



## **ACTIVITY REPORT 2022**



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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

Germany, England, United States of America, Italy

### Agencies

United States, France, Italy, Slovakia, Poland, China, Japan, South Korea





**Personnel**



**Customer**



**Country for Exportation**



**Headquarter**

Istanbul - Turkiye



**Manufacturing  
Site**

Cerkezkoy - Turkiye



**Design Office**

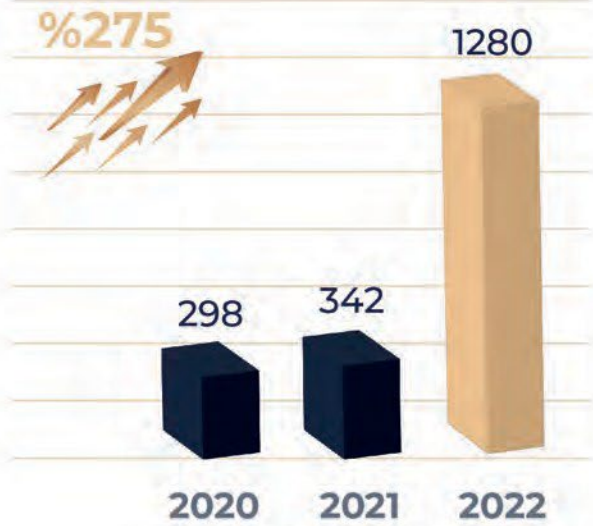
Cerkezkoy - Turkiye



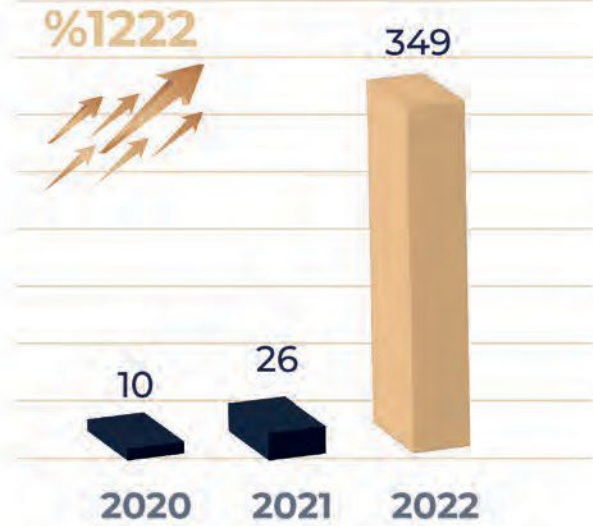
## Yünsa in figures

In 2022, Yünsa achieved a turnover of TL 1,280 million and increased its net profit by 1222% to TL 349 million thanks to its business strategy focused on sustainable growth and profitability despite the challenging conditions in the global market.

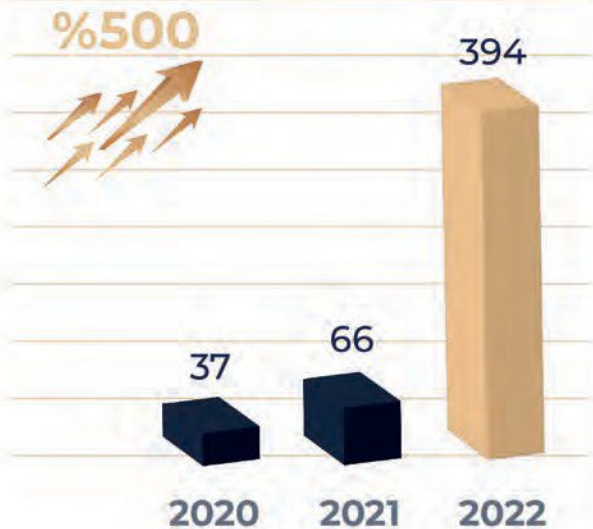
**NET SATIŞLAR**  
Milyon TL



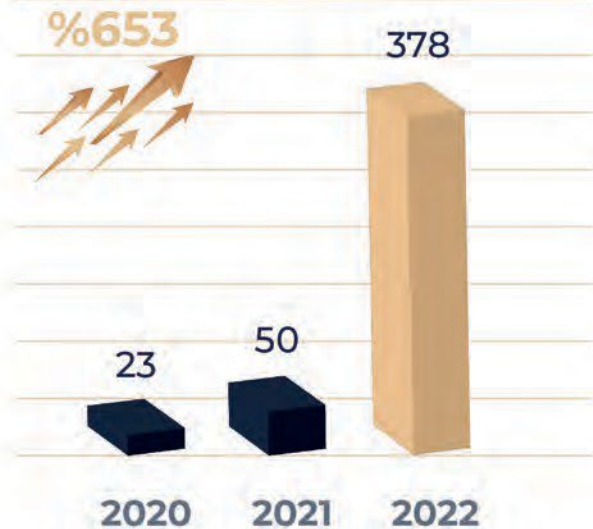
**NET KÂR**  
Milyon TL



**FAVÖK**  
Milyon TL

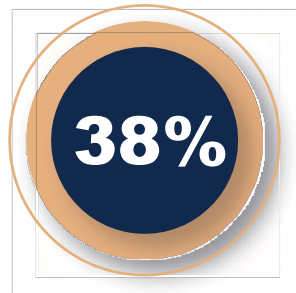
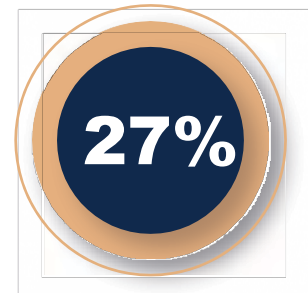


**ESAS FAALİYET KÂRI**  
Milyon TL





## Yünsa in figures

**Net Sales****Gross Profit****Net Profit****Total assets****Gross Profit  
Margin****Net Profit  
Margin**

	2020	2021	2022
Total Debts / Total Actives (%)	69	74	61
Equities / Total Actives (%)	31	26	39
Borrowing Ratio (%)	227	290	156
Current Ratio	1.54	1.28	1.8 3
Acid-Test Ratio	0.81	0.62	1.1 4
Gross Profit Margin (%)	22	30	38
Net Profit Margin (%)	3	8	27
Earning per share (TL)	0.34	0.91	11.97

## About Yünsa

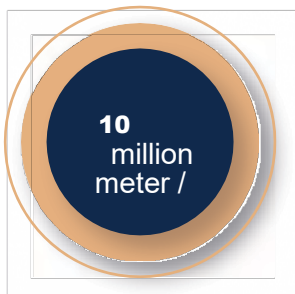
**Yünsa, one of the world's leading companies in the production of high-end woolen fabrics, has Europe's largest integrated woven fabric production facility under a single roof.**

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 added 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 regions of the world, Yünsa has sales offices in Germany, the United Kingdom, the United States and Italy, and agencies in the United States, France, Italy, Slovakia, Poland, China, Japan and South Korea. 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 m<sup>2</sup>, 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.



**Fabric Weaving  
Production  
Capacity**



**Yarn  
Production  
Capacity**



**Area of the  
Manufacturing  
Site**







## Partnership Structure

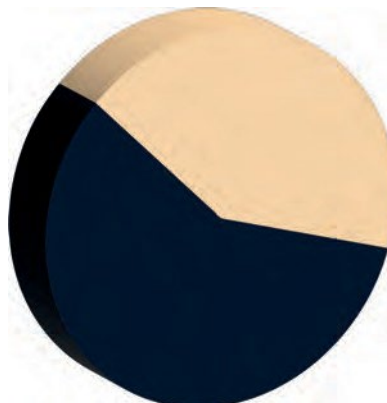
**Yünsa, which operates with the goal of sustainable profitability that creates value for its investors and all stakeholders, has 42% of its shares publicly traded on the Borsa Istanbul.**

Yünsa Yünlü Sanayi ve Ticaret A.Ş. has founded in 1973 and its main activity is the production and marketing of woolen textile products. As of December 31, 2022, the issued capital of Yünsa, which was offered to the public on April 06, 1990, is TL 29,160,000.00 and is divided into a total of 2,916,000,000,000 bearer shares with a nominal value of 1 Kuruş each and there are no privileged shares.

On November 26, 2019, all shares of Yünsa Yünlü Sanayi ve Ticaret A.Ş. with a nominal value of TL 16,878,507.00, representing 57.88% of its capital, were acquired by Sürmegöz Tekstil Yatırım A.Ş. from Hacı Ömer Sabancı Holding A.Ş. BIST 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 Participation, BIST Participation Dividend, BIST Dividend, BIST Dividend, BIST Textile-Leather, BIST Industrials, BIST All-100 and BIST Tekirdağ indices. Yünsa started to be traded in the BIST Yıldız Market Index on April 3, 2023. 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 Saturday, December 31, 2022:

Name of	Number of	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

**57,88%**  
Sürmegöz Tekstil  
Yatırım A.Ş.



**42.12%**  
Open to public





# Vision, Mission, Values

## Our Vision

To be the leading wool fabric brand in Europe in 2025 and in the world in 2030.

## Our Mission

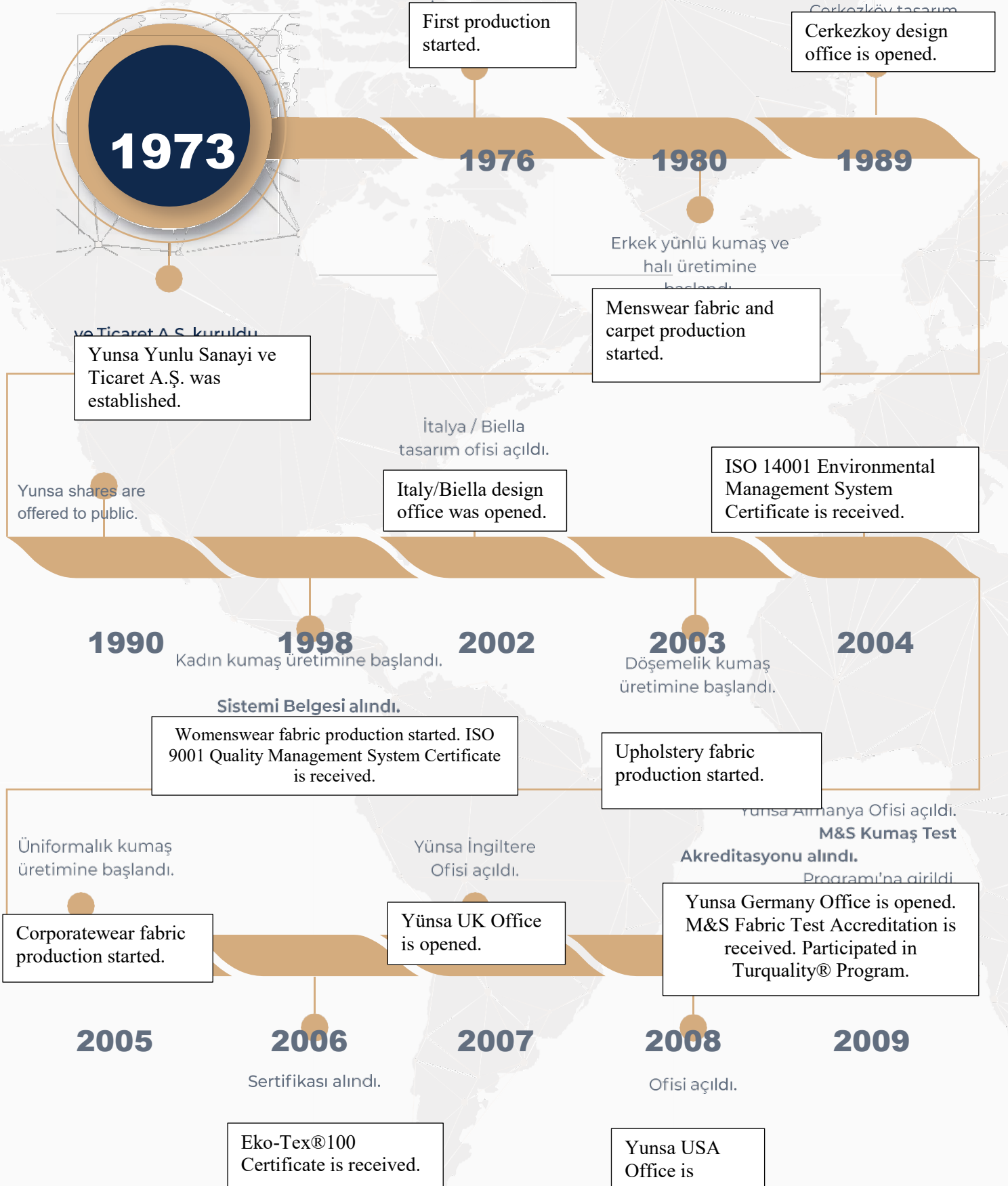
To offer textile solutions that add value to life with sustainable, technological and innovative approaches.

## Our Values

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



## Milestones







Hugo Boss Accreditation is received.

ISO 50001 Energy Management System Certificate is received.

**2010****2011****2012****2013****2015**

Yunsa has become the leader in the sector with its CDP Türkiye Water Report.

Toplam Verimli Yönetim

**AR-GE Merkezi Ödülü**

Yunsa has ranked the first in the sector with its CDP Türkiye Climate Change Report score.

OHSAS 18001 and ISO 27001 certificates are received

RWS Certificate is received. Yunsa participated in ZDHC and BVE3 programs. Entered in Higg Site Environment Module.

Yunsa won Kalder “Kaizen of the Year” award.

**2016****2017****2018****2019****2020**

Yunsa has become the leader in the sector with its CDP Türkiye Water Report.

Yunsa was purchased by Surmegoz Tekstil.

Türkiye’deki ilk ve

tek tekstil

**2021**

Yünsa became the first and only textile company in Turkey to be awarded the TPM Excellence Award.

**Renewable  
Energy  
Resource  
Guarantee  
System (YEK-G)**  
certificate and  
13,284.5 tons of  
CO2 equivalent

Akreditasyonu alındı.

emissions were  
neutralized  
within the  
scope of  
green  
energy.

**Procedure for  
Greenhouse Gas  
Emission Verification  
published.**  
ISO 14064-1:2019

Belgesi alındı.

Yünsa Ar-Ge Merkezi açıldı.

**CDP Türkiye İklim Değişikliği  
Raporlaması yapıldı.**

(TPM) çalışmalarına başlandı.

alındı.

Yünsa, CDP Türkiye İklim  
Değişikliği Raporu puanıyla

belgeleri alındı.

RWS Sertifikası alındı.

programlarına katıldı.

Yünsa, KalDer "Yılın Kaizen'i"  
ödülünü kazandı.

Su Raporu puanıyla

tarafından satın alındı.

Ödülü' ne layık görülen

firması oldu.

## Message From the Chairman of the Board of Directors

**We saw that the right actions we took in 2022 in line with our goal of becoming the largest in Europe in 2025 and the largest in the world in 2030 in upper segment woolen fabric production were reflected in our year-end performance. 2022 was a year in which we realized our targets and broke records in many areas.**



Dear Stakeholders,

As one of Turkey's most valuable brands in the textile industry and Europe's largest integrated wool fabric manufacturer under a single roof, we made a significant contribution to our country's economic growth and industrial accumulation this year. In 2022, our export revenue amounted to TL 661 million. Throughout the year, we ensured efficiency by managing our inventory, cost and financing processes well. In 2022, we completely closed our short-term FX debts and strengthened our financing structure.

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. As a result, we doubled our exports in foreign currency compared to the previous year. 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. We continued to deliver value to our stakeholders in 2022, both through the economic added value created and through investments. Our fixed asset investment expenditures during the period amounted to TL 62 million. Within the scope of incentives, we used approximately 42.7 million TL of state support in 2022.

In 2022, as a result of our systematic and focused efforts, we achieved a turnover of TL 1 billion 280 million and increased our net profit to TL 349 million with an increase of 1,222% compared to the previous year, thanks to the collection we offer, the service and product quality we provide to our customers and the highest level of customer satisfaction. We also doubled our production and export volume compared to the previous year. While our gross profit increased by 381% year-on-year to TL 488 million, we increased our earnings before interest, taxes, depreciation and amortization (EBITDA) by 500% to TL 394 million. As a result, we improved our gross profit margin by 8 points to 38% and our EBITDA margin to 31%. In the period ahead, we will continue our production and sales activities by focusing on our financial targets and efficiency-based operational excellence.

As a result of our successful efforts, we are also increasing our brand value. According to the Brand Finance Turkey 100 - 2022 report published by Brand Finance, one of the world's leading brand valuation and strategy consultancy organizations, which evaluates the brands operating in the sector in Turkey, Yünsa maintained its position in the top 100. We continue to invest in strengthening our production technologies. Thanks to the investments we have made to date in this direction, we have made great progress in increasing our capacity utilization rate and reducing our costs. In 2022, we invested in our weaving and dyeing businesses. We commissioned 18 new technology weaving looms. Likewise, with our completely renovated dyeing plant, our goal is to switch to fully automated production. Thus, we will be able to save water and energy consumption and reduce the use of chemicals by a large amount. With these investments in production, we will reduce our costs and save energy.

Sustainability is an integral part of our company's goals and strategy, and we aim to be a pioneer in this field with our investments and collaborations. In 2022, we carried out studies in many areas such as recycling textile waste, developing fabrics in the field of technical textiles, wearable technologies, and reducing energy consumption. We published our Yünsa Greenhouse Gas Policy. We have prepared the Yünsa Sustainability Roadmap in line with our 2025 and 2030 targets based on the performance indicators of the identified priority areas in environmental, social and economic dimensions.

In 2022, we focused on our costs and reduced our costs through effective cost management. With the quality of our products, our deadlines, our innovative and creative collections, we are taking firm steps towards becoming the best in the world. I am confident that we will achieve even greater successes and new records with your cooperation and contributions on this journey. We intensified our efforts to improve our quality. We are assertive in the quality of our products, our deadlines and our ability to produce innovative and creative collections. We have more than four hundred customers from all over the world. Our collections are highly appreciated at the fairs we attend. We proudly represent our country with our quality products. We also care about looking at the empty side of the glass. We cannot improve if we do not see areas for improvement. We have the potential to multiply our company's achievements.

In the period ahead, we will continue our successful performance in our businesses where we focus on customer satisfaction, touch our customers more, continue our technology investments and increase our environmentally sensitive sustainability activities. Focusing on our financial targets and efficiency-based operational excellence, we will continue our production and sales activities and carry our financial success forward. We will continue to create value for our country, our employees and all our stakeholders through activities and projects that will strengthen the confidence of our investors. I would like to extend my gratitude to my colleagues and all our stakeholders, whose devoted cooperation and contributions have always been with us on this journey.

Kindly regards,



Mustafa Sürmegöz  
Chairman of the Board of Directors

## Board of Directors



**Mustafa SÜRMEGÖZ**

**Chairman of Board of  
Directors - 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 30 years. After the acquisition of Yünsa's shares other than the publicly traded portion by Sürmegöz Tekstil Yatırım in November 2019, he has been serving as Yünsa General Manager since April 2020 and as the Chairman of the Board of Directors of Yünsa since April 2022. Sürmegöz is a member of board of directors of Istanbul Textile and Raw Materials Exporters' Association (İTHİB), Turkish Textile Industry Employers' Association (TTSİS) and Turkish Confederation of Employers' Associations (TİSK).



**Temel Tayyar YEŞİL**

**Deputy Chairman of Board of  
Directors**

Yeşil, born in Samsun, completed his primary, secondary and high school education in Samsun. He is graduated from Erciyes University, Faculty of Economics and Administrative Sciences, Department of Economics. Mr. Yeşil started his professional career in 1988 in various commercial ventures and continued his career in the banking sector between 1998 and 2022. He worked as a specialist, branch manager, regional coordinator, head of department and assistant general manager at Pamukbank, Türkiye Halk Bankası, T.C. Ziraat Bankası and Ziraat Katılım Bankası A.Ş., respectively. Within Ziraat Finance Group, he served as a Member of Board of Directors in domestic and foreign subsidiaries and as a Member of Board of Directors in the Credit Guarantee Fund. Mr. Yeşil, who has been serving as a member of the Board of Directors of Yünsa since November 2019, also serves as Deputy Chairman of the Board of Directors and Executive Committee of Tarım Kredi Holding.



## Board of Directors



**Prof. Dr. 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.



**Dr. Ahmet YARIZ**

**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 Sinai 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. Since 2019, he has been serving as a member of the Audit Committee, Early Detection of Risk Committee and Corporate Governance Committee in addition to his duties as an Independent Member of Board of Directors at Yünsa.

