loss model.

31 December 2020

	Weighted average Loss ratio % (*)	Net book value	Loss provision
Current (not overdue)	1.57	24,118,399	40,930
Overdue for 1-30 days	0.70	4,841,982	294,083
Overdue for 31-90 days	0.90	1,137,505	158,133
Overdue for 91-360 days	0.11	7,086,831	785,690
Overdue for 360 or more days	0.15	298,893	43,839
Total		**37,483,610**	**1,322,675**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables						
Credit risks exposed by the types of financial instruments	**Trade Receivables**		**Other receivables**				
31 December 2021	**Related party**	**Third party**	**Related party**	**Third party**	**Bank deposits**	**Financial Investments**	**Other**
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	**-**	**100,853,547**	**-**	**1,251,212**	**21,809,211**	**-**	**-**
-Secured portion of the maximum credit risk by guarantees etc.	-	78,434,250	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	-	92,265,890	-	1,251,212	21,809,211	-	-
B. Net book value of assets whose conditions renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C.Net book value of assets past due but not impaired	-	8,587,657	-	-	-	-	-
-Secured portion covered by guarantees etc.	-	5,427,613	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
-Past due (gross book value)	-	4,521,591	-	-	-	-	-
-Impairment amount (-)	-	(4,521,591)	-	-	-	-	-
-Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
-Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount(-)	-	-	-	-	-	-	-
-The part covered by guarantees etc.	-	-	-	-	-	-	-
E. Off -balance sheet items including risk	-	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables						
Credit risks exposed by the types of financial instruments	**Trade Receivables**		**Other receivables**				
31 December 2020	**Related party**	**Third party**	**Related party**	**Third party**	**Bank deposits**	**Financial Investments**	**Other**
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	**-**	**37,483,610**	**-**	**1,556,515**	**68,708,259**	**-**	**-**
-Secured portion of the maximum credit risk by guarantees etc.	-	29,807,189	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	-	24,118,399	-	1,556,515	68,708,259	-	-
B. Net book value of assets whose conditions renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C.Net book value of assets past due but not impaired	-	13,365,211	-	-	-	-	-
-Secured portion covered by guarantees etc.	-	8,023,582	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
-Past due (gross book value)	-	6,293,157	-	-	-	-	-
-Impairment amount (-)	-	(6,293,157)	-	-	-	-	-
-Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
-Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount(-)	-	-	-	-	-	-	-
-The part covered by guarantees etc.	-	-	-	-	-	-	-
E. Off -balance sheet items including risk	-	-	-	-	-	-	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a.1 Credit risk management (Continued)

As of 31 December 2021, the Group have cash and cash equivalents (excluding cash balance) and financial investments amounting to TRY21,809,211 (31 December 2020: TRY68,708,259). Cash and cash equivalents and financial investments are held in highly credible financial institutions located in Turkey.

a.2 Liquidity risk management

Ultimate responsibility belongs to the Board of Directors for liquidity risk management. The Board of Directors has created an appropriate liquidity risk management for the Group's short, medium and long-term funding and liquidity management requirements. The Group manages the liquidity risk estimation and monitoring of actual cash flows on a regular basis and ensures the availability of adequate funds and borrowing reserves by matching the maturities of financial assets and liabilities.

The following table shows the details of the Group's expected maturity for its non-derivative financial liabilities. Non-derivative financial liabilities is prepared on the basis of undiscounted cash flows and on the earliest dates. The interest payments on the obligations in question were included in the following table.

Liquidity risk chart

31 December 2021

Contractual maturities	Carrying value	Total cash outflows under contracts (I+II)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Bank loans	117,042,414	117,523,879	91,644,511	6,698,570	19,180,798
Lease liabilities	4,463,059	4,538,929	325,034	1,450,099	2,763,796
Trade payables	83,611,010	83,816,257	56,293,669	27,522,588	-
Total liabilities	**205,116,483**	**205,879,065**	**148,263,214**	**35,671,257**	**21,944,594**

31 December 2020

Contractual maturities	Carrying value	Total cash outflows under contracts (I+II)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Bank loans	112,415,400	114,090,426	-	72,736,426	41,354,000
Lease liabilities	5,704,283	8,697,533	303,852	2,102,461	6,291,220
Trade payables	37,114,827	37,412,761	28,574,492	8,838,269	-
Total liabilities	**155,234,510**	**160,200,720**	**28,878,344**	**83,677,156**	**47,645,220**

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b.3) Market risk management

The Group's activities are primarily exposed to financial risks related to changes in foreign currency exchange rates and interest rates, as detailed below.

Market risks are also assessed through sensitivity analyzes.