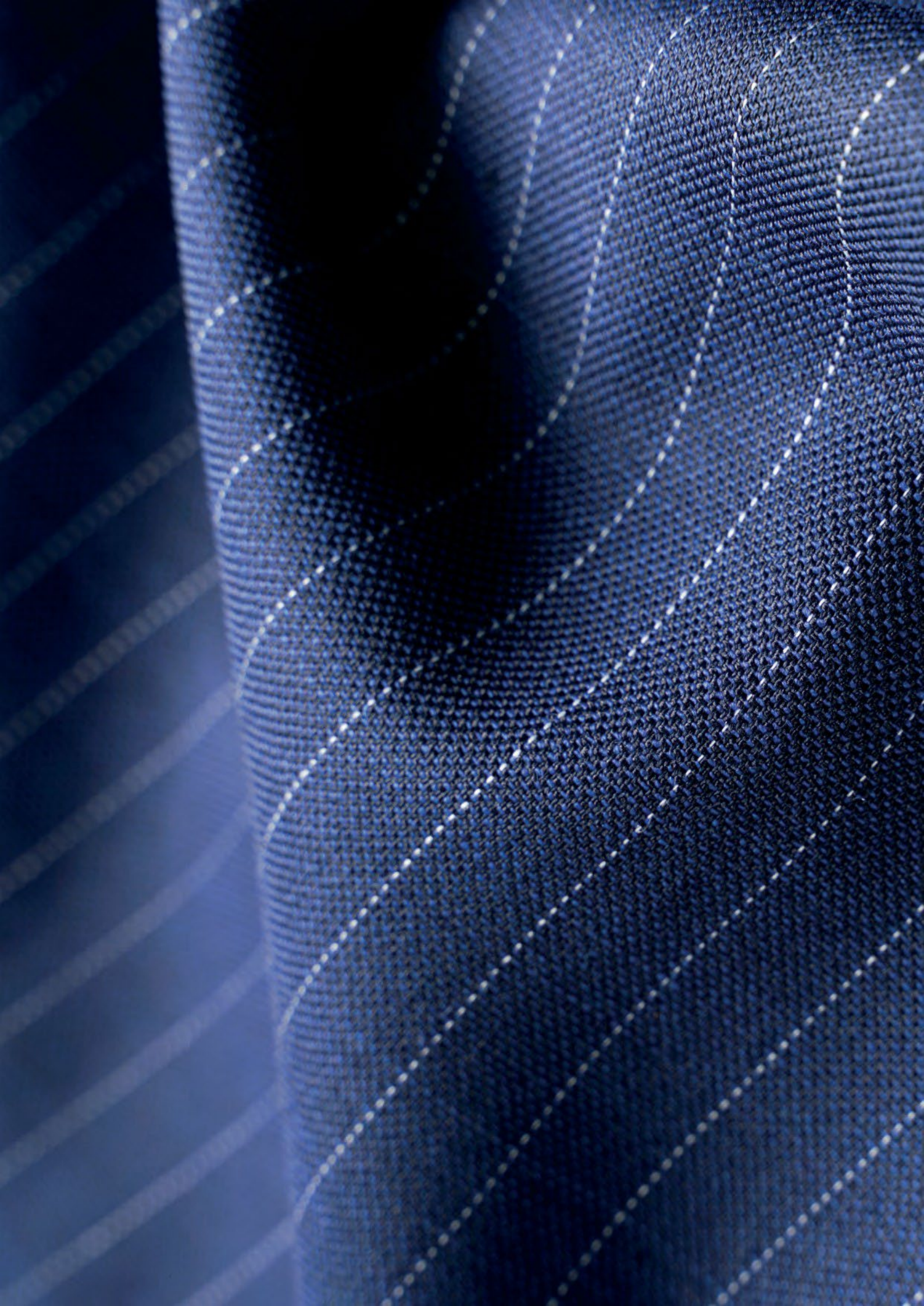


**Taha Adnan SÜRMEGÖZ**

**Member of Board of Directors**

Taha Adnan Sürmegöz graduated from Özyeğin University, Faculty of Business Administration, Department of International Trade and Business Administration. He has been serving as a member of the Board of Directors of Yünsa since April 14, 2020.







## Senior Management



**Mustafa  
SÜRMEGÖZ**

**Chairman of the  
Board of Directors**

**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 30 years. After the acquisition of Yünsa's shares other than the publicly traded portion by Sürmegöz Tekstil Yatırım in November 2019, he has been serving as Yünsa General Manager since April 2020 and as the Chairman of the Board of Directors of Yünsa since April 2022. Sürmegöz is a board member of Istanbul Textile and Raw Materials Exporters' Association (İTHİB), Turkish Textile Industry Employers' Union (TTSİS) and Turkish Confederation of Employers' Associations (TİSK) and is also a congress member of Galatasaray Sports Club.



**Semih UTKU**  
**Finance Director**

Semih Utku graduated from the University of Baltimore, Department of Business Administration-Finance in 1986 and started his career at Akçansa 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 SARIBÜYÜK**  
**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

**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.**

### 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.

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 woolen 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.



## 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**

### 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. Also, 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.





## Product

**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.**

### 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 Germany, UK, USA, and Italy 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.

Yünsa has sales offices in Germany, the United Kingdom, the United States and Italy, and agencies in the United States, France, Italy, Slovakia, Poland, China, Japan and South Korea.

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, United States of America, Denmark, Japan, the Netherlands, Israel, China and Ireland are among the important markets where the Company made sales in 2022. In 2022, Yünsa's net sales amounted to TL 1,280 million.

## Developments in 2022



### Golden Export Award to Yünsa

Yünsa received the gold award for its export performance in 2021 at the Adding Value to Exports Award Ceremony organized by the Istanbul Textile and Raw Materials Exporters' Association (ITHIB).



### Yünsa kept its brand value within the top 100 companies.

Yünsa also increases its brand value as a result of its successful efforts. According to the Brand Finance Turkey 100 - 2022 report published by Brand Finance, one of the world's leading brand valuation and strategy consultancy organizations, which evaluates the brands operating in the sector in Turkey, Yünsa maintained its position in the top 100.



### Yünsa received an award in the Techxtile Innovation League in 2022.

Yünsa ranked among the top 10 companies in the Techxtile Innovation League with its successful R&D projects focusing on innovation and technology. 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. Yünsa received an award in the TechXtile Innovation League as an R&D Center in 2022.



## R&D and Innovation

**In 2022, 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.**



In Turkey, the Innovation League is organized and awarded as part of the TechXtile Platform. Companies in the textile and apparel sector have the opportunity to exhibit their innovative works within the sector and ensure their visibility. The Innovation League supports the innovation-oriented development of the textile industry and Turkey's export-oriented development, and the internalization of a sustainable innovation culture in institutions. In 2021, we received an award in the Champion Company category in the TechXtile Innovation League, and we are proud to receive an award as Yünsa R&D Center in 2022.

In the twelfth operating period, the Company continued to carry out its R&D projects in coordination with

universities, research centers, customers and suppliers, to create a culture of continuous innovation with its employees, and to lead the way in learning and developing new technologies.

In 2022, Yünsa R&D Center 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.

In a period when climate change poses a series of economic, social and ecological risks, Yünsa puts innovation at the center of its activities in order to develop value-added, distinctive and sustainable

products and technologies in production. The use of natural resources in proportion to the increasing need, climate risks and the increasing level of awareness have triggered the acceleration of our sustainability efforts. In order to offer textile solutions that add value to life with technological and innovative approaches, as Yünsa R&D Center, we design and carry out our processes by choosing environmentally friendly chemicals and raw materials with the aim of creating value for all our stakeholders, taking into account our social and environmental responsibilities.

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



## R&D and Innovation

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 2022. In addition to joint research and development projects, these protocols include open innovation meetings, student internships, laboratory facilities, events, publication subscriptions and technical trips. We have cooperation protocols with more than 10 universities in total.

Yünsa R&D Center works together with universities to develop research-oriented and original products and methods. The projects will also create new job opportunities for SMEs and contribute to raising their R&D levels. Besides SMEs, it continues to work on cooperation at the global level. In the R&D Center project portfolio, 2 national ARDEB 1001 and 2 Tübitak 2209B projects are being carried out within the scope of projects supported in 2022. 1 Ministry of Energy and Natural Resources Efficiency Enhancement project is being carried out. Equity, National and International project studies continue. Since 2010, a total of 35 funded projects, including 33 Tübitak funded projects and 2 European Union projects, have been successfully completed. R&D Center continues to work with the strategy of transforming the results of its own projects into scientific publications. Till today, 39 papers and 35 articles were published.



Yünsa R&D Center continues its efforts to protect the scientific publication and intellectual property rights of the results of its own projects. Yünsa R&D Center has 1 patent application, 2 patents and 1 utility model registrations in 2022 in order to protect intellectual property rights in its fields of activity. In total, there are 5 Patent and 5 Utility Model registrations.

Yünsa R&D Center carries out activities in accordance with the Law No. 5746 on Supporting Research, Development and Design Activities, which supports the generation of technological knowledge, innovation in products and production processes, improvement of product quality and standards, increase in productivity, reduction of

production costs, and commercialization of technological knowledge in order to make the national economy internationally competitive through R&D and innovation.

In 2022, 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 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.





## Sustainability Management

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.

The acceleration of production with the industrial revolution, the high use of natural resources in parallel with the increasing need, which has reached the highest level in the last 30-40 years, the climate risks and the increasing level of awareness have led to the acceleration of studies on sustainability. In this context, sustainability has become an integral part of our company's goals and strategy, and one of the most important topics that we need to work on more and more every day. Leading our sector in sustainability and adapting to the future with innovative approaches in material technologies are among our main goals. "Preparation of Yünsa's Sustainability Roadmap" has also taken its place among our strategy project titles this year in order to reduce our carbon footprint and waste, increase the share of recycled fibers in production, and develop processes and products that do not harm nature and our environment. This year, we reshaped our organization by creating a Sustainability Platform under our R&D department, aiming to increase our more systematic and sustainability-oriented activities in this area. Issues such as the production and traceability of raw materials under environmentally friendly conditions, the selection of chemicals from products that will not harm the environment, the production of garments that will not harm humans through respiration, digestion and sweat, the realization of recycling processes of production waste and waste garments generated as a result of use are the priority issues that stand out in terms of ecology and sustainability in textiles and are prioritized by our customers. Among all industries, the textile sector is the second sector after the petroleum sector, which causes the most pollution in the world. The textile sector causes 20% of the world's water pollution and 10% of carbon emissions. Within this scope, our company has many tasks to carry out in a planned effort and to mitigate these impacts over the years. These are; reducing carbon emissions by identifying climate risks, increasing energy efficiency practices in production processes, expanding the use of sustainable and recycled raw materials in designs, protecting water resources by reducing water consumption, complying with industrial wastewater discharge standards in wastewater management, reducing waste at source and expanding recycling, analyzing the life cycle covering all operational processes and managing the wastes generated in this process, increasing environmental investments.



In 2022, we have certified all of our Electric Energy consumption within the scope of green energy.

We are proud to receive our RER-G (Renewable Energy Resource Guarantee System) certificate, which certifies the electrical energy produced from renewable resources.

With the relevant certificate, we contribute to a carbon neutral and sustainable future. We have neutralized 13,284.5 CO<sub>2</sub> Equivalent Emissions for 2022 within the scope of green energy.

### 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, Early Detection of Risk Committee (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.



# Sustainability Management

**At Yünsa, our sustainability approach is based on the goal of creating value for all our key stakeholders by considering our social and environmental responsibilities beyond creating economic value for our shareholders and investors.**

## 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 2022, the Company achieved a turnover of TL 1.3 billion and increased its net profit by 122% year-on-year to TL 349 million. In 2022, Yünsa generated a gross profit of TL 488.4 million and EBITDA of TL 394 million, thus increasing its gross profit margin to 38 and EBITDA margin to 31

## 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.

## 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. All employees of the Company are provided with equal opportunities without discrimination within the framework of 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 2022, the ratio of female employees in the company is 35.4%.

The long-standing practice of My First Bag from Yünsa for children starting primary school continued in 2022. The Innovative Productive Generations Association (YÜNDER), which was established with the support of Yünsa employees and provides scholarships to its scholarship recipients, provided a total of TL 120,000 in scholarship aid to 24 university students studying at 9 different universities in 2022.

# Sustainability Management

## 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 the negative impact on the environment, the Company carries out various efficiency projects and aims to reduce the energy and water intensity per meter of fabric produced.

In 2022, we published our Yünsa Greenhouse Gas Policy with the principle of calculating, reporting and reducing climate change and greenhouse gas emissions beyond our environmental responsibilities and conducting verification studies. In this context, Yünsa has prepared our ISO 14064 - 1:2019 Greenhouse Gas Emission Verification Procedure for greenhouse gas emission reduction by constantly raising awareness of all stakeholders. In our 2022 Sustainability Report, the calculation results will be shared. We have prepared the Yünsa Sustainability Roadmap in line with our 2025 and 2030 targets based on the performance indicators of the identified priority areas in environmental, social and economic dimensions. It aims to create a sustainable value that sets an example for the textile industry with all its activities.

Our Yünsa Greenhouse Gas Principles are as follows:

- Ensure accurate and fair calculation of greenhouse gas related data,
- Provide a transparent reporting by selecting GHG sources, sinks, stores and calculation method,
- By including all greenhouse gas removals,
- By allowing meaningful comparisons of greenhouse gas-related information,
- By reducing deviations and uncertainties as much as possible

Quality plans were created by determining the input quality control tests of the chemicals to be used within Yünsa and ensuring that they are disseminated throughout the dyestuff and finishing chemicals. Entry control system will be activated in the ERP system as of January 2023.

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 REPVE® fiber blends are produced from recycled plastic bottles. In 2022, more than 72 tons of REPVE® fiber was used in Yünsa collection and production, transforming approximately 3,651,886 plastic bottles into fabric. Thus, a total of 1,116,796 kilowatt hours of energy and 310,893 liters of water were saved. 94,406 kg of CO<sub>2</sub> emissions avoided, resulting in improved air quality. In other words, energy savings equivalent to the one-year electricity consumption of 41 households or water savings equivalent to the one-year drinking water needs of 426 people were achieved. 219 barrels of CO<sub>2</sub> emissions from oil consumption were eliminated.

In 2022, the use of RWS-certified raw materials reached approximately 10%, while the use of RCS-certified raw materials reached approximately 3%.

## 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.

In 2022, aerators that can provide a denser water flow suitable for the existing faucets in the plant were installed, thus saving 390 tons of water per month.

## 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, where data entry is



# Sustainability Management

made on the management of environment, energy, water, wastewater, emissions, waste and chemicals, and then on-site audits are carried out.

## 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. In the CDP Program, in the Water Security category, we performed above the global, regional and sectoral averages and received a B Score, thereby increasing our score. As the sustainability team, we keep global issues such as climate change and water use among our most important work topics, we know that sustainability is of critical importance in our sector, and we advance our work in this direction.

## 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.

## Social and Workforce Management of the Facility

Yünsa provides assessment of social compliance conditions as part of the process of monitoring carefully prepared plans and programs to turn socially responsible ideas into action and to systematically assess and measure the objectives, strategies and performance of the business in the area of social responsibility.



## Occupational Health and Safety

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

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 2022, within the scope of the cooperation between TISK Microsurgery Foundation and Intenseye, an artificial intelligence-supported OHS project was implemented. In order to improve occupational health and culture, the project will provide support for the prevention of occupational accident risks in advance by analyzing videos and reporting unsafe situations and movements.

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 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.





## Occupational Health and Safety

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 are provided with refresher trainings in accordance with legal regulations. In addition, the Company conducts annual drills and preventive studies on emergency prevention and emergency management.

In occupational health and safety practices, one of the most important tools of the approach to prevent occupational accidents is training activities. 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 2022, Yünsa had no occupational accidents resulting in death, loss of limb or serious injury, and no cases of occupational diseases were reported. No occupational accidents resulting in loss of working days occurred during the year. In 2014, there were 137 occupational accidents with lost work days, while the target of 0 occupational accidents was reached in 2022 as a result of the improvement works carried out. After closing 2022 with a record of 365 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.

Thus, critical positions in the company are backed up and sustainable performance is ensured. 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.

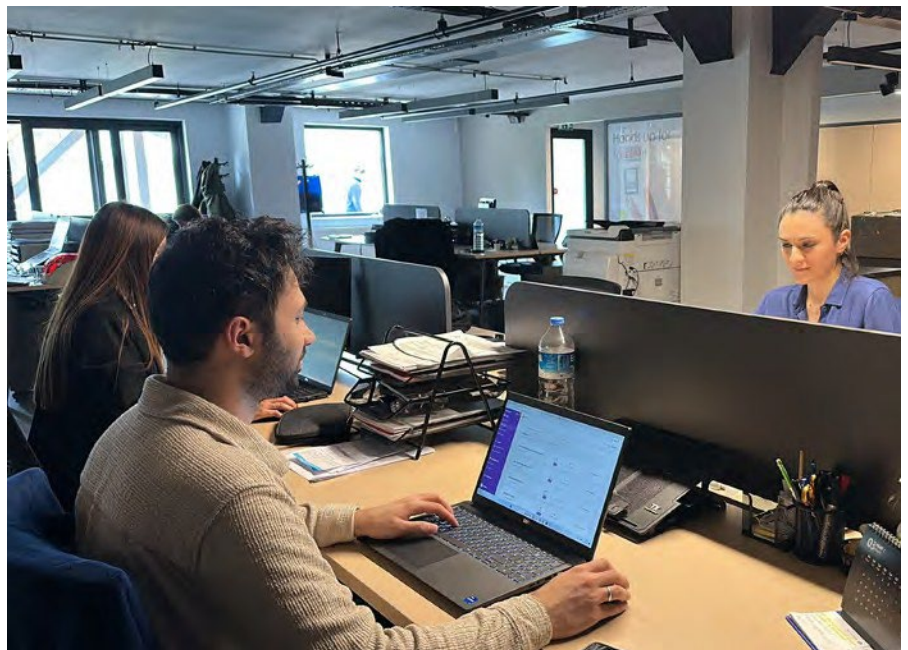
### Collective Bargaining Applications

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.

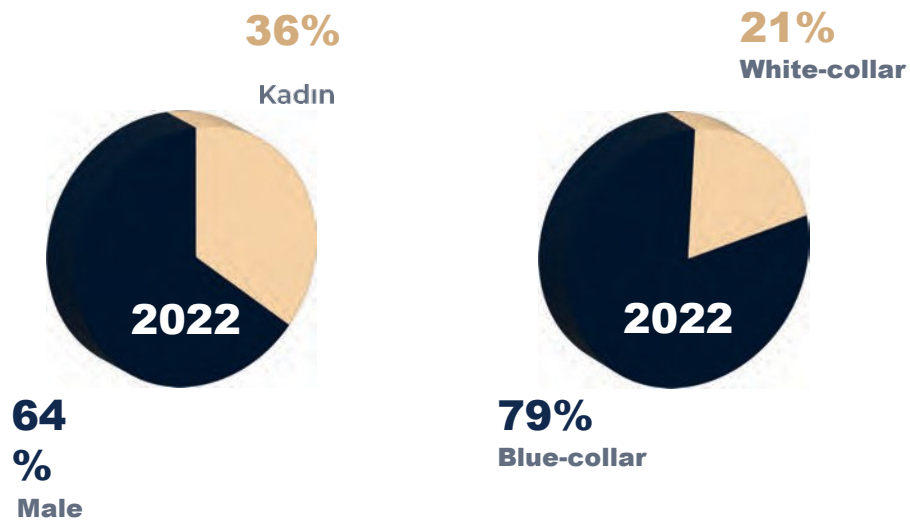
### Rights and Benefits Provided to Personnel and Workers

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.



## Human Resources



### No. of workers

Scope	Gender	2019	2020	2021	2022
Blue-collar	Male	629	597	450	548
	Female	278	265	215	301
White-collar	Male	150	138	132	141
	Female	81	80	71	84
<b>Total</b>		<b>1,138</b>	<b>1,080</b>	<b>868</b>	<b>1074</b>

### Average Age

Scope	Gender	2019	2020	2021	2022
Blue-collar	Male	36.4	37.2	38.6	37.6
	Female	35.7	36.5	37.4	36.9
White-collar	Male	39.8	40.5	41.1	37.6
	Female	33.7	34.2	34.7	34.6
<b>Total</b>		<b>36.4</b>	<b>37.2</b>	<b>38.4</b>	<b>37.5</b>

### Educational Status

Educational Status	2019	2020	2021	2022
Bachelor's, Master's and PhD	158	145	135	151
Vocational School	45	43	37	50
Vocational High School, High School and Below	935	892	696	873

<b>Total</b>	<b>1,138</b>	<b>1,080</b>	<b>868</b>	<b>1074</b>
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## 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 Vocational Internship and Apprenticeship practices,

the "First Step to the Future" program for university students provides successful university students with the opportunity to do project-based internships for 3 months. 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.

Total Productive Management (TPM), management systems activities in accordance with ISO standards and process management activities for continuous improvement are structured under the 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 certificates within the scope of ISO standards.

Implementing the Total Productive Management (TPM) model since 2012, Yünsa carries out

systematic activities to reduce losses, increase productivity and develop a culture of continuous improvement. These activities were crowned with the TPM Excellence Award from the Japan-based JIPM (Japan Institute of Plant Maintenance) Institute in 2020. Yünsa became the first and only textile company in Turkey to receive this prestigious award. Yünsa, by continuing its TPM activities without slowing down, carries out these activities with its matrix organization structure. Employees contribute to the nonconformities they notice in their fields through activities such as hanging error cards, conducting Before/After Kaizen studies, making individual suggestions, conducting 5S studies in production sites and offices, and conducting improvement projects for losses. Employees who participate in continuous improvement activities are rewarded within the framework of recognition, honor and reward practices.

Within the scope of process management efforts, it is aimed to improve process performances through processes whose all elements are defined, standardized, free from inefficiencies and digitized.











# REPORT REGARDING COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

## SECTION I - DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

Yünsa Yünlü Sanayi ve Ticaret A.Ş. (hereinafter referred to as "Yünsa" or "the Company"), being aware of its responsibilities towards its stakeholders as one of the pioneering and leading companies of the Turkish textile industry, has adopted the principle of complying with the Corporate Governance Principles published by the Capital Markets Board and the four principles of Corporate Governance based on transparency, fairness, responsibility and accountability, and making arrangements on issues to be complied with depending on the developing conditions. In accordance with this principle, 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 and December 31, 2022.

Yünsa's 'Declaration of Compliance with Corporate Governance Principles' for 2022 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 demonstrated that it is aware of its responsibility towards all its shareholders and stakeholders with all the activities it has carried out to date and its determination to comply with the Corporate Governance Principles, aware of the contributions that the adoption of Corporate Governance Principles within the Company provides to the Company, the Company, together with all its employees and senior management, has made it a goal to further improve compliance with Corporate Governance Principles, has taken the necessary care to comply with the compulsory/non-compulsory regulations in the Corporate Governance Principles in 2022, and has made the necessary efforts to comply with these issues in detail at <http://www.kap.gov.tr> and the Company's website <http://www.yunsa.com>.

In this direction,

- 2021 General Assembly information document was prepared in detail and posted on the Company's website three weeks prior to the general shareholders' meeting and submitted for the information of shareholders and stakeholders.
- The Company communicated the necessary information to all investors and analysts in a timely, reliable, stable and regular manner, organized investor meetings to ensure continuous and best communication with them, and tried to reach more investors through press releases and interviews with the media.

Yünsa believes in the importance of full compliance with the Corporate Governance Principles and complies with all of the compulsory principles in the Corporate Governance Communiqué numbered II-17.1, except for the principle numbered 4.2.6. Principle no. 4.2.6. states that "In case it is decided that the chairman of the board of directors and the chief executive officer/general manager should be the same person, this situation shall be disclosed on the Public Disclosure Platform (PDP) together with its justification." This decision has been made by taking into consideration the extensive knowledge and experience of Mustafa Sürmegöz, who is the Chairman of the Board of Directors and General Manager of our Company, with more than 30 years of experience in the woolen fabric sector.

Full compliance has not yet been achieved due to the difficulties experienced in the implementation of some of the non-mandatory principles, the ongoing discussions on compliance with some principles on the international platform and in our country, and the fact that some principles do not fully overlap with the current structure of the market and the Company. Developments on the issue are being monitored and our efforts for harmonization are ongoing. These principles and the reasons for not applying them are summarized below:

- Regarding principle 2.1.3 that financial statement disclosures, excluding material disclosures and footnotes, which are required to be disclosed to the public, should be disclosed simultaneously in English as well as in Turkish on the PDP, the Company's financial statement disclosures and explanations are not prepared in English due to the fact that the persons who will benefit from the disclosures, especially international investors, can access such information by utilizing the infrastructures of data distribution organizations such as Reuters, Forex, etc., which would bring additional workload and additional costs to the Company.
- Regarding the recommendation "The Articles of Association of the Company should provide shareholders with the right to request a special audit and make additional provisions regarding minority rights", since it is considered that the existing regulations in the Turkish Commercial Code regarding the appointment of a special auditor and minority rights are sufficient, these rights are not regulated separately in the Articles of Association.
- Although there is currently no practice regarding the recommendation in Article 4.3.9. of the Communiqué, "The Company sets a target rate and target time for the ratio of female members on the board of directors, provided that it is not less than 25%, and establishes a policy to achieve these targets", maximum care will be taken in future planning to achieve this target.
- In addition, the responsibilities of the "Nomination Committee" and the "Remuneration Committee" stipulated in Article 4.5.1 of the Communiqué have been assumed by the "Corporate Governance Committee", and although care has been taken to comply with the recommendation in Article 4.5.5 of the Communiqué that "a member of the Board of Directors should not serve on more than one committee", due to the number of members of the Board of Directors, committee structuring requirements and the business expertise required for committee membership, some members of the Board of Directors have been appointed as members of the Corporate Governance Committee.

The members of the Board of Directors serve on more than one committee.

- Pursuant to Article 4.6.5 of the Corporate Governance Principles, remuneration and all other benefits provided to the members of the Board of Directors and senior executives are disclosed to the public through the annual report. However, the disclosure is not made on an individual basis.
- No model or mechanism has been established for stakeholders' participation in management. However, the independent members on the Board of Directors enable the Company and its shareholders, as well as all stakeholders, to be represented in the management.

Principles other than those currently in force and those not yet in force have not led to any conflict of interest between stakeholders to date. Developments on the issue are being monitored and our efforts for harmonization are ongoing.

In the upcoming period, the necessary work will be continued for compliance with the principles, taking into account the developments in legislation and practices.

## SECTION II - SHAREHOLDERS

### 2.1. Department of Investor Relations

Our Company has an Investor Relations Department, which carries out activities to maintain regular relations with existing and potential shareholders, to protect and facilitate the exercise of shareholders' rights, to increase the awareness and recognition of our Company in the capital markets and to ensure the necessary compliance with Capital Markets Legislation.

At Yünsa, the Investor Relations Department reports to Semih Utku, Financial Affairs Director. Coordination in the fulfillment of the Company's obligations arising from Capital Markets Legislation and corporate governance practices is under the responsibility of Murat Doğan, Finance and Investor Relations Manager, and Asiye Demir, who holds Capital Market Activities Level 2 License.

Contact information of the officers working in the Investor Relations Department is presented below:

Company Authorities for Contact			
Name Surname	Duty	Tel. No.	E-mail address
Semih Utku	Financial Affairs Director	0 212 365 65 00	yatirimciiliskileri@yunsa.com
Murat Doğan	Finance and Investor Relations Manager	0 212 365 65 00	yatirimciiliskileri@yunsa.com
Asiye Demir	Accounting Manager	0 212 365 65 00	yatirimciiliskileri@yunsa.com

The Investor Relations Department is responsible for regularly informing shareholders and potential investors about the Company's activities, financial status and strategies, and managing two-way communication between shareholders and company executives, excluding confidential information and trade secrets, in a manner that does not lead to information inequality.

The main activities carried out by the Investor Relations Department during the reporting period to ensure that shareholders' rights to obtain information and their rights arising from share ownership are fully and promptly fulfilled are listed below:

- The records of correspondence between investors and the Company, as well as other information and documents, were kept in a healthy, secure and up-to-date manner, and the transactions at the Central Registry Agency were coordinated.
- During the reporting period, information requests received by the Department regarding the Company were responded to openly and clearly through communication tools in line with the Company's Disclosure Policy, with the exception of non-public, confidential and trade secret information.
- It was ensured that the Ordinary General Assembly meeting during the period was held in compliance with the applicable legislation, articles of association and other internal regulations of the Company, and documents that could be utilized by the shareholders at the General Assembly meeting were prepared and presented for their information and review.
- The website is constantly updated to ensure that shareholders receive uninterrupted and clear information about the Company.
- By overseeing and monitoring the fulfillment of the obligations arising from the Capital Markets Legislation, including all kinds of issues related to corporate governance and public disclosure, the coordination of communication with the public was ensured in addition to the disclosures made as required by the legislation.



For 2022, the activities carried out to provide investors with detailed information about the Company's activities are summarized in the table below:

2 Webinar Presentation, number of participants 110

Number of online conferences and physical meetings on

financials 13

1 Factory Visit, number of participating investors 15

The Investor Relations Department, which provides communication between our Company's shareholders and investors and which reports directly to the Chief Financial Officer, prepared a report on the activities carried out in the operating period of 2022 within the framework of Article 11 of the Corporate Governance Communiqué No. II-17.1 of the CMB and submitted it to the Board of Directors on March 29, 2023.

In 2022, in accordance with CMB regulations, the Company made 34 material disclosures through PDP. These disclosures were made on time and no sanctions were imposed by the CMB or BIST.

Finally, the "Corporate Brokerage Agreement Regarding the Central Registry System" signed between Ziraat Yatırım Menkul Değerler A.Ş. and the Company regarding the execution of issuer transactions at the Central Registry Agency and the services to be provided to the shareholders of the Company within this scope continued to be effective in 2022.

## 2.2. Exercise of Shareholders' Right to Obtain Information

Pursuant to the Company's Disclosure Policy, it is essential that all shareholders, potential investors and analysts are treated equally in the exercise of the right to obtain and review information and that disclosures are delivered to everyone with the same content. All information sharing takes place within the scope of previously publicly disclosed content. All issues related to public disclosure obligation are presented in accordance with the legislation and the Articles of Association, and in this context, material event disclosures that are important for investors are disclosed to the public on the Public Disclosure Platform ("PDP") in a timely manner in accordance with the legislation and published on the Company's website.

In 2022, the Investor Relations Department meticulously and promptly responded to all written and mainly verbal inquiries received from shareholders, primarily regarding the General Assembly meetings held in the previous activity period, dividend payments made in previous years and information on the Company's investments, as well as written and predominantly verbal inquiries received via telephone, e-mail and video conferences, within the framework of the legislation, and for this purpose, information that may be of interest to shareholders was announced on the website (<http://www.yunsa.com>) within the mandatory notification processes.

The Company's annual report is published on the corporate web site and announcements made to shareholders, material event disclosures and interim financial statements are also available for the information of shareholders on the corporate web site.

In 2022, the Company's website did not include any information or disclosures that may affect the exercise of shareholders' rights.

The appointment of a special auditor is not regulated as a right in the Company's Articles of Association. Since this right is recognized for every shareholder in joint stock companies pursuant to Article 438 of the Turkish Commercial Code, there is no need to make a separate provision in the Articles of Association. During the reporting period, the Company has not received any request for the appointment of a special auditor.

The Company's activities are regularly and periodically audited by the Independent Auditor appointed by the General Assembly. For the year 2022, independent audit activities were carried out by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

## 2.3. Meetings of the General Assembly

Regulations regarding Yünsa's General Assembly meetings are included in the "Internal Directive on the Working Principles and Procedures of Yünsa General Assembly", which is available on the "Information Society Services" pages of the Company's website. In addition, disclosures and documents required to be disclosed to the public via PDP before and after the General Assembly as per the legislation were also shared on the Company's website under the relevant headings under the "Investor Relations" section.

The call for the General Assembly meeting, as stipulated in the Law and the Articles of Association and including the agenda, was published in the Turkish Trade Registry Gazette dated 15.03.2022 and numbered 10537, on the Public Disclosure Platform at <http://www.kap.gov.tr>, on the E-General Assembly System of Merkezi Kayıt Kuruluşu A.Ş. and also on the Company's website <http://www.yunsa.com> and the date and agenda of the meeting were announced at least three weeks prior to the date of the General Assembly meeting by means of all means of communication, including electronic communication, to reach the maximum number of shareholders possible, in addition to the procedures stipulated by the legislation.

The annual report including audited figures for 2021, 2021 financial statements and reports, independent audit report, dividend distribution proposal, amendment drafts containing the old and new versions of the text amended by the amendment of the Articles of Association, compliance report with corporate governance principles, detailed explanations for each agenda item in the information document prepared for the agenda items of the General Assembly, and other documents constituting the basis for the agenda items were made available for the review of shareholders at the Head Office in Istanbul, on our website and on PDP, starting 21 days before the General Assembly date. Questions regarding these documents have been answered.

In order for the shareholders to represent themselves at the General Assembly, both the Electronic General Assembly System was used and the power of attorney form to be approved by a notary public in accordance with the provisions of the Capital Markets Board Communiqué No. II-30.1 was made available at the Company headquarters and on the website. Thus, by enabling the shareholders whose shares are monitored in dematerialized form at the Central Registry Agency and who have the right to attend the General Assembly meetings, or their proxies representing them with a notarized power of attorney, to attend the General Assembly meetings in person or through the Electronic General Assembly System by using their secure electronic signatures, practices that facilitate participation in the General Assembly meetings with the least cost and in the easiest way without causing inequality among shareholders have been observed.

Prior to the General Assembly, there were no requests from shareholders, the Capital Markets Board and/or other public institutions and organizations related to the Company to add any items to the agenda.

The 2021 Ordinary General Assembly meeting of Yünsa will be held on April 14, 2022 at 14:30 at Istanbul, Sarıyer, Ayazağa Mahallesi, 34396, Azerbaijan Caddesi 1A Apt. No: 109A, Radisson Blu Hotel Vadistanbul 2nd floor halls 4 and 5, under the supervision of the Ministry Representative ŞAFAK YERLİ, who was assigned by the letter dated 13/04/2022 and numbered 73760935 of the Provincial Directorate of Commerce of Istanbul Governorship. Shareholders attended the Ordinary General Assembly meeting physically and electronically, in person or through their representatives.

At the Ordinary General Assembly meeting of Yünsa, out of the Company's total nominal value of TL 29,160,000, shares with a total nominal value of TL 16,878,507.003 were represented by proxy and shares with a total nominal value of TL 342,397.15 were represented in person, totaling TL 17,220,904.153, and the General Assembly convened with a participation rate of 59.05%.

The General Assembly was attended by the members of the Board of Directors, the Company Auditor, the General Manager, the Finance Director and the personnel who made the preparations for the General Assembly. Regarding Principle 1.3.11., General Assembly Meetings are open to our shareholders, and thanks to the Electronic General Assembly, our shareholders who cannot physically attend the General Assembly can also participate in the General Assembly. Therefore, our General Assembly Meetings are not open to stakeholders and the public, including the media.

The main agenda items of this meeting consists of to provide information about the 2021 Annual Report and Auditor's Report, to discuss and approve the financial statements, to release of the members of the Board of Directors, to determine the use and distribution of the profit for 2021, to provide information about 2021 donations and aids and to determine the donation limit for 2022, to make amendments in Articles 4, 9, 12 and 19 of the Articles of Association, Election of Board Members and Independent Board Members, to determine the remuneration of Board Members, Election of Auditors, to authorize 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.

Information on donations and grants made during the reporting period and policy changes are presented in a separate agenda item at the General Assembly. At the General Assembly meeting, the shareholders were informed that a donation of TL 5,308 was made to the Tema Foundation in 2021, and it was resolved by a majority vote of those present to set the upper limit of donations to be made by the Company in 2022 as TL 300,000.

Shareholders were given the right to express their opinions and ask questions under equal conditions at the General

Assembly meeting. No proposals other than the agenda items were submitted by the shareholders at the General Assembly.

The minutes of the General Assembly meeting were disclosed to the public through publication on the Public Disclosure Platform (KAP) and the Electronic General Assembly System, and all announcements, documents and documents related to the General Assembly were also made available to shareholders and all stakeholders on the Yünsa website.

In 2022, no Extraordinary General Assembly meeting was held.

It is not permitted for the shareholders who control the management, members of the Board of Directors, executives with administrative responsibilities, and their spouses and up to second degree relatives by blood or by marriage to engage in any material transaction that may result in a conflict of interest with the Company or its subsidiaries, and/or to engage in any commercial transaction that is within the scope of business of the Company or its subsidiaries on their own behalf or on behalf of others, or to become a partner with unlimited liability in another company engaged in the same type of commercial business. Apart from those, there are no transactions carried out on behalf of persons who have access to company information within the scope of the Company's field of activity.

## 2.4. Voting Rights and Minority Rights

According to the Company's Articles of Association, each share is entitled to one vote at the General Assembly and there are no voting privileges.

The Company's Articles of Association do not provide for the granting of cumulative voting rights in the current shareholding percentages and shareholding structure, as it would disrupt the harmonious management structure of the Company.

There are no companies with which the Company has mutual shareholding interests.

There is no provision in the Company's Articles of Association regarding the representation of minority shareholders and stakeholders in management. However, two Independent Board Members serve on the Board of Directors to equally represent all shareholders and stakeholders, particularly minority shareholders.

Yünsa attaches importance to the exercise of minority rights in accordance with the TCC and CMB regulations, and there were no criticisms or complaints regarding this situation in 2022.

Regarding principle 1.5.2, there is no violation of minority rights in the exercise of fundamental shareholders' rights such as participation in the General Assembly, representation by proxy, and no upper limit on the exercise of voting rights. However, no provision has been made to expand the scope of minority rights and to grant these rights to those who hold less than one-twentieth of the capital.

## 2.5. Dividend Rights

According to Yünsa's Dividend Distribution Policy approved at the Ordinary General Assembly meeting held on March 28, 2014, dividend distribution is determined in accordance with the provisions of the Turkish Commercial Code, Capital Markets Legislation and other relevant legislation and the article of the Articles of Association regarding dividend distribution, in line with Yünsa's medium and long term strategies, investment and financial plans, taking into account the state of the national economy and the sector, and taking into account the balance between the expectations of shareholders and the needs of Yünsa.

In line with the decision taken at the General Assembly, although the principle of determining the amount of dividend to be distributed has been adopted, it has been adopted as a principle that at least 50% of the distributable profit will be distributed to shareholders in cash and/or in the form of bonus shares.

Dividends will be distributed to shareholders on the date determined by the General Assembly following the approval of the General Assembly within the specified legal periods, although it is accepted to distribute dividends equally to all existing shares, regardless of their issue and acquisition dates, as soon as possible.

The General Assembly may transfer some or all of the net profit to extraordinary reserves. In the event that the Board of Directors of Yünsa proposes to the General Assembly not to distribute the profit, the shareholders are informed at the General Assembly meeting regarding the reasons for this situation and the manner of utilization of the undistributed profit. Likewise, this information is shared with the public through the annual report and website.

Yünsa does not distribute dividend advances.

The dividend distribution policy is submitted to the approval of the shareholders at the General Assembly meeting. This policy is reviewed annually by the Board of Directors in the event of any unfavorable developments in national and global economic conditions, and according to the status of projects and funds on the agenda. Amendments to this policy are also submitted to the approval of shareholders at the first General Assembly meeting following the amendment and disclosed to the public on the corporate web site.

The Dividend Distribution Policy and the annual dividend distribution proposal are included in the annual report, submitted for the information of shareholders at the General Assembly and disclosed to the public on the Investor Relations website.

After deducting the previous year's losses, general legal reserves and legal obligations from the net profit for the period of TL 26,397,450.97 after tax, TL 15,739,294.97 gross dividend remaining after deducting the previous year's losses, general legal reserves and legal obligations, TL 777,450 from Retained Earnings and TL 10,287,455.03 TL from Extraordinary Reserves, it was unanimously resolved to distribute a total gross dividend of 24,500,000 TL to be distributed to the shareholders within the framework of the "Dividend Distribution Table" published on the Public Disclosure Platform and to make the payments in cash as of April 19, 2022.

In accordance with the provisions of the Articles of Association, the Company does not have any privileges regarding participation in dividend distribution.

## 2.6. Transfer of Shares

There is no provision in the articles of association restricting the transfer of shares by other shareholders.



## SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

### 3.1. Corporate Website and Content

Our Company has a corporate website, the address of which is <http://www.yunsa.com>. Important information on the web site is also available in English; however, since the persons who will benefit from the disclosures, especially international investors, can access such information through the infrastructures of data distribution organizations such as Reuters, Forex, etc., some of the Company's information is not prepared in English due to the additional workload and costs that would be incurred by the Company.

In addition, pursuant to the "Regulation on Websites to be opened by Capital Companies" and the first paragraph of Article 1524 of the TCC, our Company receives Central Database Service Provider support service from Merkezi Kayıt Kuruluşu A.Ş. ("CRA") within the framework of the procedures and principles regarding the opening of a website, dedicating a certain section of this website for the publication of announcements required by law to be made by the company and allocating it to information society services, and the announcements required by law to be made by the Company can be accessed through CRA's "e-Company Companies Information Portal".

The Company's website is actively used within the framework of Corporate Governance Principles in order to disclose information to the public and to maintain relations with shareholders more effectively and quickly, and to be in constant communication with shareholders.

The information stipulated in the CMB Corporate Governance Principles is available on the website. The principles regarding the management of the website are set out in our "Disclosure Policy".

Important headings that can be followed on the Website are summarized below:

- Detailed information on corporate identity
- Mission, vision and company values
- Information about the members of the Board of Directors Senior Management
- Shareholding structure of the company
- CMB Special Circumstance Disclosures
- Articles of Association
- Trade registry information
- Financial information
- Investor presentations
- Earnings Calls
- Explanations about the date of the General Assembly meeting, agenda, items of agenda
- Internal Directive of General Assembly
- Minutes of the General Assembly meeting and list of participants
- Corporate Governance practices and compliance report
- Profit distribution policy
- Notification policy
- Donation and Aid policy
- Anti-Bribery and Anti-Corruption Policy
- Remuneration Policy
- Sustainability Policy

### 3.2. Activity Report

Yünsa Annual Report is prepared in detail to ensure that the public has access to timely, complete and accurate information about the Company's activities, in accordance with the provisions of the "Regulation on Determining the Minimum Content of Companies' Annual Reports" published in the Official Gazette dated August 28, 2012, the deadlines specified in CMB Communiqué II-14. 1 numbered "Communiqué on Principles Regarding Financial Reporting in Capital Markets", Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and the formats determined by the CMB and Corporate Governance Principles, it is approved by the Board of Directors and disclosed to the public through PDP and the Company website (<http://www.yunsa.com>) together with the financial statements, unless the Board of Directors decides to disclose it after the financial statements with a separate statement of responsibility.

In addition, a summary annual report is prepared quarterly and published together with the financial statements on PDP and the Company's website. The annual activity report is also printed in hard copy to be given to those concerned.

Accordingly, the Yünsa Annual Report for 2021 was submitted to the review of our shareholders at the Company headquarters, on the Electronic General Assembly portal of the CRA and on the Company website for three weeks prior to the 2021 Ordinary General Assembly meeting, within the framework of the Turkish Commercial Code, the Regulation and the Capital Markets Law and the relevant regulations, and was read and discussed at the Ordinary General Assembly held on April 14, 2022.

## SECTION IV - STAKEHOLDERS

### 4.1. Notification of Stakeholders

Stakeholders are informed about developments concerning the Company through public disclosures made in accordance with the relevant legislation. Public disclosures are made through press conferences and statements made through the media. On the other hand, our General Assembly Meetings, detailed information on our website, comprehensive annual report, press releases, and our disclosure policy and practices based on transparency ensure that not only shareholders but also all stakeholders are informed.

Employees, customers, suppliers, trade unions, non-governmental organizations, the state, potential investors and similar persons who are in direct relationship with the company are considered as stakeholders. The Company respects and protects the rights of stakeholders obtained through legislation, mutual agreements and contracts, taking into account that cooperation with stakeholders will benefit the Company in the long term.

, Yünsa takes the Notification Policy published on December 22, 2014 at <http://www.kap.gov.tr> and on its website <http://www.yunsa.com> in the Investor Relations section as a basis for informing stakeholders. Within the framework of the Notification Policy, information that is not a trade secret is transparently shared with stakeholders through public disclosures, media, meetings and the similar.

Company employees are also informed about their areas of expertise and general issues of interest through meetings, seminars, trainings and information sent via e-mail. A portal is available for employees and they are provided access to all kinds of information and documents that may be of interest to them through this portal.

The Company has adopted ethical principles to protect the rights of stakeholders. It is possible for stakeholders to submit transactions that are not in compliance with the legislation and the Company's code of ethics to the Ethics Committee for evaluation via the Company's website at [etik@yunsa.com](mailto:etik@yunsa.com).

### 4.2. Stakeholder Participation in Management

- Shareholders' participation in management is ensured through the General Assembly, investor factory visits, and requests and suggestions submitted to the Finance and Investor Relations department,
- Supplier participation in management is ensured through improvement meetings, surveys and supplier visits,
- Customers are involved in management through customer visits, satisfaction surveys, fairs, meetings and customer days.

The participation and contribution of employees to management is ensured through periodic meetings held within the Company, annual goal setting meetings, budget compliance and performance review meetings, TPM committee meetings, meetings on quality/environment/occupational safety and energy, improvement studies, project groups, various sharing days and suggestion system. In addition, employees provide feedback to the management and their colleagues through various application tools such as the work life evaluation survey, internal customer satisfaction surveys, sharing and communication meetings, climate surveys, performance interviews, and meeting with the General Manager activities, and the results are discussed at management meetings and action plans are created for necessary changes.

With these approaches, stakeholders are provided with the necessary participation and contribution to ensure the effective management of the Company.

No model or mechanism has been established for stakeholders' participation in management. However, the independent members on the Board of Directors enable the Company and its shareholders, as well as all stakeholders, to be represented in the management.

With these approaches, stakeholders are provided with the necessary participation and contribution to ensure the effective management of the Company. All members of the Board of Directors are elected at the General Assembly with the participation of stakeholders.