There has been no change in the Group's exposure to market risk or exposure to risks in its management and measurement methods in the current year.

b.3.1) Currency Risk Management

Group is exposed to foreign currency risk, principally the USD, Euro and GBP. The Group controls this risk through a natural method of offsetting foreign currency assets and liabilities. Management is responsible for analyzing the Group's foreign exchange position and taking precautions when necessary.

The table below shows the Group's sensitivity to a 10% increase and a decrease in USD, EUR and GBP exchange rates. The 10% rate is used during the reporting of the foreign exchange risk within the Group to the senior management. This means that the rate management indicates the possible change in exchange rates. Sensitivity analysis only covers monetary items at the end of the period in terms of open foreign currencies and shows the effect of the 10% exchange rate change at the end of the year. This analysis includes loans that are used for foreign operations within the Group together with outsourced loans, as well as loans outside the functional currency of the employing parties. Positive value refers to the increase in profit / loss and other equity items.

TRY equivalents of assets and liabilities denominated in foreign currency held by the Group as follows:

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31 December 2021	**TRY Equivalent (Functional Currency)**	**USD**	**EURO**	**GBP**	**CHF**	**JPY**
1. Trade receivables	102,226,113	2,095,831	4,636,137	241,935	-	
2a. Monetary financial assets (Cash, bank accounts included)	21,208,669	1,175,800	357,146	8,252	1	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**123,434,782**	**3,271,631**	**4,993,283**	**250,187**	**1**	**-**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b.Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**
9. Total assets (4+8))	**123,434,782**	**3,271,631**	**4,993,283**	**250,187**	**1**	**-**
10. Trade payables	66,351,777	3,118,236	1,558,473	62,725	1,635	-
11. Financial liabilities	93,127,766	500,000	5,719,984	-	-	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**159,479,543**	**3,618,236**	**7,278,457**	**62,725**	**1,635**	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	-
18. Total liabilities (13+17)	**159,479,543**	**3,618,236**	**7,278,457**	**62,725**	**1,635**	221
19.Net asset/liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	-
	-	-	-	-	-	-
19a. Foreign currency derivatives accounted assets	-	-	-	-	-	-
19b. Foreign currency derivatives accounted liabilities	-	-	-	-	-	-
						-
20. Net foreign currency position (9-18+19)	**(36,044,761)**	**(346,605)**	**(2,285,174)**	**187,462**	**(1,634)**	**(221)**
						-
21. Monetary items net foreign currency asset/						-
liability position (=1+2a+5+6a-10-11-12a-14-15-16a)	(36,044,761)	(346,605)	(2,285,174)	187,462	(1,634)	(221)
						-
22. Fair value of financial assets for foreign currency hedge	**-**	**-**	**-**	**-**	**-**	-
23. The amount of Currency Hedged portion of assets	**-**	**-**	**-**	**-**	**-**	-
						-
24 The amount of Currency Hedged portion of liabilities	**-**	**-**	**-**	**-**	**-**	-
						-
25. Export	**168,268,318**	**2,062,894**	**16,567,664**	**1,374,640**	**-**	-
26.Import	**125,004,698**	**11,382,887**	**1,474,919**	**124,987**	**2,817**	**550,000**

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

31 December 2020	**TRY Equivalent (Functional Currency)**	**USD**	**EURO**	**GBP**	**CHF**	**JPY**
1. Trade receivables	36,391,755	924,276	2,920,252	332,043	-	
2a. Monetary financial assets (Cash, bank accounts included)	50,441,326	1,496,438	4,300,362	72,355	1	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**86,833,081**	**2,420,714**	**7,220,614**	**404,398**	**1**	**-**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b.Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**
9. Total assets (4+8))	**86,833,081**	**2,420,714**	**7,220,614**	**404,398**	**1**	**-**
10. Trade payables	20,832,967	2,886,195	937,727	18,746	1,629	-
11. Financial liabilities	45,102,808	-	5,007,028	-	-	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**74,935,775**	**2,886,195**	**5,994,755**	**18,746**	**1,629**	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	**-**	**-**	**-**	**-**	**-**	-
18. Total liabilities (13+17)	**74,935,775**	**2,886,195**	**5,944,755**	**18,746**	**1,629**	-
19.Net asset/liability position of off-balance sheet derivatives (19a-19b)	**-**	**-**	**-**	**-**	**-**	-
	-	-	-	-	-	-
19a. Foreign currency derivatives accounted assets	-	-	-	-	-	-
19b. Foreign currency derivatives accounted liabilities	-	-	-	-	-	-
20. Net foreign currency position (9-18+19)	**11,897,306**	**(465,481)**	**1,275,859**	**385,652**	**(1,628)**	-
21. Monetary items net foreign currency asset/ liability position (=1+2a+5+6a-10-11-12a-14-15-16a)	**11,897,306**	**(465,481)**	**1,275,859**	**385,652**	**(1,628)**	-
22. Fair value of financial assets for foreign currency hedge	**-**	**-**	**-**	**-**	**-**	-
23. The amount of Currency Hedged portion of assets	**-**	**-**	**-**	**-**	**-**	-
24 The amount of Currency Hedged portion of liabilities	**-**	**-**	**-**	**-**	**-**	-
25. Export	**148,669,402**	**2,062,894**	**16,567,664**	**1,374,640**	**-**	-
26.Import	**140,379,039**	**14,290,697**	**3,394,738**	**96,306**	**4,819**	-