In our company, a management model is implemented that encourages employees to contribute to the formation of main policies, the dissemination of policies throughout the Company and their transformation into targets, the realization of planned practices and the review of implementation results to ensure continuous improvement.

The participation of our white-collar employees in management is realized through periodic meetings held within the Company and through annual goal setting and performance evaluation meetings. Through the Employee Loyalty Survey, the opinions of our

white-collar and blue-collar employees on the dimensions of loyalty and satisfaction are collected and measured, and action plans are created by focusing on areas of opportunity.

While making arrangements regarding the working conditions of our blue-collar employees, the working environment and the rights provided to employees and similar issues, we work together, meetings are held and the opinions of the Turkish Textile, Knitting, Clothing and Leather Industry Workers' Union are taken.

The Company's communication channels are kept open for stakeholders other than employees (customers, suppliers, etc.) and the issues raised in the meetings are considered in the formation of Company policies.

#### 4.3. Human Resources Policy

The Human Resources Policy is shared on the Company's website, intranet, documentation system and internal visual management areas.

Our Human Resources policy

With the awareness that employees are the most important asset in the sustainable success of our company, our 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.

Our principles are:

- To provide a working environment where ethical values are upheld, mutual trust is ensured, responsibilities are embraced, achievements are appreciated, diversity and difference are respected, opinions and expectations are taken into account, work and private life balance is observed, and policies and practices are carried out beyond legal requirements.

According to these principles; we undertake the following:

- To bring people with high development potential and positive contribution to changes into the company,
- To create opportunities for continuous improvement,
- To manage processes that support individual performance for the realization of company goals,
- To support innovative and entrepreneurial employees,
- To recognize and reward contributions and achievements,
- To manage a solid relationship with all our stakeholders,
- To be a corporate culture that supports continuous improvement and development,
- To review systems, processes and communication channels and restructuring them in line with the needs,

Our main expectation from our employees is that they create added value to our Company's business results by always leading the difference and creativity in the areas towards Yünsa's sustainable growth targets with a participatory, sharing and entrepreneurial culture.

Human resources activities, which are defined as recruitment and attraction of qualified workforce, corporate and individual performance management, career and succession management, individual and organizational development, training, wage-reward and benefits management, industrial relations, occupational health and safety, environmental protection, and general services management processes, are carried out by Human Resources Manager İlksen Kaymakçioğlu.

Our recruitment process aims to select and place the most qualified candidates who will carry our Company into the future, who have our corporate values and who are best suited for the job. We believe that this will create a long-term, efficient and effective working life.

The selection process is systematic and objective, using structured competency-based interviews, personality inventories, foreign language tests, role plays, case studies, presentations and skills tests.

The Company's long-term strategies and targets are translated into operations and performance is monitored through a balanced scorecard approach. Company targets, Functional Targets and Department Targets are monitored through the balanced scorecard approach.

Individual performance management ensures that departmental targets are reduced to individual targets, employees are evaluated based on accurate and objective criteria, they are motivated to produce results, and a culture of continuous development is established. The most important part of the process is continuous monitoring and feedback.

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. The wage and benefit system for white-collar employees is based on a wage policy based on job size, market data and



Company performance, as well as the achievement of individual targets. Wages and benefits of blue-collar employees are regulated by Collective Bargaining Agreements.

Within the framework of the continuous development approach, new opinions and ideas for improvement and development from our employees are supported by the "Recommendation System". All our employees can make suggestions by accessing the relevant portal from kiosks or computers located in the fields, and they can also express their suggestions within the scope of corrective and preventive activities with the error cards they write.

Suggestions submitted by employees are evaluated by the relevant committees and managers, and those suggestions that are accepted and implemented after the evaluation process are rewarded.

In addition, recognition, honoring and rewarding approaches contribute to increasing employee motivation and company loyalty by rewarding individual/group efforts and achievements. All job descriptions, organizational charts, performance and reward criteria are defined in the relevant procedures, shared and continuously updated in the documentation system, intranet and other environments accessible by all employees.

The Company did not receive any complaints from employees regarding discrimination in and before 2022.

With regard to the principle of 3.1.2, Yünsa, operating in national and international markets, respects and complies with local legal rules in the markets in which it operates and private law rules such as collective labor agreements, if any. It pays due attention to the protection and payment of all rights and receivables of employees from the beginning to the end of their employment contracts.

Regarding principle 3.3.6, job descriptions and distribution of duties, performance and rewarding criteria of the Company's employees are announced to the employees, efficiency is taken into consideration in determining the salaries and other benefits given to the employees; however, there are no share acquisition programs for the employees in accordance with the Human Resources Policy.

#### **4.4. Code of Ethics and Social Responsibility**

Within the framework of sustainability responsibility, our ethical values are effectively transferred and disseminated to all our employees through trainings. The Code of Business Ethics, which is published on company portals, is communicated to all employees during orientation trainings and/or e-learning environments and distributed as printed booklets. In addition, at the end of each year, our employees update their knowledge of business ethics rules through an e-learning program and renew their commitment to business ethics with the "Business Ethics Compliance Declaration".

In addition to its contribution to the national economy and its wide range of employment opportunities, Yünsa is also sensitive to the environment, one of the world's indispensable values. It supports sustainability in this field with the projects it develops, the standards it implements and the projects to use natural resources in the most efficient way.

Reducing the negative impacts of climate change has been one of the important targets in the "assessment of risks and opportunities" studies conducted by the company. Focusing on climate change efforts for a livable world, strategic and systematic management and environmentally friendly projects and work programs have been prepared.

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. In the CDP Program, in the Water Security category, we performed above the global, regional and sectoral averages and received a B Score, thereby increasing our score.

Today, energy efficiency has become even more critical with energy and energy management gaining more importance day by day. Yünsa supports sustainability with the standards it applies and the projects it develops to use natural resources in the most efficient way and certifies our efforts in this field with ISO 50001 certificate.

In 2022, Yünsa prepared a Clean Production Plan and started to work within the scope of the plan. Within this scope, the best production techniques to minimize environmental damage are identified and implemented.

Best chemical management practices are carried out under the zero discharge of hazardous chemicals (ZDHC) program. Compliance with published positive lists is ensured, the chemicals used are monitored through the E-Cube portal and the chemical-legal burden of wastewater is reduced. Samples are taken from wastewater once a year and test results are reported. This ensures that chemicals are controlled and used within the permitted limit value range. Prohibited chemicals are not used in production processes and close cooperation is maintained with suppliers in this regard.

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 has adopted the principle of providing its customers with health-friendly products, renewed its Oeko-Tex® Standard 100 certificate in 2022.

Yünsa has been implementing the ISO 14001 Environmental Management System since 2004. Within this framework, the Company's impact on the environment is assessed and measures are taken to minimize or eliminate these impacts.

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 enterprises, where data entries are made on the management of the environment, energy, water, wastewater, emissions, waste and chemicals, followed by on-site audits.

Dust and gas emissions resulting from our operations are regularly controlled through emission measurements conducted by accredited organizations and reported to the Ministry of Environment and Urbanization.

All wastes generated during Yünsa's operations are separated and sent to licensed disposal or recycling organizations.

In 2022, we published our Yünsa Greenhouse Gas Policy with the principle of calculating, reporting and reducing climate change and greenhouse gas emissions beyond our environmental responsibilities and conducting verification studies. In this context, Yünsa has prepared the ISO 14064 Greenhouse Gas Emission Verification Procedure for greenhouse gas emission reduction by constantly raising awareness of all stakeholders, emission calculations have been made in 6 categories, and the verification studies will be shared in the 2022 Yünsa Sustainability Report.

In 2022, we have certified all of our Electric Energy consumption within the scope of green energy. YEK-G (Renewable Energy Resource Guarantee System) certificate, which certifies the electricity generated from renewable resources, was obtained. With the relevant certificate, we contribute to a carbon neutral and sustainable future. We have neutralized 13,284.5 CO<sub>2</sub> Equivalent Emissions for 2022 within the scope of green energy.

At Yünsa, R&D projects are carried out to optimize the use of natural resources, reduce the negative impact on the environment and save electricity and natural gas energy.

Yünsa continued its efforts to use recycled materials from process waste with the Global Recycled Standard (GRS) and Recycled Claim Standard (RCS). 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.

It is certified to the Responsible Wool Standard (RWS), which requires certification starting from the farms where the sheep are raised until they reach the end consumer, taking into account animal welfare and good management of the land on which the animals graze.

With its respect for nature and social responsibility awareness, Yünsa has Yünsa Afforestation Areas at the Çerkezköy junction of the Istanbul - Edirne highway and at the Büyükçavuşlu location of the Çerkezköy - Saray state road in order to contribute to a healthy future. All planting, irrigation and maintenance works of the afforestation areas are carried out by Yünsa on the basis of corporate volunteerism.

At Yünsa, employees at all levels receive periodic trainings to raise environmental awareness. Within this scope, training programs were organized for employees in 2022 to raise their awareness.

During the audits carried out every year on waste companies, evaluations are made on quality standards and environmental legislation, areas open to improvement are identified and companies are ensured to take action on deficiencies. These companies are provided with trainings on environmental and occupational safety issues and audits are conducted to contribute to their development in these areas.

All occupational safety activities are monitored at monthly review meetings with the participation of senior management and necessary investments are planned and implemented. Yünsa has also documented its efforts in this field with the ISO 45001 certificate as management systems standards.

#### *Innovative Productive Generations Association (YÜNDER)*

The Innovative Productive Generations Association was founded in 2018 by Yünsa Yünlü Sanayi Ticaret A.Ş. employees with the aim of providing equal opportunities in education to students with insufficient financial means and providing them with the opportunity to continue their education. In this context, we provided scholarships to 24 university students studying at 9 different universities in 2022. Diversity and equal opportunities for women employees are among our employment priorities.

In 2022, the Company collaborated with ITU as part of the First Step to the Future Internship Program, with Social Responsibility projects for its employees and their relatives. A total of 33 students completed their internship at Yünsa.

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 2022. In addition to joint research and development projects, these protocols include open innovation meetings, student internships, laboratory facilities, events, publication subscriptions and technical trips. We have cooperation protocols with more than 10 universities in total.

"Sustainability Policy" has been published to share YÜNSA's sustainability approach in all its activities and to ensure its dissemination to our stakeholders.

The responsibilities we have adopted in the "Social" dimension of the policy are listed below.

## **SOCIAL**

### **Human Rights and Employee Rights**

- To act in accordance with human rights in our relations with all our stakeholders, especially our employees, suppliers and business partners, and to encourage them to be sensitive in this regard
- To identify and work to prevent human rights risks to people in our workplace and value chain

### **Occupational Health and Safety**

- To implement and develop preventive occupational health and safety systems in all our activities and to make this a lifestyle for all our employees
- To ensure everyone's participation in risk mitigation efforts
- To take measures one step ahead of legal

### **requirements Customer Health and Safety**

- To develop safe and healthy products with a management approach based on continuous improvement in order to protect human health

### **Employment**

- To provide a working environment where ethical values are upheld, mutual trust is ensured, responsibilities are embraced, achievements are appreciated, diversity and difference are respected, opinions and expectations are taken into account, work and private life balance is observed, and policies and practices are carried out beyond legal requirements.

### **Diversity and Equal Opportunity**

- To implement a policy of equality from recruitment to retirement, to provide equal opportunities to everyone regardless of language, race, color, gender, political opinion, belief, religion, sect, age, physical disability and similar characteristics within the framework of the constitution and all relevant laws

### **Training and Development**

- To support Corporate Development and to provide different trainings for our employees to develop the skills that will support them to carry out their work in the most effective way

The main social responsibility projects carried out by Yünsa in the 2022 operating period within the scope of corporate citizenship activities are covered under the title of "Social Sustainability".

Yünsa is sensitive to its social responsibilities and complies with regulations regarding the environment, consumers, public health and ethical rules. The Company supports and respects internationally recognized human rights. In addition to complying with Article 3.5.2 of the Corporate Governance Principles, Yünsa established an Anti-Bribery and Anti-Corruption Policy in 2015 and announced it to all stakeholders through the Yünsa website (<http://www.yunsa.com>). Yünsa fights against all forms of corruption, including extortion and bribery, within the framework of the Anti-Bribery and Anti-Corruption Policy.



**SECTION V - BOARD OF DIRECTORS****5.1. Structure and Establishment of the Board of Directors**

The Company's Board of Directors oversees the compliance of the Company's activities with the legislation, Articles of Association, internal regulations and policies, and manages and represents the Company by taking into account the Company's risks, growth and returns, and pursuing its long-term interests through strategic decisions.

The Company's Board of Directors consists of six members elected at the 2021 Ordinary General Assembly Meeting held on April 14, 2022 to serve until the 2024 Ordinary General Assembly Meeting to be held in 2025, in accordance with the provisions of the Turkish Commercial Code and Capital Markets Legislation and the Company's Articles of Association. As of December 31, 2022, no appointment has been made to the membership vacated by Tahir Demirkıran, who resigned as Vice Chairman and Member of the Board of Directors on November 28, 2022.

The minimum qualifications to be sought for the members of the Board of Directors are not included in the Articles of Association. However, the qualifications required for the members of the Company's Board of Directors are in line with the relevant articles of the CMB Corporate Governance Principles.

There are executive and non-executive members on the Board of Directors. The majority of the members of the Board of Directors are non-executive members as defined in the Corporate Governance Principles. Among the non-executive members of the Board of Directors, there are two independent members who are capable of performing their duties without being influenced under any circumstances, and the members of the Board of Directors are elected by the General Assembly in accordance with the Corporate Governance Principles.

The members of the Board of Directors have been granted the right to carry out transactions in accordance with Articles 395 and 396 of the Turkish Commercial Code by a resolution of the General Assembly.

Within the scope of Article 4.3 of the CMB Corporate Governance Principles, amendments were made to the Articles of Association to include independent members in the Board of Directors. The independent board members to be appointed to the Board of Directors were determined by the Board of Directors' resolution dated March 10, 2022 and numbered 1182, and the list of independent board member candidates consisting of two persons was approved at the Ordinary General Assembly meeting dated April 14, 2022. At the time of their nomination, independent board member candidates have submitted their declarations of independence to the Board of Directors stating that they fulfill the independence criteria. During the relevant period, no situation has arisen that may impair the independence of the independent board members.

The maximum duty term of the members of the Board of Directors is three years. A member whose term expires may be re-elected.

The members of the Company's Board of Directors as of December 31, 2022 are summarized in the table below with executive / non-executive and independent members:

<b>Member of Board of Directors - Name Surname</b>	<b>Whether executive / non-executive</b>	<b>Duty</b>
Mustafa Sürmegöz	Executive	Chairman of Board of Directors and General Manager
Temel Tayyar Yeşil	Non-executive	Deputy Chairman of the Board of Directors
Taha Adnan Sürmegöz	Non-executive	Member of the Board of Directors
Ahmet Yarız	Non-executive	Independent Member of the Board of Directors
Ahmet Cevat Acar	Non-executive	Independent Member of the Board of Directors

Regarding principle 4.4.7, there is no restriction on the members of the Board of Directors taking on other duties or tasks outside the Company; however, it is observed that the members of the Board of Directors take care to allocate the necessary time for the Company's affairs. Such a limitation was not necessary, especially due to the significant contribution of the work experience and expertise of the Independent Members to the Board of Directors.

Regarding principle 4.3.9., although a target rate and target time for the ratio of female members in the Board of Directors has not yet been determined, it is paid attention to this issue. To date, no conflict of interest has arisen among stakeholders due to non-compliance with this principle.

**5.2. Operating Principles of the Board of Directors**

The Board of Directors convenes as often as it can effectively fulfill its duties and conducts its activities in a transparent, accountable, fair and responsible manner, while taking into account the long-term interests of the Company.

The Board of Directors is required to meet at least four times a year.

The Company's Board of Directors held a total of 36 meetings in 2022 in line with the provisions of the Turkish Commercial Code and the Articles of Association,

with written approval. The working principles, meeting and decision quorums of the Board of Directors shall be fulfilled in accordance with the provisions of the Company's Articles of Association. Each member of the Board of Directors has 1 voting right in the meetings.

The agenda of the Company's Board of Directors meetings is prepared by the Chairman of the Board of Directors in consultation with the current members of the Board of Directors. The duty of the secretariat in our Company is carried out by the Financial Affairs Directorate. The secretariat is responsible for informing and communicating about the meeting agenda and preparing the meeting minutes.

In the meetings held in 2022, no different opinions were expressed against the decisions taken by the members of the Board of Directors. Since the members of the Board of Directors did not have any questions on these matters, they were not recorded in the minutes.

Members of the Company's Board of Directors did not enter into any transactions with the Company in 2022 and did not engage in any ventures to compete in the same fields of activity.

Members of the Board of Directors are not entitled to weighted voting rights.

Within the scope of Article 10 of the Capital Markets Board's (CMB) Corporate Governance Communiqué Serial II.17 .1 of the Capital Markets Board (CMB), in the event that it is foreseen that the amount of widespread and continuous transactions between our Company and its related parties within an accounting period will reach 10% or more of the ratio of the ratio to the cost of sales according to the last annual financial statements disclosed to the public in the case of purchase transactions and the ratio to the amount of revenue according to the last annual financial statements disclosed to the public in the case of sales transactions, a report should be prepared regarding the terms of the transactions and their comparison with the market conditions and the report or the result should be disclosed.

In the related period, there were no related party transactions and significant transactions submitted for the approval of the independent board members, and there were no transactions that were not approved and submitted for the approval of the General Assembly.

The management rights and representation powers of the Company's Board of Directors are defined in the Articles of Association.

Pursuant to Article 4.2.8 of the Communiqué, the Board Members and Executives Liability Policy with a coverage of USD 10 Million with Chubb European Group SE for the damages that may be caused by the members of the Board of Directors and executives during the execution of their duties has been renewed for the year 2022.

### **5.3. Number, Structure and Independence of the Committees Established in the Board of Directors**

In order for the Board of Directors to fulfill its duties and responsibilities properly, the Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee were established in accordance with Capital Markets Legislation, CMB regulations and Corporate Governance Principles. The duties of the "Nomination Committee" and the "Remuneration Committee" set forth in Article 4.5.1 of the Communiqué have also been assumed by the "Corporate Governance Committee".

The decisions taken as a result of the work carried out independently by the Committees are presented to the Board of Directors as recommendations, and the final decision is taken by the Board of Directors.

Yünsa has structured its Board of Directors in accordance with the Communiqué on Corporate Governance Principles. Although care is taken to comply with the recommendation in Article 4.5.5 of the Communiqué that "a member of the Board of Directors should not serve on more than one committee", some members of the Board of Directors serve on more than one committee due to the number of Board members, committee structuring requirements and the business expertise required for committee membership.

The committees have been working in an organized manner since the day they were established. There were no conflicts of interest in the Committees in 2022.

Information on the committees established by the Board of Directors is given below:

#### **Audit Committee**

The purpose of the Audit Committee is to inform the Company's Board of Directors about the Company's accounting system, financial reporting, publicly disclosed financial information, activities of the internal audit department, independent audit and the functioning and effectiveness of the internal control system, and to support the Company's efforts to comply with applicable laws and regulations, particularly the Capital Markets Board Legislation, Corporate Governance Principles and the Company's code of ethics, and to fulfill its oversight function in these matters.

At its meeting dated April 14, 2022 and numbered 1187, the Company's Board of Directors resolved that the following members of the Board of Directors be elected as members of the Audit Committee.

Name Surname	Duty	Membership of the Board of Directors
Ahmet Cevat Acar	Chairman of the Audit Committee	Independent Member of the Board of Directors
Ahmet Yarız	Member of the Audit Committee	Independent Member of the Board of Directors
Taha Adnan Sürmegöz	Member of the Audit Committee	Member of the Board of Directors

The members are composed of people who do not directly undertake executive functions and who are independent members of the Board of Directors and who have sufficient knowledge and experience in financial matters. The Chairman and the member of the Audit Committee are appointed by the Board of Directors. The Internal Audit Department of the Company acts as the rapporteur 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 Committee convenes at least four times a year, at least quarterly, and submits the results of the meeting to the Board of Directors.

The Audit Committee was first established at the Board of Directors Meeting dated January 14, 2003 to fulfill the duties stipulated for the Audit Committee in the CMB legislation.

The Audit Committee convened 10 times in the twelve-month period of 2022 and submitted a report to the Board of Directors on the selection of the Independent Audit Company, the fairness and accuracy of the financial statements to be disclosed to the public, approved the audit schedule with the internal audit department, reviewed the internal audit reports on business processes and discussed the adequacy of the internal control system.

In 2022, the main activities of the Audit Committee are as follows:

- Monitoring the financial and operational activities of the company,
- Supervising and approving the accuracy and compliance of the annual and interim financial statements to be disclosed to the public with the accounting principles followed by the Company,
- Selecting the independent audit company, preparation of independent audit contracts and initiation of the independent audit process,
- Monitoring the effectiveness and performance of the independent audit activity,
- Oversight of the functioning and effectiveness of the internal control and internal audit system,
- Evaluating the findings obtained in relation to the internal control system and reporting them to the Board of Directors,
- Reviewing and approving the reports regarding internal control and internal audit.

#### Corporate Governance Committee

The Corporate Governance Committee monitors the Company's compliance with Corporate Governance Principles, makes remedial suggestions and oversees the work of the Investor Relations Department. The Corporate Governance Committee also fulfills the functions of "Nomination Committee" and "Remuneration Committee".

The Corporate Governance Committee consists of a maximum of three members, including the chairman, and two rapporteurs appointed by the Yünsa Board of Directors in line with the CMB's 'Corporate Governance Principles'. The Chairman of the Corporate Governance Committee is appointed by the Yünsa Board of Directors among the independent members.

The agenda of the meetings is set by the Chairman of the Committee. Members and shareholders inform the Chairman of the Corporate Governance Committee about the issues they wish to be included in the agenda.

Meetings are held at least four times a year at a place deemed appropriate by the Chairman. The meeting and decision quorum is the absolute majority of the total number of members. Other people deemed appropriate by the Chairman may attend the meetings.

Bylaw approved on May 16, 2012, was revised on July 4, 2013 due to the separation of the Early Detection of Risk Committee, which was previously under this committee.

At its meeting dated April 14, 2022 and numbered 1187, the Company's Board of Directors resolved that the following members of the Board of Directors be elected as members of the Corporate Governance Committee.



Name Surname	Duty	Membership of the Board of Directors
Ahmet Yarız	Chairman of the Corporate Governance Committee	Independent Member of the Board of Directors
Tahir Demirkıran	Member of the Corporate Governance Committee	Deputy Chairman and Member of the Board of Directors
Taha Adnan Sürmegöz	Member of the Corporate Governance Committee	Member of the Board of Directors
Asiye Demir	Accounting Manager (Responsible for Investor Relations)	-

On November 28, 2022, Tahir Demirkıran, who was appointed as a member of the Corporate Governance Committee with the Board of Directors' resolution dated April 14, 2022, resigned from his position as Deputy Chairman and member of the Board of Directors.

The Corporate 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.

The Corporate Governance Committee held 6 meetings in 2022. The

activities of the Committee in 2022 are as follows:

- Making recommendations to the Board of Directors to improve corporate governance practices within the scope of compliance with the Capital Markets Board's (CMB) Corporate Governance Communiqué No. II-17.1 and conducting and supervising the necessary work for compliance with the legislation within the Company,
- Overseeing the work of the Investor Relations Department,
- Determining the principles, criteria and practices to be used in the remuneration of executives with administrative responsibility, taking into account the long-term goals of the Company, and overseeing these,
- Submitting proposals to the Board of Directors regarding the remuneration to be paid to managers with administrative responsibility, taking into account the degree of achievement of the criteria used in remuneration,

#### Early Detection of Risk Committee

The Committee carries out activities to identify risks that may jeopardize the existence, development and continuity of the Company, to prevent crises, to establish models and management systems, to diagnose and detect risks early, to implement necessary measures and to manage risks, and reviews risk management systems at least once a year.

The Early Detection of Risk Committee consists of at least two members including the Chairman. The Chairman is appointed by the Company's Board of Directors from among the independent members. The Committee's rapporteur is the Internal Audit Manager. Meetings are held at least six 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 Committee is determined by the Chairman of the Committee and announced to all members.

With the decision of our Company's Board of Directors dated July 4, 2013, it was decided to establish the Early Detection of Risk Committee, to separate it from the Corporate Governance Committee and to approve the Early Detection of Risk bylaws.

At its meeting dated April 14, 2022 and numbered 1187, the Company's Board of Directors resolved to elect the following members of the Board of Directors as members of the Early Detection of Risk Committee.

Name Surname	Duty	Membership of the Board of Directors
Ahmet Yarız	Chairman of the Early Detection of Risk Committee	Independent Member of the Board of Directors
Temel Tayyar Yeşil	Member of the Early Detection of Risk Committee	Deputy Chairman of the Board of Directors
Taha Adnan Sürmegöz	Member of the Early Detection of Risk Committee	Member of the Board of Directors

The Early Detection of Risk Committee held 6 meetings in 2022.

#### **5.4. Risk Management and Internal Control Mechanism**

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 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 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.

### **5.5. Strategic objectives of the company**

The Company's Board of Directors has determined the Company's vision and mission and disclosed it to the public in writing in the annual report and on the Company's website at <http://www.yunsa.com>.

The Board of Directors sets short- and medium-term strategic goals in discussion with Senior Management. It approves the annual budgets prepared within the framework of these strategic objectives.

The Board of Directors has one-on-one information about the implementation process of the decisions taken in parallel with the comparative presentations received from Company officials at its meetings. In these presentations, in addition to the budget and actual comparison of the current year, the same periods of the previous years are also presented to the Board of Directors in a comparative manner.

### **5.6. Financial Rights**

In accordance with the CMB's mandatory Corporate Governance Principle No. 4.6.3, stock options or payment plans based on the Company's performance are not used in the remuneration of Independent Board Members.

Regarding principle 4.6.5, the remuneration and all other benefits provided to the members of the Board of Directors and executives with administrative responsibilities are disclosed to the public through the annual report; however, in parallel with the general practice, the disclosure is made collectively, not on an individual basis.

In 2022, the Company did not lend money or extend credit to any member of the Board of Directors, extend the terms or improve the conditions of any loans or credits already granted, extend credit under the name of personal loan through a third party, or provide guarantees such as sureties in their favor.

# 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, 2022.

## Developments in Investments

Within the scope of Yünsa's technology renewal and modernization investments, it has been decided to invest in "Dyeing Plant Machinery and Equipment Modernization" as part of planned investment activities. In this context, the existing boilers used in our paint plant will be renewed with 2022 model latest technology dye boilers. This investment will not create a change in the dyehouse capacity and the aim is to increase efficiency, flexibility and quality in our production processes after the investment. The necessary agreements to start the investment have been completed and all machinery and equipment subject to the investment will be commissioned by April 2023. Regarding our Dyehouse Machinery and Equipment Modernization investments, there is an Investment Incentive Certificate No. 501148 issued by the Republic of Turkey Ministry of Industry and Technology - General Directorate of Incentive Implementation and Foreign Capital, amounting to TL 92,621,364. The expiry date of the said document is May 10, 2023.

As a result of the planned investment activities initiated in accordance with the decision of the Board of Directors of our Company dated January 24, 2022, an agreement was reached with the manufacturing company for the capacity increase and modernization investment of the weaving loom.

With our investment in airjet and rapier looms, we expect an increase in energy savings and employee productivity, a decrease in technical waste, an increase in the amount of output per unit time and production capacity, and a decrease in unit costs. The machinery and equipment subject to the investment were commissioned as of January 2023.

Total investment expenditures in 2022 amounted to TL 73,702,718. R&D costs for the period is 10.791.024 TL.

## 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 control 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 Yunsa has a 100% shareholding, serves as the Italy office.

### 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. İstanbul Atatürk Airport Free Zone Branch

Yünsa Yünlü Sanayi ve Ticaret A.Ş. İstanbul 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 Governing Body 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 the Law on 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 Company's Board of Directors did not engage in any transactions with the Company and/or did not engage in any ventures that could be considered as competitors in the same fields of activity.



### Donations

In 2022, TL 46,600 was donated to the Innovative Productive Generations Association, TL 35,000 to the Osmanbey Textile Businessmen Association and TL 768.5 to the Turkish Association for Combating Erosion.

### 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 voting privileges. 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, 2022, there are no capital market instruments issued.

### Amendments to the Articles of Association During the Period

The necessary legal approvals were obtained for the draft amendments to Article 4 titled "Company Headquarters", Article 9 titled "Board of Directors", Article 12 titled "Provisions Related to the Board of Directors" and Article 19 titled "Meeting Chairmanship" of the Company's Articles of Association, and the amendments to the Company's Articles of Association were unanimously approved at the 2021 Ordinary General Assembly Meeting held on April 14, 2022. The approvals of the relevant trade registry authorities for the registration procedures regarding the amendments were completed and announced in the Turkish Trade Registry Gazette dated May 5, 2022 and numbered 10571.

### Information on Private Audit and Public Audit

During the period January 1 - December 31, 2022, there was no private or public audit in our Company.

### Independent Audit Company

At the Ordinary General Assembly Meeting dated April 14, 2022, 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 Company's financial reports for the fiscal year 2022 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 Capital Markets Law No. 6362.

### Collective Bargaining Applications

There is a XXVIth Term Group Collective Labor Agreement valid between 01.04.2022 - 31.03.2025 between the Turkish Textile Industry Employers' Union (TTSİS), to which our Company is affiliated, and the Turkish Textile Knitting and Clothing Industry Workers' Union (TEK- SİF), to which our employees who are members are affiliated.

### Rights and Benefits Provided to Personnel and Workers

Within the framework of our job evaluation and remuneration policies, our employees are provided with various benefits such as base salary, bonus, performance-based variable bonus, private health insurance, private pension contribution, accident and life insurance. On the other hand, the vehicle allocated to the office, initiatives for the use of various communication tools, and additional benefits for our personnel pursuing master's and doctorate degrees are also practices within this scope.

In addition, Employees who are members of a trade union receive wages, rights and benefits within the framework of the collective bargaining agreement.

### Other Matters

The Company's targets and performance in 2022 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 are provided

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 23.02.2023 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 2022, 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 23.03.2022.

<https://www.kap.org.tr/tr/Bildirim/1116507>

<https://www.kap.org.tr/tr/Bildirim/1116494>

## 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 6 of the explanatory report on the Company's Condensed Consolidated Financial Statements for the period January 1 - December 31, 2022.

### **Yünsa Yünlü Sanayi Ticaret A.Ş. Remuneration Policy for the Members of the Board of Directors, Senior Executives and White Collar Employees**

#### **(Submitted to the General Assembly for Approval)**

This policy document defines the remuneration systems and practices of our board members, senior executives and white-collar employees, who are considered as those with 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. In determining the remuneration levels of independent board members, care is also taken to ensure that the remuneration is at a level that protects the independence of the member.

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. While determining the remuneration levels of board members, in addition to the corporate practices, the responsibility of the board member in the decision-making process, the level of knowledge, skills, competence, experience and the

time spent by the board member are taken into consideration. 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.

Wages of senior managers and white-collar employees consist 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 remuneration policy takes into account economic data, market conditions, the size of the company, the qualifications required for the position and legislation.

The salaries and benefits paid to senior executives and white-collar employees are presented to the shareholders at the following general assembly meeting in accordance with the provisions of the Capital Markets Board and the Turkish Commercial Code.

Bonuses may be paid to senior executives and white-collar employees based on the annual performance of the company and their personal performance, subject to the decision of the board of directors.

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 apply within our company defines the roles in the organization, examples of basic responsibilities, performance

knowledge/skills/experience and competencies, and our remuneration policy is based on an objective system built 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 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, 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 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 identify existing and potential risks by analyzing processes in order to increase the effectiveness and efficiency of operations 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 predetermined 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.

### 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. These principles require us to determine whether the Company has established an early detection of risk system and committee, and if so, to assess whether the system and committee function within the framework of Article 378 of the TCC. The appropriateness of the measures taken by the Early Detection of Risk Committee against risks and the actions taken by the management in response to risks are not within the scope of our audit.

### 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, 2022 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, CPA  
Responsible Auditor  
İstanbul, February 23,  
2023*

# 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 Board of Directors Meeting held on April 14, 2022, Independent Member of the Board of Directors Ahmet Cevat Acar was elected as the Chairman and Independent Members of the Board of Directors Ahmet Yarız and Taha Adnan Sürmegöz were elected as members. 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 acts 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 Board of Directors Meeting held on April 14, 2022, Independent Board Member Ahmet Yarız was elected as the Chairman and Board Members Tahir Demirkıran, Taha Adnan Sürmegöz and Asiye Demir were elected as members. On November 28, 2022, Tahir Demirkıran, Deputy Chairman of the Board of Directors, resigned. The term of office of the Committee members is in parallel with the term of office of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

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 agenda of the meetings is set by the Chairman of the Committee. 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.

## 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 Board of Directors Meeting held on April 14, 2022, Independent Board Member Ahmet Yarız was elected as the Chairman of the Committee and Board Members Temel Tayyar Yeşil and Taha Adnan Sürmegöz were elected as its members. 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.

## Early Detection of Risk

## Committees and Policies

### Policies

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

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

## Ordinary General Assembly Agenda

1. Opening and formation of the Meeting Presidency,
2. Reading and discussing the 2022 Activity Report of the Board of Directors,
3. Reading the Auditor's Report for the fiscal year 2022,
4. Reading, discussing and approving the Financial Statements for the fiscal year 2022,
5. Releasing the members of the Board of Directors for the activities of 2022,
6. Discussing and deciding on the election of a new Board Member for the vacant Board Member position for the remaining term,
7. Determining the use of 2022 profit and the rates of profit and dividends to be distributed,
8. Determining the remuneration of the members of the Board of Directors,
9. Approving of the "Remuneration Policy for Board Members, Senior Executives and White Collar Employees",
10. Selecting the auditor,
11. Reading and discussion of the Auditor's Report for the fiscal year 2022,
12. Determining the upper limit of donations to be made by the Company in 2023,
13. Discussing and resolving on the amendment of Article 6 of the Company's Articles of Association pursuant to the permission obtained from the Capital Markets Board and the Ministry of Trade,
14. Granting permission to the Chairman and Members of the Board of Directors to carry out the transactions stipulated in Articles 395 and 396 of the Turkish Commercial Code,
15. Wishes and closing.



# Recommendation of Board of Directors on Dividend Distribution

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

### MEETING

Venue : Head Office - Boğaziçi Meeting Room  
 Date: 29.03.2023  
 Time : 10:30 AM  
 Decision No: 1213

### PARTICIPANTS

Mustafa SÜRMEGÖZ : Chairman of the Board of Directors  
 Temel Tayyar YEŞİL : Deputy Chairman 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 Profit Distribution Table for the year 2022 and the profit distribution proposal to be submitted to the Ordinary General Assembly Meeting of our Company dated April 28, 2023

### DISCUSSION AND DECISION:

1. At the end of the discussion, it was unanimously resolved to approve the Profit Distribution Table for the year 2022.

According to our consolidated financial statements for the accounting period 01.01.2022 - 31.12.2022, prepared by our Company in accordance with the Capital Markets Board's Communiqué Serial (II - No. 14.1) "Principles Regarding Financial Reporting in Capital Markets" and independently audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş., "Profit for the Period" amounting to TL 375,090,419 was obtained.

To distribute the Net Distributable Period Profit of TL 343,217,095 remaining after deducting the General Legal Reserves (1st Legal Reserve) and Legal Liabilities from the Period Profit of TL 375,090,419 for the year 2022, calculated in accordance with the CMB Legislation, as per Article 30 of our Articles of Association and in accordance with the CMB Communiqués, as follows,

First dividend	:	1,458,000.00	TL
Second dividend	:	147,711,305.75	TL
Total Gross Profit Share	:	149,169,305.75	TL
General Legal Reserves (2nd Legal Reserve)	:	14,771,130.57	TL
Extraordinary Reserves	:	179,276,658.68	TL

As a result of the dividend distribution according to the above principles,  
 - To set aside TL 134,398,175.17 of the Net Distributable Period Profit of TL 298,338,611.49,  
 which is included in our legal records prepared in accordance with the provisions of TPL, as Extraordinary Reserves,

Thus, it has been unanimously resolved to submit for the approval of the Ordinary General Assembly to be held on Friday, April 28, 2023, the issue of distributing a total of TL 149,169,305.75 in cash from the profit of 2022 to the shareholders representing the capital of TL 29,160,000.00, at the rate of 511.55% (Gross) and 460.40% (Net) depending on their legal status, as of May 4, 2023.

**Mustafa Sürmegöz**  
 Chairman of the Board of  
 Directors

**Temel Tayyar Yeşil**  
 Deputy Chairman of the Board of  
 Directors

**Taha Adnan  
 Sürmegöz**  
 Member

**Ahmet Cevat  
 Acar**  
 Independent Member

**Ahmet Yarız**  
 Independent Member

## 2022 Dividend Distribution Table

YÜNSA YÜNLÜ SANAYİ VE TİCARET A.Ş.		
2022 PROFIT SHARE DISTRIBUTION TABLE		
(TL)		
<b>1. PAID/ISSUED CAPITAL</b>		<b>29,160,000.00 TL</b>
<b>2. General Legal Reserves (According to Legal Records)</b>		<b>15,332,522.81 TL</b>
If there is a privilege in dividend distribution in accordance with the articles of association, information on such privilege		<b>No</b>
	According to CMB	According to Legal Records (LR)
<b>3. Period Profit</b>	<b>375,090,419.00 TL</b>	<b>368,959,663.26 TL</b>
<b>4. Taxes (-)</b>	<b>26,041,324.00 TL</b>	<b>64,789,051.77 TL</b>
<b>5. Net Period Profit (=)</b>	<b>349,049,095.00 TL</b>	<b>304,170,611.49 TL</b>
<b>6. Previous Years' Losses (-)</b>	<b>0.00 TL</b>	<b>0.00 TL</b>
<b>7. General Legal Reserves (-)</b>	<b>5,832,000.00 TL</b>	<b>5,832,000.00 TL</b>
<b>8. NET DISTRIBUTABLE PERIOD PROFIT (=)</b>	<b>343,217,095.00 TL</b>	<b>298,338,611.49 TL</b>
9. Donations made during the year (+)	0.00 TL	0.00 TL
<b>10. Net Distributable Profit for the Period Adding Donations</b>	<b>343,217,095.00 TL</b>	<b>298,338,611.49 TL</b>
<b>11. First Dividend to Shareholders</b>	<b>1,458,000.00 TL</b>	
-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	
<b>13. Other Distributed Profit Share</b>	<b>0.00 TL</b>	
- 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	
<b>15. Second Dividend to Shareholders</b>	<b>147,711,305.75 TL</b>	
<b>16. General Legal Reserves</b>	<b>14,771,130.57 TL</b>	
17. Status reserves	0.00 TL	
18. Special reserves	0.00 TL	
<b>19. EXTRAORDINARY RESERVES</b>	<b>10,658,156.00 TL</b>	
<b>20. Other Resources Proposed to be Distributed</b>	<b>179,276,658.68 TL</b>	<b>134,398,175.17 TL</b>
- Undistributed Retained Earnings	0.00 TL	0.00 TL
- Special Funds (**)	0.00 TL	0.00 TL
- Extraordinary Reserves	0.00 TL	0.00 TL
- Pursuant to the Law and Articles of Association	0.00 TL	0.00 TL
- Other Distributable Reserves	0.00 TL	0.00 TL

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 (%)
GROS S	149,169,305.75	-	43.46	5.1155	511.55
NET*	134,252,375.17	-	39.12	4.6040	460.40

\* 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 (together will be referred to as the "Group") for the period January 1 and December 31, 2022.

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. Justification of the 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 declare that we are independent of the Group in accordance with the Code of Ethics for Independent Auditors (Including Independence Standards) ("Code of Ethics") as issued by POA and the ethical requirements that are relevant to our audit. In accordance with the specified provisions and codes of conduct, other responsibilities regarding the ethics have been fulfilled by us. We believe that the independent audit evidence we have obtained during the independent audit constitutes a sufficient and appropriate basis for our opinion.

## 3. Auditor's Report on a Complete Set of Consolidated Financial Statements Our Opinion

We have expressed an unqualified opinion in our auditor's report dated February 23, 2023 on the Group's consolidated financial statements for the period January 1 - December 31, 2022.

## 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 the 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 prepares the annual activity report within the first three months following the balance sheet date and submits it to the general assembly.

b) It prepares the annual report in such a way that it reflects the flow of the Group's activities for that year and its financial position in all aspects in a true, complete, straightforward, fair and honest manner. In this report, the financial position is assessed based on the financial statements. The report also clearly indicates the development of the Group and the risks that the Group may face. The Board of Directors' assessment of these matters is also included in the report.

c) The activity 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 and representation expenses, in-kind and cash benefits, insurances and similar guarantees paid to board members and senior executives.

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, CPA  
Responsible Auditor  
Istanbul, February 23, 2023

# Declaration of Responsibility

## Statement of Responsibility Regarding the Financial Statements, Annual Report and Corporate Governance Report between January 1, 2022 and December 31, 2022

Date of decision: February 23,  
2023 No. of Resolution: 1209

The financial statements for the period 01.01.2022 - 31.12.2022 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/IFRS) and the financial reporting formats determined by the CMB and audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (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/IFRS 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
  - 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 for public information.

Kindly regards,

**Ahmet Cevat ACAR**  
Chairman of the Audit  
Committee

**Ahmet YARIZ**  
Member of the Audit  
Committee

**Taha Adnan  
Sürmegöz**  
Member of the Audit  
Committee

**Semih UTKU**  
Financial Affairs  
Director

# Independent Audit Report and Financial Statements

## INDEPENDENT AUDITOR 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, 2022 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, 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRSs").

#### 2. Justification of the Opinion

We conducted our audit in accordance with Independent Audit Standards (IAS) which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities within the scope of these Standards are explained in detail in the section of the "Responsibilities of the Independent Auditor regarding the Independent Audit of 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. In accordance with the specified provisions and codes of conduct, other responsibilities regarding the ethics have been fulfilled by us. We believe that the independent audit evidence we have obtained during the independent audit constitutes a sufficient and appropriate basis for our opinion.

## 1. Key Audit Matters

Key audit matters are the most important issues in the independent audit of the consolidated financial statements of the current period according to our professional judgment. Key audit matters are addressed within the scope of the independent audit of the consolidated financial statements as a whole and regarding the formation of our opinions about the consolidated financial statements, and we do not express a separate opinion on these issues.

Key Audit Matters	The Way How the Audit Addresses the Issue
<p><b><i>Recognizing the revenue</i></b></p> <p>The Company has generated revenue of TL 1,279,958,274 for the period from January 1, 2022 to December 31, 2022. As stated in Note 2.4</p> <p>“Summary of Significant Accounting Policies”, revenue is recognized when (or as) the performance obligation is fulfilled by transferring control of the products sold to the customers.</p> <p>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.</p> <p>The Group's sales consist primarily of sales of woven fabrics and apparel. Group sales are recognized periodically at the invoiced value on the date of delivery.</p> <p>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 19.</p>	<p>During our audit, we performed the following audit procedures related to revenue recognition:</p> <ul style="list-style-type: none"> <li>• Evaluating whether the accounting policies are consistent with TFRS and applied consistently from period to period,</li> <li>• Analyzing significant changes and trends by examining monthly sales breakdowns, taking into account data from previous years,</li> <li>• Compare and reconcile invoices received from customers with sales quantities and prices in the system,</li> <li>• 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,</li> <li>• 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,</li> </ul> <p>As a result of our work, we did not identify any significant findings in the audit procedures performed in relation to revenue recognition.</p>



## **1. Responsibilities of the Management and Those Responsible for the Senior Management regarding 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.

During the preparation of the consolidated financial statements, the Group management is responsible for evaluating the Group's ability to maintain continuity, explaining the continuity issues when necessary, and using the continuity principle of the business unless there is an intention or obligation to liquidate or terminate the Group.

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

## **2. Responsibilities of the Independent Auditor Regarding the Independent Audit of the Consolidated Financial Statements**

In an independent audit, the responsibilities of us, as independent auditors, are as follows:

Our aim is to obtain reasonable assurance whether the financial statements as a whole are free from errors or fraudulent inaccuracies and to issue an independent auditor report including our opinion.

Reasonable assurance given as a result of an independent audit conducted according to IAS is a high level of assurance but it does not guarantee that any significant misstatements will always be detected. Inaccuracies can be caused by errors or fraud. If inaccuracies are reasonably expected to affect the economic decisions of the users of the financial statements, individually or collectively, based on these consolidated statements, these inaccuracies are considered significant.