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

The Group is exposed to foreign exchange risk, due to the impact of rate changes of foreign currency denominated assets and liabilities translated into Turkish Lira. The foreign exchange risk, foreign currency position is monitored and limited by the analysis.

	31 December 2021	**31 December 2021**
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
20% change in USD rate		
1 - USD net asset/liability	(925,643)	925,643
2- Hedged amount (-)	-	-
3- USD net effect (1 +2)	**(925,643)**	**925,643**
20% change in EURO rate		
4 - EURO net asset/liability	(6,907,578)	6,907,578
5 - Hedged amount (-)	-	-
6- EUR net effect (4+5)	**(6,907,578)**	**6,907,578**
20% change in GBP rate		
7- GBP net asset/liability	673,615	(673,615)
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	**673,615**	**(673,615)**
20% change in CHF rate		
10- CHF net asset/liability	(4,794)	4,794
11- Hedged amount (-)	-	-
12- CHF net effect (10+11)	**(4,794)**	**4,794**
TOTAL (3 + 6 +9+12)	**(7,164,400)**	**7,164,400**

	31 December 2020	**31 December 2020**
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
20% change in USD rate		
1 - USD net asset/liability	(683,373)	683,373
2- Hedged amount (-)	-	-
3- USD net effect (1+2)	**(683,373)**	**683,373**
20% change in EURO rate		
4 - EURO net asset/liability	2,298,562	(2,298,562)
5 - Hedged amount (-)	-	-
6- EUR net effect (4+5)	**2,298,562**	**(2,298,562)**
20% change in GBP rate		
7- GBP net asset/liability	766,969	(766,969)
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	**766,969**	**(766,969)**
20% change in CHF rate		
10- CHF net asset/liability	(2,699)	2,699
11- Hedged amount (-)	-	-
12- CHF net effect (10+11)	(2,699)	**2,699**
TOTAL (3+6+9+12)	**2,379,459**	**(2,379,459)**

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b.3.2) Interest rate risk management

Group is exposed to interest rate risk due to Group's borrowings at both fixed and floating interest rates. Mentioned risk is managed by maintaining an appropriate distribution between the fixed and floating rate borrowings by the Group.
The Group's interest rate sensitive financial instruments are as follows:

Interest position table		
	31 December 2021	**31 December 2020**
Financial instruments with fixed interest rate		
Financial Assets	-	55,307,075
Financial Liabilities	149,220,894	153,277,122

Fair value risk of fixed rate instruments:

The Group does not have financial assets and liabilities with fixed interest fair value reflected on profit or loss and hedging derivatives (forward interest rate swaps) recorded under the accounting model for hedging purposes. Therefore, as of the reporting period, changes in interest rates will not affect profit or loss.

c.1) Capital ratio risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors the capital by using the net financial debts/equities ratio. Net financial debts are calculated by deducting the cash and cash equivalents from the total financial debt amount.

Net debt/invested capital ratios as of 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	**31 December 2020**
Total financial debt	149,220,894	153,277,122
Cash values and banks (*)	21,809,211	68,708,259
Net financial debt	127,411,683	84,568,863
Equities	100,389,946	99,068,189
Net financial debt/equities ratio	1.27	0.85

(*) The amount of the cash values and banks as of 31 December; also includes the term deposits with maturity longer than three months shown in the financial investments possessed by the Group, in addition to cash and cash equivalents.

NOTE 25 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c.2)- Operational risk

Operational risk, is the risk that direct or indirect loss arising from a wide variety of reasons related to the Company's processes, employees, technology and infrastructure used, and external factors such as legal and regulatory requirements other than credit risk, market risk and liquidity risk, and generally accepted standards regarding legal personality. Operational risks arise from all of the Group's activities. The aim of the Group is to manage operational risk by avoiding financial losses and damaging the reputation of the Group, on the one hand, and by avoiding controls that restrict entrepreneurship and creativity on the other.