As a requirement of the independent audit conducted in accordance with IAS, we use our professional judgment and maintain our professional skepticism throughout the independent audit. Also:

- The risks of “material misstatement” arising from error or fraud are identified and evaluated in the consolidated financial statements, audit procedures responding to such risks are designed and implemented, and sufficient and appropriate audit evidence is obtained to form 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.
- Based on the audit evidence obtained, conclusions are drawn as to whether there is a significant uncertainty about the events or circumstances that may create serious suspicion about the ability of the Group to maintain its continuity, and the appropriateness of the business continuity of the management. In case we conclude that there is a significant uncertainty, we should draw attention to the relevant disclosures in our report or if such disclosures are insufficient, we should give an opinion other than a positive opinion. Our conclusions are based on the audit evidence obtained till the date of the independent auditor report. However, prospective events or conditions may end the continuity of the Group.
- The general presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether these statements reflect the underlying transactions and events in a manner that ensures a fair presentation is evaluated.
- A sufficient and appropriate audit evidence is obtained regarding the financial information of the entities or business segments within the group in order to express an opinion on the consolidated financial statements. We are responsible for directing, supervising and conducting the Group audit. We are solely responsible for our audit opinion.

Besides other matters, we report the planned scope and timing of the independent audit and the key audit findings to the senior management including significant internal control deficiencies that are identified during the audit.

We have informed people who are responsible for the senior management that we comply with codes of conduct 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.

Among the issues explained to those responsible for senior management, we identify the most important issues in the independent audit of the consolidated financial statements of the current period, namely the key audit issues. In cases where the legislation does not allow the subject to be disclosed to the public, or in extremely exceptional cases where it is reasonably expected that the negative consequences of disclosing the matter to the public will exceed the public interest of the public disclosure, we may decide not to report the relevant matter in our independent auditor report.

**A. Other Liabilities arising from the 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, 2022 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, the Auditor's Report on the Early Detection of Risk System and Committee was submitted to the Company's Board of Directors on February 23, 2023.

PwC Bağımsız Denetim ve

Serbest Muhasebeci Mali Müşavirlik A.Ş.

Gökhan Yüksel, CPA

Responsible Auditor

Istanbul, February 23, 2017

**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 2022**



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

## CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2022

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Current Year	Prior Year
		(Audited)	(Audited)
	Notes	31 December 2022	31 December 2021
<b>Assets</b>			
<b>Current assets</b>		<b>716,281,295</b>	<b>291,956,792</b>
Cash and cash equivalents	4	132,597,839	21,809,211
Financial investments	5	32,344,897	-
Trade receivables	7	257,198,247	100,853,547
- Trade receivables from third parties	7	257,198,247	100,853,547
Other receivables	8	2,778,534	1,251,212
- Other receivables from third parties	8	2,778,534	1,251,212
Inventories	9	270,682,881	150,811,947
Prepaid expenses	10	5,215,816	8,903,939
Other current assets	17	15,463,081	8,326,936
- Other current assets from third parties	17	15,463,081	8,326,936
<b>Non-current assets</b>		<b>219,075,967</b>	<b>99,899,626</b>
Financial investments		100,000	-
Property, plant and equipment	11	102,113,492	48,278,171
Right of use assets	11.1	4,105,315	4,406,233
Intangible assets	11.2	28,788,276	22,899,523
Prepaid expenses	10	5,217,867	24,940
- Prepaid expenses to third parties	10	5,217,867	24,940
Deferred tax asset	24	78,751,017	24,290,759
<b>Total assets</b>		<b>935,357,262</b>	<b>391,856,418</b>

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

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

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

		Current Year	Prior Year
		(Audited)	(Audited)
	Notes	31 December 2022	31 December 2021
<b>Liabilities</b>			
<b>Total short term liabilities</b>		<b>391,302,058</b>	<b>228,855,033</b>
Short-term borrowings	13	56,524,267	115,922,267
- Short term borrowings from related parties	6	-	20,248,722
- Bank loans	6.13	-	11,991,532
- Other short term borrowings	6	-	8,257,190
- Other short term liabilities to third parties	13	56,524,267	95,673,545
- Bank loans	13	44,816,431	93,715,278
- Lease borrowings	13	2,505,052	1,958,267
- Other short term liabilities	14	9,202,784	-
Trade payables	7	225,283,068	83,611,010
Trade payables to third parties	7	225,283,068	83,611,010
Payables related to employee benefits	16	31,861,274	11,759,857
Current income tax liability	24	16,793,671	3,047,274
Short-term Provisions	17	32,580,802	1,977,227
- Provision for Employee Benefits	17	28,398,985	-
- Other provisions	17	4,181,817	1,977,227
Deferred income (Except obligations arising from customer contracts)	8	27,874,196	12,180,577
- Deferred income from third parties	8	27,874,196	12,180,577
Other short term liabilities	17	384,780	356,821
- Other short term liabilities to third parties	17	384,780	356,821
<b>Total long term liabilities</b>		<b>178,409,684</b>	<b>62,611,439</b>
Long term borrowings	13	63,680,635	33,298,627
- Long term borrowings from related parties	6	-	21,543,904
- Bank loans	6	-	2,085,674
- Other long term borrowings	6	-	19,458,230
- Other long term liabilities to third parties	13	63,680,635	11,754,723
- Bank loans	13	51,662,416	9,249,930
- Lease borrowings	13	1,762,771	2,504,793
- Other long term borrowings	14	10,255,448	-
Long term provisions	16	114,729,049	29,312,812
- Long term provisions for the employee benefits	16	114,729,049	29,312,812
<b>Total equity</b>		<b>365,645,520</b>	<b>100,389,946</b>
Share capital	18	29,160,000	29,160,000
Adjustment to Share Capital	18	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	18	(75,025,449)	(12,175,329)
Other comprehensive income and expenses to be reclassified to accumulated profit or loss	18	12,709,534	9,152,935
- Foreign currency translation differences	18	12,709,534	9,152,935
Restricted profit reserves	18	19,001,517	16,326,616
Prior years profits		-	777,450
Net profit for the current year	25	349,049,095	26,397,451
<b>Total liabilities and equity</b>		<b>935,357,262</b>	<b>391,856,418</b>

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

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current Year (Audited)	Prior Year (Audited)
	Notes	1 January 2022- 31 December 2022	1 January 2021- 31 December 2021
Revenue	19	1,279,958,274	341,540,179
Cost of sales	19	(791,510,182)	(240,057,846)
<b>Gross profit from trade operations</b>		<b>488,448,092</b>	<b>101,482,333</b>
General administrative expenses	20	(35,218,101)	(13,092,412)
Marketing expenses	20	(78,894,426)	(25,121,415)
Research and development expenses	20	(3,456,442)	(2,805,644)
Impairment loss on / (reversal) of trade receivables	7	(308,114)	1,771,566
Other operating income	21	73,098,611	40,495,944
Other operating expenses	21	(65,381,984)	(52,479,640)
<b>Operating profit</b>		<b>378,287,636</b>	<b>50,250,732</b>
Income from investment activities	21	2,510,040	1,313,305
Finance incomes	23	19,355,645	1,636,665
Finance expenses	23	(25,062,902)	(33,871,836)
<b>Profit before tax from continuing operations</b>		<b>375,090,419</b>	<b>19,328,866</b>
<b>Tax (expense)/income from continuing operations</b>	24	<b>(26,041,324)</b>	<b>7,068,585</b>
Tax (expense)/ income for the period	24	(64,789,052)	(3,186,091)
Deferred tax (income)/benefit	24	38,747,728	10,254,676
<b>Profit for the year from continuing operations</b>		<b>349,049,095</b>	<b>26,397,451</b>
<b>Profit/(loss) for the year</b>		<b>349,049,095</b>	<b>26,397,451</b>
<b>Distribution of profit/(loss)</b>			
<b>Equity holders of the parent</b>		<b>349,049,095</b>	<b>26,397,451</b>
<b>Earnings per share</b>	25	<b>0,1197</b>	<b>0,0091</b>

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



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

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

		Current year (Audited)	Prior year (Audited)
	Notes	1 January 2022- 31 December 2022	1 January 2021- 31 December 2021
<b>Profit for the period</b>		<b>349,049,095</b>	<b>26,397,451</b>
<b>Other comprehensive income not to be reclassified to profit or loss</b>		<b>(62,850,120)</b>	<b>(6,369,797)</b>
Defined benefit plans remeasurements gains/(losses)	16	(78,562,650)	(7,962,247)
Taxes on other comprehensive income items not to be reclassified in profit or loss		<b>15,712,530</b>	<b>1,592,450</b>
- <i>Deferred tax (expense)/income</i>	24	15,712,530	1,592,450
<b>Other comprehensive income/(expense) to be reclassified to profit or loss</b>		<b>3,556,599</b>	<b>5,294,103</b>
Foreign currency translation differences	18	<b>3,556,599</b>	<b>5,294,103</b>
- <i>Gain (losses) from foreign currency translation differences</i>		3,556,599	5,294,103
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		<b>(59,293,521)</b>	<b>(1,075,694)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>289,755,574</b>	<b>25,321,757</b>
<b>Distribution of total comprehensive income</b>			
<b>Equity holders of the parent</b>		<b>289,755,574</b>	<b>25,321,757</b>

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022 AND 2021

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

					Other comprehensive income /(expense) not to be reclassified to profit or loss	Income/(expense) to be classified to profit and loss		Other comprehensive			
	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
<b>As at 1 January 2021</b>	<b>18</b>	<b>29,160,000</b>	<b>30,657,866</b>	<b>92,957</b>	<b>(5,805,532)</b>	<b>3,858,832</b>	<b>-</b>	<b>28,487,872</b>	<b>2,602,356</b>	<b>10,013,838</b>	<b>99,068,189</b>
Transfers		-	-	-	-	-	-	-	10,013,838	(10,013,838)	-
Total comprehensive income		-	-	-	(6,369,797)	5,294,103	-	-	-	26,397,451	25,321,757
<i>Profit for the year</i>		-	-	-	-	-	-	-	-	26,397,451	26,397,451
<i>Other comprehensive income</i>		-	-	-	(6,369,797)	5,294,103	-	-	-	-	(1,075,694)
Dividend	1	-	-	-	-	-	-	(12,161,256)	(11,838,744)	-	(24,000,000)
<b>Balances as at 31 December 2021</b>	<b>18</b>	<b>29,160,000</b>	<b>30,657,866</b>	<b>92,957</b>	<b>(12,175,329)</b>	<b>9,152,935</b>	<b>-</b>	<b>16,326,616</b>	<b>777,450</b>	<b>26,397,451</b>	<b>100,389,946</b>
<b>As at 1 January 2022</b>	<b>18</b>	<b>29,160,000</b>	<b>30,657,866</b>	<b>92,957</b>	<b>(12,175,329)</b>	<b>9,152,935</b>	<b>-</b>	<b>16,326,616</b>	<b>777,450</b>	<b>26,397,451</b>	<b>100,389,946</b>
Transfers	1	-	-	-	-	-	-	-	26,397,451	(26,397,451)	-
Total comprehensive income		-	-	-	(62,850,120)	3,556,599	-	-	-	349,049,095	289,755,574
<i>Profit for the year</i>		-	-	-	-	-	-	-	-	349,049,095	349,049,095
<i>Other comprehensive income</i>		-	-	-	(62,850,120)	3,556,599	-	-	-	-	(59,293,521)
Dividend		-	-	-	-	-	-	2,674,901	(27,174,901)	-	(24,500,000)
<b>Balances as at 31 December 2022</b>		<b>29,160,000</b>	<b>30,657,866</b>	<b>92,957</b>	<b>(75,025,449)</b>	<b>12,709,534</b>	<b>-</b>	<b>19,001,517</b>	<b>-</b>	<b>349,049,095</b>	<b>365,645,520</b>

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 2022 AND 2021

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

		Current Period (Audited) 31 December 2022	Prior Period (Audited) 31 December 2021
	Notes		
<b>Cash flows from operating activities</b>			
Profit for the period	25	349,049,095	26,397,451
<b>Adjustment to reconcile net profit</b>			
Adjustments related to depreciation and amortization	22	15,390,717	15,384,846
Adjustments for impairment(reversal) of inventories	9	2,701,732	1,831,699
Adjustments for (reversal of) provision related to employee benefits	16, 17	36,814,401	4,499,377
Adjustments related to interest income / participation share	23	(8,366,696)	(1,636,665)
Adjustments related to interest expenses / participation share	23	15,141,759	7,886,914
Adjustments related to tax (income)/expense	24	26,041,324	(7,207,402)
Adjustments for loss (gains) on sale of property, plant and equipment	21	(1,077,511)	(1,313,305)
Adjustments for unrealized foreign exchange losses		10,285,795	57,587,572
Other adjustments	11.1, 11.2	906,479	1,224,579
Adjustments for impairment (reversal) of receivables	7	308,114	(1,771,566)
Adjustments for (reversal of) provision related with legal case	17	2,204,590	1,514,443
Other adjustments related to profit/loss reconciliations		46,506,767	10,700,320
<b>Changes in working capital</b>		<b>495,906,566</b>	<b>115,098,263</b>
Adjustments for decrease (increase) in trade receivables		(158,348,540)	(61,545,167)
Adjustments for (increase) decrease in inventories		(122,550,409)	(43,426,784)
Decrease (increase) in the prepaid expenses		(1,504,804)	(6,159,118)
Adjustments for decrease (increase) in the trade payables		146,147,823	46,403,496
Increase (decrease) in other operating payables to unrelated parties		(59,937,634)	(10,807,441)
Adjustments for decrease (increase) in employee benefits		20,101,417	3,539,333
Cash inflows/outflows from deferred income (Except obligations arising from customer contracts)		15,721,578	8,038,256
<b>Cash flows from activities</b>		<b>335,535,997</b>	<b>51,140,838</b>
Provisions paid related to employee benefits	16	(1,561,829)	(4,457,834)
Tax refunds/payments	24	(51,042,655)	54,903
<b>Net Cash Generated From Operating Activities</b>		<b>282,931,513</b>	<b>46,737,907</b>
<b>Cash flows from investing activities</b>			
Cash outflow from purchase of intangible assets	11.2	(12,741,447)	(6,368,863)
Cash outflow from purchase of property, plant and equipment	11	(61,360,222)	(2,392,639)
Cash inflow due to the sale of tangible assets		1,077,511	1,313,305
Cash inflow / outflow due to the government incentives	10.2	398,911	411,188
Cash inflow / outflow from financial investments		(32,444,897)	-
<b>Net cash used in investment activities</b>		<b>(105,070,144)</b>	<b>(7,037,009)</b>
<b>Cash flows used in financing activities</b>			
Cash in from loans	13	237,169,957	149,436,160
Cash out from loans	13	(272,948,322)	(204,330,445)
Dividend paid (-)	1	(24,500,000)	(24,000,000)
Interest / participation share paid	13	(19,052,456)	(10,101,578)
Interest / participation share received	23	8,314,206	1,636,665
<b>Cash flows from financing activities</b>		<b>(71,016,615)</b>	<b>(87,359,198)</b>
Effect of foreign exchange-rate changes on cash and cash equivalents		3,943,874	759,252
Net increase on cash and cash equivalents		106,844,754	(47,658,300)
Cash and cash equivalents at the beginnin of the period	4	21,809,211	68,708,259
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>4</b>	<b>132,597,839</b>	<b>21,809,211</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

(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 999 employees (Average number of the personnel for 2021 was 961 employees).

The registered office address of the Company is as follows:

Vadistanbul 1B Blok Kat: 23  
34396 Ayazağa, İstanbul

As of 31 December 2022 and 2021, 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 2022	31 December 2021	
	Direct Ownership Ratio (%)	Direct Ownership Ratio (%)	Field of Activity
Subsidiaries			
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 TRY24,500,000 (31 December 2021 - TRY24,000,000).

#### **Approval of consolidated financial statements:**

The consolidated financial statements for the period ended 31 December 2022 have been approved by the Board of Directors on 23 February 2023. General Assembly and specific regulatory institutions have the power to amend the financial statements.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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### 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

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 2022.

###### 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 27 for fair value explanations.

###### c) 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 2022, 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.2 The new standards, amendments and interpretations

##### *a. Standards, amendments and interpretations applicable as at 31 December 2022*

- **Amendment to IFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. 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.
- **A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16;** effective from annual periods beginning on or after 1 January 2022.
  - **Amendments to IFRS 3, ‘Business combinations’** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to IAS 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 IAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

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’.

##### *b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:*

- **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;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.2 The new standards, amendments and interpretations (Continued)

- **Amendment to IFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to IAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **IFRS 17, ‘Insurance Contracts’, as amended in December 2021;** 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.

#### 2.3 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 Summary of significant accounting policies (Continued)

The Group defines a good or service in a contract separately from other commitments in the contract and defines it as a different good or service if it enables the customer to benefit from the good or service alone or in combination with other resources available for use. 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.

#### **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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 Summary of significant accounting policies (Continued)

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.

#### 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 Summary of significant accounting policies (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;

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 Summary of significant accounting policies (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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

#### 2.3 Summary of significant accounting policies (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.

#### ii. *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.

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

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

#### 2.3 Summary of significant accounting policies (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 2022 and 2021, the Group did not have any derivative financial instruments.

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

#### 2.3 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.

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

#### 2.3 Summary of significant accounting policies (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.

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

#### 2.3 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.

When the parts that make up property, plant and equipment have different useful lives, they are accounted for as separate parts (significant components) of the property, plant and equipment.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	<u>Years</u>
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.



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

#### 2.3 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. 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 separately 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.

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

#### 2.3 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 liabilities 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.

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

#### 2.3 Summary of significant accounting policies (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.

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

#### 2.3 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 2022 buying	18,6983	19,9349
31 December 2021 buying	13,3290	15,0867
31 December 2022 selling	18,7320	19,9708
31 December 2021 selling	13,3530	15,1139

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.

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

#### 2.3 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



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

#### 2.3 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.

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

#### 2.3 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 assumptions that 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 16).

##### 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 2022 the cost of inventories was reduced by TRY7,692,245 (31 December 2021: TRY4,990,513) (Note 9).

##### Deferred Tax

As at 31 December 2022, 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.

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### 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.

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

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

#### 2.3 Summary of significant accounting policies (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.

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### 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.

<b>a) Segment Revenues</b>	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Textile	1,241,458,673	325,077,210
Garment	38,499,601	16,462,969
<b>Total</b>	<b>1,279,958,274</b>	<b>341,540,179</b>

<b>b) Segment Assets</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Textile	924,885,806	377,702,035
Garment	10,471,456	14,154,383
<b>Segment Assets</b>	<b>935,357,262</b>	<b>391,856,418</b>

<b>c) Segment liabilities</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Textile	567,735,736	288,718,180
Garment	1,976,007	2,748,292
<b>Segment liabilities</b>	<b>569,711,743</b>	<b>291,466,472</b>

#### d-1) 1 January - 31 December 2022 period segment analysis:

	<b>Textile</b>	<b>Garment</b>	<b>Total</b>
Sales revenue	1,241,458,673	38,499,601	1,279,958,274
Cost of sales	(763,943,153)	(27,567,029)	(791,510,182)
<b>Gross operating profit</b>	<b>477,515,520</b>	<b>10,932,572</b>	<b>488,448,092</b>
General administration expenses	(35,218,101)	-	(35,218,101)
Marketing selling and distribution expenses	(75,866,874)	(3,027,552)	(78,894,426)
Research and development expenses	(3,456,442)	-	(3,456,442)
Impairment loss on trade receivables	(308,114)	-	(308,114)
Other operating income	73,098,611	-	73,098,611
Other operating expenses	(65,381,984)	-	(65,381,984)
<b>Segment result</b>	<b>370,382,616</b>	<b>7,905,020</b>	<b>378,287,636</b>



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### NOTE 3 - SEGMENT REPORTING (Continued)

#### d-2) 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)
<b>Gross operating profit</b>	<b>97,484,076</b>	<b>3,998,257</b>	<b>101,482,333</b>
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)
<b>Segment result</b>	<b>47,450,619</b>	<b>2,800,113</b>	<b>50,250,732</b>

#### e) Capital expenditures:

	1 January – 31 December 2022	1 January – 31 December 2021
Textile	73,702,758	8,350,314
<b>Total</b>	<b>73,702,758</b>	<b>8,350,314</b>

#### f-1) 1 January - 31 December 2022 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Amortization and depreciation	15,390,717	-	15,390,717
- Provisions for the employee benefits	36,812,406	1,995	36,814,401
- Lawsuit provisions	2,204,590	-	2,204,590
<b>Total</b>	<b>54,407,713</b>	<b>1,995</b>	<b>54,409,708</b>

#### f-2) 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	4,496,175	3,202	4,499,377
- Lawsuit provisions	1,514,443	-	1,514,443
<b>Total</b>	<b>21,395,464</b>	<b>3,202</b>	<b>21,398,666</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Bank		
- Demand deposit	2,259,883	21,809,211
- Time deposit	130,321,698	-
Credit card receivables (*)	16,258	-
<b>Total</b>	<b>132,597,839</b>	<b>21,809,211</b>

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

#### 31.12.2022 Time Deposit

Foreign exchange type	Foreign currency amount	TRY Amount	Maturity	Interest Rate
TRY	10,077,298	10,077,298	13.01,2023	16.64%
TRY	14,142,634	14,142,634	27.01,2023	25.57%
TRY	19,003,986	19,003,986	30.01,2023	25.55%
TRY	27,031,908	27,031,908	9.01,2023	26.65%
TRY	15,304,885	15,304,885	12.01,2023	26.68%
TRY	7,100,530	7,100,530	9.01,2023	26.81%
TRY	1,393,108	1,393,108	2.01,2023	8.50%
TRY	6,200,000	6,200,000	2.01,2023	8.50%
USD	1,000	18,698	2.01,2023	1.00%
EUR	1,000	19,935	2.01,2023	0.75%
EUR	5,445	108,553	2.01,2023	0.05%
EUR	1,500,894	29,920,163	17.01,2023	1.50%
<b>Total</b>		<b>130,321,698</b>		

(\*) Other cash equivalents consist of credit card receivables with maturities less than 3 months.

The Group has no blocked deposits on 31 December 2022 and 2021.

The explanations on the nature and level of the risks of the cash and cash equivalent are disclosed in Note 26.

### NOTE 5 -FINANCIAL INVESTMENTS

Short-term financial investments	31 December 2022	31 December 2021
Financial asset at fair value through profit or loss (*)	32,344,897	-
<b>Total</b>	<b>32,344,897</b>	<b>-</b>

(\*) Gerçeğe uygun değer farkı kar veya zarara yansıtılan finansal varlıklar yatırım fonlarından oluşmaktadır.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### NOTE 6 – RELATED PARTY DISCLOSURES

#### a) Receivables from and payables to the related parties

	31 December 2022	31 December 2021
<b>a) Other short-term borrowings</b>		
Ziraat Katılım Bankası A.Ş. (1)	-	8,257,190
<b>Total</b>	<b>-</b>	<b>8,257,190</b>

	31 December 2022	31 December 2021
<b>b) Other long-term borrowings</b>		
Ziraat Katılım Bankası A.Ş. (1)	-	19,458,230
<b>Total</b>	<b>-</b>	<b>19,458,230</b>

	31 December 2022	31 December 2021
<b>c) Bank deposits</b>		
Ziraat Katılım Bankası A.Ş. (1)		
- Demand deposit	-	11,295,977
T.C.Ziraat Bankası A.Ş. (2)		
- Demand deposit	-	7,311,416
<b>Total</b>	<b>-</b>	<b>18,607,393</b>

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

	31 December 2022	31 December 2021
<b>d) Bank loans</b>		
Ziraat Katılım Bankası A.Ş. (*)		
- Short	-	11,991,532
- Long	-	2,085,674
<b>Total</b>	<b>-</b>	<b>14,077,206</b>

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

### NOTE 6 - RELATED PARTY DISCLOSURES (Continued)

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

#### 31.12.2022 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	2.03.2022	7.95%
<b>Total</b>	<b>14,077,206</b>		

(\*\*) 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 2022	1 January- 31 December 2021
Ziraat Katılım Bankası A.Ş. (1)		
- Interest and foreign exchange income/(expense)	(1,090,014)	(2,434,877)
- Commission	(33,664)	(32,799)
- Derivative financial instrument loss		-
T.C.Ziraat Bankası A.Ş. (2)		
- Interest and foreign exchange income/(expense)	3,779	2,448,319
- Commission	(517,597)	(2,404,256)
<b>Total</b>	<b>(1,637,496)</b>	<b>(2,423,613)</b>

(1) With the special case statement published on the Public Disclosure Platform on 3 March 2022, As a result of the share transfer between Ziraat Katılım Bankası A.Ş. and Sürmegöz Tekstil Yatırım A.Ş., it has been announced that all shares of Ziraat Katılım Bankası A.Ş. in Sürmegöz Tekstil Yatırım A.Ş. have been taken over by Mustafa Sürmegöz.

(2) It is the main partner of Ziraat Participation Bank A.Ş.

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

	1 January- 31 December 2022	1 January- 31 December 2021
Salaries and other short term benefits	9,399,216	5,910,588
Other long term benefits	702,980	439,462
<b>Total</b>	<b>10,102,196</b>	<b>6,350,050</b>

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Short term trade receivables</b>		
Trade receivables	232,361,064	84,681,306
Notes receivable	31,335,335	20,666,553
Provision for doubtful trade receivables	(4,829,705)	(4,521,591)
<b>Total</b>	<b>258,866,694</b>	<b>100,826,268</b>
Less: Financing income not accrued	(1,668,447)	27,279
<b>Trade receivables, net</b>	<b>257,198,247</b>	<b>100,853,547</b>

Trade receivables generally have a maturity of less than 90 days (31 December 2021: less than 90 days) and As of 31 December 2022, trade receivables in TRY and foreign currency, respectively 12.74% per annum.(31 December 2010: 9.90%) 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 26.

Provision for doubtful receivables	<b>2022</b>	<b>2021</b>
1 January	(4,521,591)	(6,293,157)
Provisions made during the period	(1,940,836)	(980,919)
Provisions no longer required	1,632,722	2,752,485
<b>31 December</b>	<b>(4,829,705)</b>	<b>(4,521,591)</b>
<b>Short term trade payables</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
Trade payables to domestic suppliers	112,006,816	38,153,254
Trade payables to foreign suppliers	109,077,755	34,624,871
Work and service payables	8,879,509	11,038,132
	<b>229,964,080</b>	<b>83,816,257</b>
Less: Financing expense not accrued	(4,681,012)	(205,247)
<b>Trade payables, net</b>	<b>225,283,068</b>	<b>83,611,010</b>

The maturity of the trade payables is 90 days and the trade receivables are discounted by using the annual rates of 12.74% (31 December 2021: 9.90%) and discounted using market interest rates.

The explanations of nature and level of risks in trade receivables are given in Note 26.



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### NOTE 8 - OTHER RECEIVABLES AND DEFERRED INCOME

	31 December 2022	31 December 2021
<b>Other receivables</b>		
Minimum wage income tax exemption	1,140,451	-
Income accruals (*)	935,479	488,070
Deposits and guarantees given	534,790	456,784
Due from personnel	109,410	14,521
Other	58,404	291,837
<b>Total</b>	<b>2,778,534</b>	<b>1,251,212</b>

(\*) As of 31 December 2022 and 2021, income accruals are mainly consist of incentive accruals.

	31 December 2022	31 December 2021
<b>Deferred income</b>		
Order advances received (*)	27,874,196	12,180,577
<b>Total</b>	<b>27,874,196</b>	<b>12,180,577</b>

(\*) 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 9 - INVENTORIES

	31 December 2022	31 December 2021
Work in progress	103,144,506	57,429,579
Finished goods	91,257,107	27,481,616
Raw materials	59,103,579	45,623,873
Other inventories	24,869,934	24,925,749
Trade goods	-	341,643
Provision for impairment of inventories (-)	(7,692,245)	(4,990,513)
<b>Total</b>	<b>270,682,881</b>	<b>150,811,947</b>

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

	2022	2021
1 January	(4,990,513)	(3,158,814)
Provisions used within the period	2,347,961	731,291
Provisions recognized during the period	(5,049,693)	(2,562,990)
<b>31 December</b>	<b>(7,692,245)</b>	<b>(4,990,513)</b>

As of 31 December 2022, TRY2,347,961 of the inventory impairment provision has been canceled due to the fact these impaired inventories were sold in the current period (31 December 2021: TRY731,291). The provision expense and reversals of inventory impairment is recognised in the cost of goods sold.

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### NOTE 10 - PREPAID EXPENSES

	31 December 2022	31 December 2021
<b>Short term</b>		
Consultancy and fair advances	1,495,612	930,927
Advance given for inventory purchase	1,388,774	7,671,292
Prepaid profit share expenses	1,161,111	-
Insurance expenses	364	125,803
Other	1,169,955	175,917
<b>Total</b>	<b>5,215,816</b>	<b>8,903,939</b>
<b>Long term</b>		
Insurance expenses	5,146,120	-
Consultancy expenses	5,888	24,940
Other	65,859	-
<b>Total</b>	<b>5,217,867</b>	<b>24,940</b>

### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2022	Additions	Disposals	Transfers	31 December 2022
<b>Cost:</b>					
Land	340,501	-	-	-	340,501
Land improvements	6,811,908	88,067	-	-	6,899,975
Buildings	44,265,258	25,500	-	-	44,290,758
Machinery, plant and equipment	190,874,937	1,454,034	(304,098)	-	192,024,873
Vehicles	240,152	-	-	-	240,152
Furniture and fixture	9,961,528	2,261,879	-	-	12,223,407
Leasehold improvements	2,650,401	-	-	-	2,650,401
Construction in progress	-	57,530,742	-	-	57,530,742
	<b>255,144,685</b>	<b>61,360,222</b>	<b>(304,098)</b>	<b>-</b>	<b>316,200,809</b>
<b>Accumulated depreciation</b>					
Land improvements	(6,116,765)	(118,559)	-	-	(6,235,324)
Buildings	(28,683,861)	(885,460)	-	-	(29,569,321)
Machinery and equipment	(163,939,971)	(5,125,411)	304,098	-	(168,761,284)
Vehicle	(181,273)	(27,412)	-	-	(208,685)
Furniture and fixture	(7,115,636)	(837,979)	-	-	(7,953,615)
Leasehold improvements	(829,008)	(530,080)	-	-	(1,359,088)
	<b>(206,866,514)</b>	<b>(7,524,901)</b>	<b>304,098</b>	<b>-</b>	<b>(214,087,317)</b>
<b>Net book value</b>	<b>48,278,171</b>				<b>102,113,492</b>

Current period depreciation expenses have been included in cost of goods sold amounting to TRY7,130,739, in operating expenses amounting to TRY371,905. The depreciation expense capitalized on the inventory amounting to TRY22,257. (as of 31 December 2021, depreciation and amortization expenses was included in cost of goods sold amounting to TRY7,849,017, in operating expenses amounting to TRY225,160.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The depreciation expense capitalized on the inventory amounting to TRY135,441) There are no pledges or mortgages on property, plant and equipment. (2021: None).

As of 31 December 2022, the insurance coverage for tangible fixed assets in 2022 is USD92,961,831 (31 December 2021: USD77,255,000).

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

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b><u>Cost:</u></b>					
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)	-
	<b>253,649,296</b>	<b>2,392,639</b>	<b>(897,250)</b>	<b>-</b>	<b>255,144,685</b>
<b><u>Accumulated depreciation</u></b>					
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)
	<b>(199,554,146)</b>	<b>(8,209,618)</b>	<b>897,250</b>	<b>-</b>	<b>(206,866,514)</b>
<b>Net book value</b>	<b>54,095,150</b>				<b>48,278,171</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 11.1 - RIGHT OF USE ASSETS

	1 January 2022	Additions	Disposals	31 December 2022
<b>Cost</b>				
Properties	4,420,629	1,803,393	-	6,224,022
Vehicles	4,703,074	236,458	-	4,939,532
<b>Total</b>	<b>9,123,703</b>	<b>2,039,851</b>	<b>-</b>	<b>11,163,554</b>
<b>Accumulated amortization</b>				
Properties	(1,669,611)	(1,077,410)	-	(2,747,021)
Vehicles	(3,047,859)	(1,263,359)	-	(4,311,218)
<b>Total</b>	<b>(4,717,470)</b>	<b>(2,340,769)</b>	<b>-</b>	<b>(7,058,239)</b>
<b>Net book value</b>	<b>4,406,233</b>			<b>4,105,315</b>

Current period depreciation has been included in the cost of goods sold amounting to TRY489,659 and in operating expenses amounting to TRY1,851,110 (as of 31 December 2021, depreciation has been included in the cost of goods sold amounting to TRY545,690 and in operating expenses amounting to TRY1,728,352.).

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 11.2 - INTANGIBLE ASSETS

	1 January 2022	Additions	Disposals	Transfers	31 December 2022
<b><u>Cost:</u></b>					
Rights	466,397	-	-	-	466,397
Software programs	10,847,219	645,033	-	-	11,492,252
R&D projects in progress	6,462,431	11,697,503	(906,479)	(6,542,582)	10,710,873
Capitalized development project costs	45,432,265	-	-	6,542,582	51,974,847
	<b>63,208,312</b>	<b>12,342,536</b>	<b>(906,479)</b>	<b>-</b>	<b>74,644,369</b>
<b><u>Accumulated amortization:</u></b>					
Rights	(210,754)	(23,758)	-	-	(234,512)
Software programs	(9,257,680)	(523,357)	-	-	(9,781,037)
R&D projects	(30,840,355)	(5,000,189)	-	-	(35,840,544)
	<b>(40,308,789)</b>	<b>(5,547,304)</b>	<b>-</b>	<b>-</b>	<b>(45,856,093)</b>
<b>Net book value</b>	<b>22,899,523</b>				<b>28,788,276</b>

Current period depreciation has been included in the cost of goods sold amounting to TRY4,956,032 and in operating expenses amounting to TRY591,272 (31 December 2021: depreciation has been included in the cost of goods sold amounting to TRY4,593,825 and in operating expenses amounting to TRY442,802. Depreciation expense capitalized on the inventory amounting to TRY83,685). There are no collaterals, pledges or mortgages on tangible assets (2021- None).

Government grant amounting to TRY 398,911 has been received for intangible asset (2021: TRY411,188)

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
<b><u>Cost:</u></b>					
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
	<b>58,286,879</b>	<b>5,957,675</b>	<b>(1,036,242)</b>	<b>-</b>	<b>63,208,312</b>
<b><u>Accumulated amortization:</u></b>					
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)
	<b>(35,188,477)</b>	<b>(5,120,312)</b>	<b>-</b>	<b>-</b>	<b>(40,308,789)</b>
<b>Net book value</b>	<b>23,098,402</b>				<b>22,899,523</b>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 12 - GOVERNMENT INCENTIVES AND GRANTS

	31 December 2022	31 December 2021
Development incentive (*)	6,312,013	8,530,897
<b>Total</b>	<b>6,312,013</b>	<b>8,530,897</b>

- (\*) 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 13 - SHORT TERM BORROWINGS

	31 December 2022	31 December 2021
	Weighted average annual effective interest rate %	Weighted average annual effective interest rate %
	TRY	TRY
<b>Short term bank loans</b>		
TRY borrowings	11.00 40,000,000	-
USD borrowings	-	0.50 6,676,500
EUR borrowings	-	0.20 86,149,230
Interest accrual	4,222,621	120,017
Interest accrual (Short-term portions of long-term borrowings)	593,810	12,761,063
	<b>44,816,431</b>	<b>105,706,810</b>
Other short-term payables	9,202,784	8,257,190
Short-term lease liabilities TRY	2,505,052	1,958,267
<b>Total</b>	<b>56,524,267</b>	<b>115,922,267</b>
<b>Long-term bank loans</b>		
TRY borrowings	13.30 51,662,416	9.75 11,335,604
Other long term payables	10,255,448	19,458,230
Short-term lease liabilities TRY	1,762,771	2,504,793
<b>Total</b>	<b>63,680,635</b>	<b>33,298,627</b>

Explanations on the nature and level of risks in borrowing are explained in Note 26. As of 31 December 2022, the Group does not have any mortgages or guarantees given for its financial borrowings.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 13 - SHORT TERM BORROWINGS (Continued)

Reconciliation of liabilities arising from financing activities	2022	2021
Financial liabilities at the beginning of the period, 1 January	149,220,894	153,277,122
Inflows during the period (*)	237,169,957	149,436,160
Outflows during the period	(272,948,322)	(204,330,445)
Interest / Participation Share payment for the period	(19,052,456)	(10,101,578)
Interest / Participation Share expense for the period	15,141,759	7,886,914
Effects of exchange rate changes during the period	10,673,070	53,052,721
<b>Financial liabilities at the end of the period</b>	<b>120,204,902</b>	<b>149,220,894</b>

As of 31 December 2022 and 2021, the Group does not have any mortgages or guarantees given for its financial borrowings.

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2022	31 December 2021
Bails received and guarantee notes	114,840,483	74,085,091
Letters of guarantees received	87,767,413	60,378,565
Mortgages received	655,000	655,000
<b>Total</b>	<b>203,262,896</b>	<b>135,118,656</b>

Guarantees received has been received essentially regarding the sale made to customers. Financial risks regarding with letter of guarantee received is shown in Note 26. Company's exports are also insured by Turkish Eximbank.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

Group’s collaterals, pledge and mortgage (“CPM”) positions is as follows:

	31 December 2022					31 December 2021				
	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	74,523,750	73,365,444	-	58,000	-	27,595,684	26,084,294	-	100,000	-
Collateral	54,523,750	53,365,444	-	58,000	-	7,595,684	6,084,294	-	100,000	-
Pledge	20,000,000	20,000,000	-	-	-	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	-	-	-	-	-	-	-	-	-	-
<b>Total CPM</b>	<b>74,523,750</b>	<b>73,365,444</b>	<b>-</b>	<b>58,000</b>	<b>-</b>	<b>27,595,684</b>	<b>26,084,294</b>	<b>-</b>	<b>100,000</b>	<b>-</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

Letters of guarantee are given to various Customs Directorates. As of 31 December 2022 and 31 December 2021, the Group has no other given CPMs.

### NOTE 15 - COMMITMENTS

The Group, under the inward processing authorization documents, has export commitment amounting US Dollar 15,580,105 (31 December 2021: US Dollar 5,861,515).

#### Lease Contracts

As of 31 December 2022, Group's expenses associated with current year operating leases are TRY699,382 (31 December 2021: TRY350,708).

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

	31 December 2022	31 December 2021
Within 1 year	169,733	79,810
	<b>169,733</b>	<b>79,810</b>

### NOTE 16 - PROVISIONS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS

#### Short term provision for employee benefits:

	31 December 2022	31 December 2021
Social security deductions payable	10,650,786	2,536,725
Unused vacation liability	10,531,088	5,040,464
Taxes and funds payable	5,507,229	2,233,633
Wages of employee payable	5,172,171	1,949,035
<b>Total</b>	<b>31,861,274</b>	<b>11,759,857</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 16 - PROVISIONS AND LIABILITIES RELATED TO EMPLOYEE BENEFITS (Continued)

#### Provisions for long-term employee benefits

	31 December 2022	31 December 2021
Provision for employee termination benefits	114,729,049	29,312,812
<b>Total</b>	<b>114,729,049</b>	<b>29,312,812</b>

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 TRY15,371,40 for each year of service as of 31 December 2022 (31 December 2021: TRY8,284.51). The maximum severance pay is revised semi-annually, and the maximum amount of TRY19,982.83 effective from 1 January 2023 has been taken into account in calculating the Group's provision for severance pay. (31 December 2021: effective from 1 January 2022: TRY10,848.59)

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 2022, 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, %10.1 of the annual inflation rate and 10.6% of discount rate is calculated on the estimations obtained as %0.49 real discount rate used (31 December 2021: %3.73). 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 2022 of %7.62 are more likely to leave the job with their requests. (31 December 2021: 4.57%).

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

	2022	2021
1 January	29,312,812	21,309,022
Interest cost	5,607,651	2,468,826
Cost of services	2,807,765	2,030,551
Actuarial gain / loss	78,562,650	7,962,247
Payments	(1,561,829)	(4,457,834)
<b>31 December</b>	<b>114,729,049</b>	<b>29,312,812</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 17 - OTHER ASSETS AND LIABILITIES AND OTHER PROVISIONS

Other current assets	31 December 2022	31 December 2021
Deferred VAT	10,733,985	7,549,383
VAT return to be requested	4,705,918	725,496
Other	23,178	47,332
Job advances	-	4,725
<b>Total</b>	<b>15,463,081</b>	<b>8,326,936</b>

Other short term liabilities	31 December 2022	31 December 2021
Other Miscellaneous Payables	322,976	338,293
Other Liabilities Payable	57,955	14,681
Other Miscellaneous Foreign Resources	3,849	3,847
<b>Total</b>	<b>384,780</b>	<b>356,821</b>

Other provisions	31 December 2022	31 December 2021
Lawsuit provisions	4,181,817	1,977,227
<b>Total</b>	<b>4,181,817</b>	<b>1,977,227</b>

The movements for the lawsuit provisions for the period ending on December 31 are as follows:

	2022	2021
1 January	1,977,227	462,784
Provision	2,204,590	1,514,443
Payments	-	-
<b>31 December</b>	<b>4,181,817</b>	<b>1,977,227</b>

For the periods ended on 31 December 2022 and 2021, the details of bonus provision are as follows:

Short term provisions for the employee benefits	31 December 2022	31 December 2021
Bonus provision	28,398,985	-
<b>Total</b>	<b>28,398,985</b>	<b>-</b>



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 18 - EQUITY

#### A) Paid in capital:

As of 31 December 2022, 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 2021: 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 2022 are as follows:

31 December 2022	TRY	Share (%)
Sürmegöz Tekstil	16,878,507	57.88
Publicly listed and other	12,281,493	42.12
<b>Total</b>	<b>29,160,000</b>	<b>100</b>

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
<b>Total</b>	<b>29,160,000</b>	<b>100</b>

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 289 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 Kurus.

The capital adjustment differences in the amount of TRY30,657,866 as of 31 December 2022 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 2021: TRY30,657,866).