The improvement and implementation of controls in operational risk aversion are primarily the responsibility of senior managers in each business. This responsibility is supported by the improvement of the general standards regarding the management of operational risks in the following areas:

- Requirements for proper distribution of duties and responsibilities, including the independent authorization of transactions,
- Requirements for reconciliation and supervision of transactions and compliance with regulatory and other legal requirements,
- Documentation of controls and procedures,
- Periodic evaluation of the operational risks encountered and the adequacy of the controls and procedures to avoid the identified risks,
- Requirements for reporting operational losses and presenting improvement activities related to them,
- Establishing emergency plans,
- Training and work-related development of employees,
- Ethical and business standards and
- Risk reduction remedies, including insurance where effective.

Compliance with company standards is audited through the periodic audit program carried out by Internal Audit. The results of the review made by Internal Audit are reported to the management of the relevant operational department and shared with the Audit Committee and senior management.

NOTE 26 - FINANCIAL INSTRUMENTS

The following methods and assumptions used to estimate fair values are used to estimate the fair value of financial instruments:

1) Monetary assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.
The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.
The carrying values of trade receivables are estimated to be their fair values.

2) Monetary Payables

It is accepted that the fair values of bank loans and other monetary debts are close to their registered values due to their mostly short-term nature.
It is estimated that the registered values of trade payables show their fair values.

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

3) Derivative financial instruments (futures contracts)

The Group enters into future contracts in foreign currency markets. The aforementioned future contracts made with respect to hedging in accordance with the risk management policies of the Group are recognized with their fair value under "derivative financial assets" (if revenue) or "derivative financial liabilities" (if expense) in financial statements since they do not provide appropriate conditions for hedge accounting according to IAS 9 Financial Instruments: Recognition and Measurement.

Fair values of derivative financial instruments are considered as future cash returns discounted in publicly traded markets or reduced to balance sheet date. All derivative instruments are carried as assets when their fair values are positive and as debt when they are negative.

Gains or losses arising from an increase or decrease in the fair value of derivatives that do not meet the requirements for hedge accounting are directly attributed to the income statement.

31 December 2021	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	21,809,211	-	-	21,809,211	4
Trade receivables	100,853,547	-	-	100,853,547	6
Other receivables	1,251,212	-	-	1,251,212	7
Financial liabilities					
Financial borrowings	-	107,428,268	-	107,428,268	12
Financial payables to related parties	-	41,792,626	-	41,792,626	5.12
Trade borrowings	-	83,611,010	-	83,611,010	6

31 December 2020	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
Financial assets					
Cash and cash equivalents	68,708,259	-	-	68,708,259	4
Trade receivables	37,483,610	-	-	37,483,610	6
Other receivables	1,556,515	-	-	1,556,515	7
Financial liabilities					
Financial borrowings	-	87,976,217	-	87,976,217	12
Financial payables to related parties	-	65,300,905	-	65,300.905	5,12
Trade borrowings	-	37,114,827	-	37,114,827	6

(Amounts expressed in thousands of Turkish Lira ("TRY") unless otherwise indicated.)

NOTE 26 - FINANCIAL INSTRUMENTS (Continued)

The Group classifies the financial instruments that are reported with their fair values in the financial statements according to the source of the valuation inputs of each class of financial instruments using the three level hierarchy as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Other valuation techniques including indirectly and directly observable inputs

Level 3: Valuation techniques which do not include observable market inputs

NOTE 27 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/ INDEPENDENT AUDIT FIRMS

Information regarding the fees for the services received from the independent audit firms, in accordance with the letter of POA dated 19 August 2021 that was prepared considering the Board Decision published in the Official Gazette on 30 March 2021, is as follows:

	31 December 2021	31 December 2020
Independent audit fee for the reporting period	179,000	118,000
Tax services fee for the reporting period	130,253	117,220
Other assurance services fee for the reporting period	20,000	-
Total	**329,253**	**235,220**

NOTE 28 - SUBSEQUENT EVENTS

The controlling shareholder of the Group Sürmegöz Tekstil Yatırım A.Ş. ("Sürmegöz Tekstil"), Ziraat Katılım Bankası A.Ş. ("Ziraat Participation") and Mustafa SÜRMEGÖZ signed a Share Sale Agreement regarding the purchase of all shares of Ziraat Participation in Sürmegöz Tekstil by Mustafa SÜRMEGÖZ. Necessary procedures have been initiated for the transfer of Sürmegöz Tekstil shares, owned by Ziraat Participation within the framework of the "Joint Investments" financing model, to its other partner, Mustafa SÜRMEGÖZ, in accordance with the financing model. (31 December 2020: None).