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 18 - 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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
1st group legal reserves	2,257,192	2,257,192
2nd group legal reserves	2,741,600	437,400
Extraordinary reserves	14,002,725	13,632,024
<b>Total</b>	<b>19,001,517</b>	<b>16,326,616</b>

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 cash distributions 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:

	2022	2021
<b>1 January</b>	9,152,935	3,858,832
Foreign currency translation differences	3,556,599	5,294,103
<b>31 December</b>	<b>12,709,534</b>	<b>9,152,935</b>

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

	31 December 2022	31 December 2021
<b>Opening balance</b>	(12,175,329)	(5,805,532)
Defined benefit plans remeasurements gains/(losses)	(78,562,650)	(7,962,247)
Tax effect of defined benefit plans remeasurements gains/(losses)	15,712,530	1,592,450
<b>Closing balance</b>	<b>(75,025,449)</b>	<b>(12,175,329)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 19 - REVENUE AND COST OF SALES

<b>a) Revenue</b>	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Export sales	660,735,202	168,268,318
Domestic sales	624,274,868	174,702,102
Other sales	3,404,892	751,707
Sales returns (-)	(8,216,364)	(1,974,969)
Other discounts from the sales (-)	(240,324)	(206,979)
<b>Net sales</b>	<b>1,279,958,274</b>	<b>341,540,179</b>
<b>Cost of sales</b>	<b>(791,510,182)</b>	<b>(240,057,846)</b>
<b>Gross profit</b>	<b>488,448,092</b>	<b>101,482,333</b>
<b>b) Cost of sales</b>	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Raw material and material expenses	(471,910,012)	(124,837,598)
General production expenses	(278,506,318)	(59,991,792)
Direct labor costs	(135,894,092)	(52,427,906)
Amortization expense	(12,576,430)	(12,988,532)
Change in inventories of work in progress	45,714,927	33,112,809
Changes in inventories of finished goods	63,775,491	(21,025,404)
<b>Cost of finished goods sold</b>	<b>(789,396,434)</b>	<b>(238,158,423)</b>
Cost of trade goods sold	587,984	(67,724)
Change in provision for impairment of inventories (Note 9)	(2,701,732)	(1,831,699)
<b>Cost of sales</b>	<b>(791,510,182)</b>	<b>(240,057,846)</b>

### NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

<b>General administrative expenses</b>	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Personnel	(29,080,752)	(9,588,052)
Depreciation and amortization	(1,956,939)	(1,621,289)
Consulting	(1,671,238)	(839,598)
Vacation	(396,124)	(151,566)
Representation and hospitality	(184,704)	(84,210)
Rent	(136,390)	(54,858)
Newspaper and communication	(54,548)	(34,638)
Small fixture	(30,832)	(22,320)
Other	(1,706,574)	(695,881)
<b>Total general administrative expenses</b>	<b>(35,218,101)</b>	<b>(13,092,412)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

#### Marketing expenses

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel	(24,470,951)	(9,260,892)
Export and freight	(23,558,685)	(7,602,527)
Transportation	(6,750,390)	(1,998,590)
Advertising expenses	(4,833,240)	(1,740,489)
Tender expenses	(3,724,063)	(614,659)
Travel and communication expenses	(2,217,791)	(600,521)
Consulting	(2,156,381)	(607,410)
Cargo expenses	(1,702,515)	(765,308)
Rent	(1,374,347)	(805,240)
Depreciation and amortization	(761,385)	(713,178)
Other	(7,344,678)	(412,601)
<b>Total marketing expenses</b>	<b>(78,894,426)</b>	<b>(25,121,415)</b>

#### Research and development expenses

	1 January- 31 December 2022	1 January- 31 December 2021
Personnel	(2,460,716)	(2,057,440)
Depreciation and amortization	(95,963)	(61,847)
Other	(899,763)	(686,357)
<b>Total research and development expenses</b>	<b>(3,456,442)</b>	<b>(2,805,644)</b>

### NOTE 21 - OTHER OPERATING INCOME / (EXPENSES) AND INCOME FROM INVESTING ACTIVITIES

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gain from trade receivables and payables	55,396,942	36,345,724
Rediscount income	4,773,353	5,249
Fair incentive income	2,760,567	785,788
Bank promotion income	2,524,309	-
Raw material and scrap material sales income	986,997	486,369
Price difference claim income	932,224	413,842
Incentives	447,409	130,701
Interest income due to overdue receivables	52,490	-
Other	5,224,320	2,328,271
<b>Total other operating income</b>	<b>73,098,611</b>	<b>40,495,944</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 21 OTHER OPERATING INCOME / (EXPENSES) AND INCOME FROM INVESTING ACTIVITIES) (Continued)

	1 January- 31 December 2022	1 January- 31 December 2021
Income from security sales	1,432,529	-
Income from fixed asset sales	1,077,511	1,313,305
<b>Total other operating income</b>	<b>2,510,040</b>	<b>1,313,305</b>
	<b>1 January- 31 December 2022</b>	<b>1 January- 31 December 2021</b>
Foreign exchange loss from trade receivables and payables	(52,519,256)	(45,916,564)
Eximbank credit insurance premiums	(2,697,396)	(481,477)
Rediscount expenses	(1,993,314)	(44,731)
Fees and dues	(1,382,090)	(2,409,845)
Special transaction tax	(24,293)	(22,106)
Other	(6,765,635)	(3,604,917)
<b>Total other operating expenses</b>	<b>(65,381,984)</b>	<b>(52,479,640)</b>

### NOTE 22 EXPENSES BY NATURE

A) Accrued wages and salaries	1 January- 31 December 2022	1 January- 31 December 2021
Cost of the goods sold	(135,894,092)	(52,427,906)
General administrative expenses	(29,080,752)	(9,588,052)
Marketing, selling and distribution expenses	(24,470,951)	(9,260,892)
Capitalized at development projects	(6,391,448)	(3,102,951)
Research and development expense	(2,460,716)	(2,057,440)
<b>Total</b>	<b>(198,297,959)</b>	<b>(76,437,241)</b>
B) Distribution of depreciation and amortization	1 January- 31 December 2022	1 January- 31 December 2021
Cost of the goods sold	(12,576,430)	(12,988,532)
General administrative expenses	(1,956,939)	(1,621,289)
Marketing, selling and distribution expenses	(761,385)	(713,178)
Research and development expense	(95,963)	(61,847)
<b>Total</b>	<b>(15,390,717)</b>	<b>(15,384,846)</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 23 FINANCIAL EXPENSES

	1 January- 31 December 2022	1 January- 31 December 2021
Participation share payments	(14,123,009)	(6,860,339)
Other financial expenses	(9,921,143)	(2,730,936)
Foreign exchange difference (expense)/revenue	-	(23,253,986)
Interest expense (*)	(1,018,750)	(1,026,575)
<b>Total</b>	<b>(25,062,902)</b>	<b>(33,871,836)</b>

(\*) As of December 31, 2022, investment loans from the Development and Investment Bank of Turkey at rates below the inflation rate consist of financing expenses.

	1 January- 31 December 2022	1 January- 31 December 2021
Foreign exchange gain	11,041,439	-
Interest / Participation share incomes	8,314,206	1,636,665
<b>Total</b>	<b>19,355,645</b>	<b>1,636,665</b>

### NOTE 24 TAX ASSETS AND LIABILITIES

Tax amounts recognized is as follows:

	31 December 2022	31 December 2021
Corporate and income taxes payable	(64,789,052)	(3,186,091)
Less: Prepaid taxes	47,995,381	138,817
<b>Current income tax liability</b>	<b>(16,793,671)</b>	<b>(3,047,274)</b>

#### 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 %23 as of December 31, 2022 (2021: 25%). Accordingly, while calculating the deferred tax assets and liabilities in the financial statements of the Group as of 31 December 2022, the tax rate of the related temporary differences is considered as 20%.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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### NOTE 24 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.

On 20 January 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in Hyperinflationary Economies within the scope of TFRS, and it was 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 the year 2022.

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 2022 as of the advance tax periods, a provisional tax of %23 was calculated over the corporate earnings (31 December 2021: 25%). 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 24 TAX ASSETS AND LIABILITIES (Continued)

For the years ended 31 December 2022 and 2021, tax amounts recognized in the profit or loss statement are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Tax expense for the period	(64,789,052)	(3,186,091)
Deferred tax income / (expense)	38,747,728	10,254,676
	<b>(26,041,324)</b>	<b>7,068,585</b>

#### 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.

In the consolidated financial statements as of 31 December 2022, deferred tax assets and liabilities, temporary differences are calculated with a tax rate of 20%. Since the companies in Turkey cannot declare tax returns, subsidiaries with deferred tax assets are not offset with subsidiaries with deferred tax liabilities and are shown separately.

The breakdowns of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) at 31 December 2022, 2021 are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Property, plant and equipment and intangible assets	(225,866,784)	(54,493,622)	45,173,357	10,898,724
Provision for employee termination benefits	(114,729,049)	(29,312,812)	22,945,810	5,862,562
Other provisions	(32,308,333)	(2,075,940)	6,461,667	477,466
Unused vacation liability	(10,531,088)	(5,040,464)	2,106,218	1,159,307
Inventories	(6,696,591)	(4,650,658)	1,339,318	1,069,651
Provision for doubtful receivables	(4,829,705)	(4,521,591)	965,941	1,039,966
Right of use assets	(4,267,818)	(4,463,059)	853,564	1,026,504
Investment allowance	-	(3,227,359)	-	3,227,359
Non-accrued financial expenses (net)	6,349,459	177,968	(1,269,892)	(40,933)
Other	(875,176)	1,868,900	175,034	(429,847)
<b>Deferred tax assets - net</b>	<b>(393,755,085)</b>	<b>(105,738,637)</b>	<b>78,751,017</b>	<b>24,290,759</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 24 TAX ASSETS AND LIABILITIES (Continued)

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

	2022	2021
<b>Balance at 1 January</b>	<b>24,290,759</b>	<b>12,443,633</b>
Current year deferred tax income/(expense)	38,747,728	10,254,676
Reflected to other comprehensive income statement	15,712,530	1,592,450
<b>Balance at 31 December</b>	<b>78,751,017</b>	<b>24,290,759</b>

	31 December 2022	31 December 2021
Deferred tax assets expected to be benefitted from in a period longer than one year	68,119,167	21,015,149
	<b>68,119,167</b>	<b>21,015,149</b>

	1 January- 31 December 2022	1 January- 31 December 2021
<b>(Loss)/profit before tax</b>	<b>375,090,419</b>	<b>19,328,866</b>
Income tax rate (%23)	(86,270,796)	(4,832,217)
Tax effects of:		
Non-tax deductible expenses	(669,630)	(148,660)
Corporate tax deduction (*)	3,750,904	-
Research and development deduction	2,404,157	1,144,823
Lump sum expense deduction	734,268	199,262
Investment deduction	18,098,959	(218,407)
Revaluation effect of fixed assets (*)	35,767,150	10,309,853
Other	143,664	613,931
<b>Tax income/(expense) on profit or loss statement</b>	<b>(26,041,324)</b>	<b>7,068,585</b>

(\*) It includes the 1% corporate tax reduction amount applied to exporting and/or manufacturing companies based on the amendments to the Corporate Tax Law dated January 22, 2021 and numbered 7351.

(\*\*) With Article 11 of the Law No. 7326 published in the Official Gazette on 9 June 2022, 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 2022. Again, in the Official Gazette dated 14 May 2022 and numbered 31835, the General Communiqué on Tax Procedure Law No. 537 containing the explanations regarding the revaluation practices was published. Accordingly, with the paragraph (Ç) added to the repetitive article 298 of the Tax Procedure Law No. 213 and the temporary article 32, the taxpayers included in the scope are allowed to revalue their depreciable economic assets during periods when the conditions for making inflation adjustments are not met. The provision of the article was used on 31 December 2021 and 31 December 2022. 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 25 - EARNINGS / (LOSSES) PER SHARE

	31 December 2022	31 December 2021
Net profit	349,049,095	26,397,451
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)	0,1197	0,0091

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

#### a.1 Credit risk management

As of 31 December 2021, a portion of trade receivables amounting to TRY458,101 consist of receivables from credit card and maturity up to 3 months (31 December 2022: None.)

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

	31 December 2022	31 December 2021
Overdue for 1-30 days	12,506,121	6,787,514
Overdue for 1-3 months	133,196	531,102
Overdue for 3-12 months	403,444	577,836
Overdue for 1-5 years	508,311	691,205
<b>Total past due receivables</b>	<b>13,551,072</b>	<b>8,587,657</b>
Secured portion covered by a guarantees etc.	12,811,234	5,427,613

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

	31 December 2022	31 December 2021
Export insurance	12,799,494	5,427,613
Letter of guarantee	11,740	-
<b>Total</b>	<b>12,811,234</b>	<b>5,427,613</b>

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 2022 and 31 December 2021 and exposure to ECLs.

#### 31 December 2022

	Weighted average Loss ratio % (*)	Net book value	Loss provision
Current (not overdue)	1.36	243,647,175	789,462
Overdue for 1-30 days	5.46	12,506,121	3,725
Overdue for 31-90 days	6.96	133,196	5,207
Overdue for 91-360 days	8.60	403,444	8,851
Overdue for 360 or more days	10.83	508,311	54,991
<b>Total</b>		<b>257,198,247</b>	<b>862,236</b>

(\*) 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 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
<b>Total</b>		<b>100,853,547</b>	<b>675,597</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risks exposed by the types of financial instruments 31 December 2022	Receivables						
	Trade Receivables		Other receivables		Bank deposits	Financial Investments	Other
	Related party	Third party	Related party	Third party			
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	-	257,198,247	-	2,778,534	132,597,839	32,444,897	-
-Secured portion of the maximum credit risk by guarantees etc.	-	203,262,896	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	-	243,647,175	-	2,778,534	132,597,839	32,444,897	-
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	-	13,551,072	-	-	-	-	-
-Secured portion covered by guarantees etc.	-	12,811,234	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
-Past due (gross book value)	-	4,829,705	-	-	-	-	-
-Impairment amount (-)	-	(4,829,705)	-	-	-	-	-
-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	-	-	-	-	-	-	-

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Credit risks exposed by the types of financial instruments 31 December 2021	Receivables						
	Trade Receivables		Other receivables		Bank deposits	Financial Investments	Other
	Related party	Third party	Related party	Third party			
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	-	-	-	-	-	-	-



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

#### a.1 Credit risk management (Continued)

As of 31 December 2022, the Group have cash and cash equivalents (excluding cash balance) and financial investments amounting to TRY165,042,736 (31 December 2021: TRY21,809,211). 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 2022

	Carrying value	Total cash outflows under contracts (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	96,478,847	146,183,869	1,711,604	43,272,733	53,194,953	48,004,579
Other financial liabilities	19,458,232	19,458,232	2,207,772	6,995,012	10,255,448	-
Lease liabilities	4,267,823	5,372,882	937,610	2,268,846	2,166,426	-
Trade payables	225,283,068	229,964,080	103,488,952	126,475,128	-	-
<b>Total liabilities</b>	<b>345,487,970</b>	<b>400,979,063</b>	<b>108,345,938</b>	<b>179,011,719</b>	<b>65,616,827</b>	<b>48,004,579</b>

##### 31 December 2021

	Carrying value	Total cash outflows under contracts (I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	Over 5 years (IV)
<b>Non-derivative financial liabilities</b>						
Bank loans	117,042,414	117,523,879	91,644,511	6,698,570	17,223,315	1,957,483
Other financial liabilities	27,715,420	27,715,420	2,005,786	6,251,404	19,458,230	-
Lease liabilities	4,463,060	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	-	-
<b>Total liabilities</b>	<b>232,831,904</b>	<b>233,594,485</b>	<b>150,269,000</b>	<b>41,922,661</b>	<b>39,445,341</b>	<b>1,957,483</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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### NOTE 26 - 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 20% increase and a decrease in USD, EUR and GBP exchange rates. The 20% 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 20% 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:

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

### NOTE 26 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

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

31 December 2022	TRY Equivalent (Functional Currency)	USD	EURO	GBP	CHF	JPY
1. Trade receivables	269,293,110	3,626,846	10,007,611	87,888	-	-
2a. Monetary financial assets (Cash, bank accounts included)	31,284,033	12,692	1,530,419	23,921	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>300,577,143</b>	<b>3,639,538</b>	<b>11,538,030</b>	<b>111,809</b>	-	-
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>300,577,143</b>	<b>3,639,538</b>	<b>11,538,030</b>	<b>111,809</b>	<b>-</b>	<b>-</b>
10. Trade payables	186,554,515	7,012,031	2,581,214	160,269	1,629	-
11. Financial liabilities	-	-	-	-	-	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>186,554,515</b>	<b>7,012,031</b>	<b>2,581,214</b>	<b>160,269</b>	<b>1,629</b>	<b>-</b>
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>186,554,515</b>	<b>7,012,031</b>	<b>2,581,214</b>	<b>160,269</b>	<b>1,629</b>	<b>-</b>
<b>19. Net asset/liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Foreign currency derivatives accounted assets	-	-	-	-	-	-
19b. Foreign currency derivatives accounted liabilities	-	-	-	-	-	-
<b>20. Net foreign currency position (9-18+19)</b>	<b>114,022,628</b>	<b>(3,372,493)</b>	<b>8,956,816</b>	<b>(48,460)</b>	<b>(1,629)</b>	<b>-</b>
<b>21. Monetary items net foreign currency asset/ liability position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>114,022,628</b>	<b>(3,372,493)</b>	<b>8,956,816</b>	<b>(48,460)</b>	<b>(1,629)</b>	<b>-</b>
<b>22. Fair value of financial assets for foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The amount of Currency Hedged portion of assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 The amount of Currency Hedged portion of liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Export</b>	<b>660,735,202</b>	<b>7,741,189</b>	<b>26,832,536</b>	<b>1,454,091</b>	<b>-</b>	<b>-</b>
<b>26.Import</b>	<b>509,690,299</b>	<b>21,535,618</b>	<b>5,623,492</b>	<b>171,523</b>	<b>43,836</b>	<b>937,500</b>

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

### NOTE 26 - 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	-	-
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
<b>4. Current assets (1+2+3)</b>	<b>123,434,782</b>	<b>3,271,631</b>	<b>4,993,283</b>	<b>250,187</b>	-	-
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b. Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
<b>8. Non-current assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total assets (4+8)</b>	<b>123,434,782</b>	<b>3,271,631</b>	<b>4,993,283</b>	<b>250,187</b>	<b>-</b>	<b>-</b>
10. Trade payables	66,351,777	3,118,236	1,558,473	62,725	1,635	221
11. Financial liabilities	93,127,766	500,000	5,719,984	-	-	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
<b>13. Current liabilities (10+11+12)</b>	<b>159,479,543</b>	<b>3,618,236</b>	<b>7,278,457</b>	<b>62,725</b>	<b>1,635</b>	<b>221</b>
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
<b>17. Non-current liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total liabilities (13+17)</b>	<b>159,479,543</b>	<b>3,618,236</b>	<b>7,278,457</b>	<b>62,725</b>	<b>1,635</b>	<b>221</b>
<b>19. Net asset/liability position of off-balance sheet derivatives (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
19a. Foreign currency derivatives accounted assets	-	-	-	-	-	-
19b. Foreign currency derivatives accounted liabilities	-	-	-	-	-	-
<b>20. Net foreign currency position (9-18+19)</b>	<b>(36,044,761)</b>	<b>(346,605)</b>	<b>(2,285,174)</b>	<b>187,462</b>	<b>(1,635)</b>	<b>(221)</b>
<b>21. Monetary items net foreign currency asset/ liability position (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(36,044,761)</b>	<b>(346,605)</b>	<b>(2,285,174)</b>	<b>187,462</b>	<b>(1,635)</b>	<b>(221)</b>
<b>22. Fair value of financial assets for foreign currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. The amount of Currency Hedged portion of assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24 The amount of Currency Hedged portion of liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>25. Export</b>	<b>168,268,318</b>	<b>3,422,458</b>	<b>10,988,771</b>	<b>1,098,321</b>	<b>-</b>	<b>-</b>
<b>26.Import</b>	<b>125,004,698</b>	<b>11,382,887</b>	<b>1,474,919</b>	<b>124,987</b>	<b>2,817</b>	<b>550,000</b>

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

### NOTE 26 - 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 2022	31 December 2022
	Profit/Loss	
	Appreciation of	Depreciation of
	foreign currency	foreign currency
20% change in USD rate		
1 - USD net asset/liability	(12,634,708)	12,634,708
2- Hedged amount (-)	-	-
<b>3- USD net effect (1+2)</b>	<b>(12,634,708)</b>	<b>12,634,708</b>
20% change in EURO rate		
4 - EURO net asset/liability	35,774,956	(35,774,956)
5 - Hedged amount (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>35,774,956</b>	<b>(35,774,956)</b>
20% change in GBP rate		
7- GBP net asset/liability	(219,102)	219,102
8- Hedged amount (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>(219,102)</b>	<b>219,102</b>
20% change in CHF rate		
10- CHF net asset/liability	(6,624)	6,624
11- Hedged amount (-)	-	-
<b>12- CHF net effect (10+11)</b>	<b>(6,624)</b>	<b>6,624</b>
<b>TOTAL (3 + 6 +9+12)</b>	<b>22,914,522</b>	<b>(22,914,522)</b>
	31 December 2021	31 December 2021
	Profit/Loss	
	Appreciation of	Depreciation of
	foreign currency	foreign currency
20% change in USD rate		
1 - USD net asset/liability	(925,643)	925,643
2- Hedged amount (-)	-	-
<b>3- USD net effect (1 +2)</b>	<b>(925,643)</b>	<b>925,643</b>
20% change in EURO rate		
4 - EURO net asset/liability	(6,907,578)	6,907,578
5 - Hedged amount (-)	-	-
<b>6- EUR net effect (4+5)</b>	<b>(6,907,578)</b>	<b>6,907,578</b>
20% change in GBP rate		
7- GBP net asset/liability	673,615	(673,615)
8- Hedged amount (-)	-	-
<b>9- GBP net effect (7+8)</b>	<b>673,615</b>	<b>(673,615)</b>
20% change in CHF rate		
10- CHF net asset/liability	(4,792)	4,792
11- Hedged amount (-)	-	-
<b>12- CHF net effect (10+11)</b>	<b>(4,792)</b>	<b>4,792</b>
<b>TOTAL (3 + 6 +9+12)</b>	<b>(7,164,398)</b>	<b>7,164,398</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 26 - 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 2022	31 December 2021
<b>Financial instruments with fixed interest rate</b>		
Financial Assets	162,766,595	-
Financial Liabilities	120,204,902	149,220,894

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 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Total financial debt	120,204,902	149,220,894
Cash values and banks (*)	164,942,736	21,809,211
Net financial debt	(44,737,834)	127,411,683
Equities	365,645,520	100,389,946
Net financial debt/equities ratio	(0.12)	1.27

- (\*) 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.



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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

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### NOTE 26 - 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 27 - 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.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

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

### NOTE 27 - 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.

	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
<b>31 December 2022</b>					
<u>Financial assets</u>					
Cash and cash equivalents	132,597,839	-	-	132,597,839	4
Trade receivables	257,198,247	-	-	257,198,247	7
Other receivables	2,778,534	-	-	2,778,534	8
<u>Financial liabilities</u>					
Financial borrowings	-	120,204,902	-	120,204,902	13
Trade borrowings	-	225,283,068	-	225,283,068	7

	Financial assets stated at amortized cost	Financial liabilities stated at amortized cost	Derivative financial instruments	Carrying value	Note
<b>31 December 2021</b>					
<u>Financial assets</u>					
Cash and cash equivalents	21,809,211	-	-	21,809,211	4
Trade receivables	100,853,547	-	-	100,853,547	7
Other receivables	1,251,212	-	-	1,251,212	8
<u>Financial liabilities</u>					
Financial borrowings	-	107,428,268	-	107,428,268	13
Financial payables to related parties	-	41,792,626	-	41,792,626	6,13
Trade borrowings	-	83,611,010	-	83,611,010	7

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### NOTE 27 - 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 28 - 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 2022	31 December 2021
Independent audit fee for the reporting period	200,000	179,000
Tax services fee for the reporting period	140,079	130,253
Other assurance services fee for the reporting period	85,000	20,000
<b>Total</b>	<b>425,079</b>	<b>329,253</b>

### NOTE 29 - SUBSEQUENT EVENTS

The earthquake that took place in Kahramanmaraş on 6 February 2023 and affected many provinces of Turkey did not have a significant impact on the Company's activities.

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