

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION INTO ENGLISH OF THE
INDEPENDENT AUDITORS' REPORT AND
CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)**

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

**SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş
CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR 1 JANUARY- 31 DECEMBER 2023**

CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	1-2
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS.....	3
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME.....	4
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY.....	5
CONSOLIDATED STATEMENTS OF CASH FLOWS.....	6
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	
NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS	7
NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS.....	8
NOTE 3 – BUSINESS COMBINATIONS	22
NOTE 4 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES.....	22
NOTE 5 – OPERATING SEGMENTS	22
NOTE 6 – CASH AND CASH EQUIVALENTS	22
NOTE 7 – FINANCIAL INVESTMENTS	22
NOTE 8 - FINANCIAL LIABILITIES	23
NOTE 9 – OTHER FINANCIAL LIABILITIES	24
NOTE 10 - TRADE RECEIVABLES AND PAYABLES	24
NOTE 11 – OTHER RECEIVABLES AND PAYABLES	25
NOTE 12 – DERIVATIVE INSTRUMENTS	26
NOTE 13 – INVENTORIES	26
NOTE 14 - PREPAID EXPENSES AND DEFERRED INCOME.....	26
NOTE 15 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	27
NOTE 16 – INVESTMENT PROPERTIES	27
NOTE 17 – PROPERTY, PLANT AND EQUIPMENT	27
NOTE 18 – RIGHT OF USE ASSETS	28
NOTE 19 – INTANGIBLE ASSETS.....	29
NOTE 20 – EMPLOYEE BENEFITS	30
NOTE 21 – SHORT-TERM PROVISIONS	30
NOTE 22 – COMMITMENTS	32
NOTE 23 – LONG-TERM PROVISIONS	32
NOTE 24 – TAX ASSETS AND LIABILITIES	33
NOTE 25 – OTHER ASSETS AND LIABILITIES	33
NOTE 26 – EQUITY.....	34
NOTE 27 – REVENUE AND COST OF SALES	36
NOTE 28 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING SALES AND DISTRIBUTION EXPENSES	37
NOTE 29 – EXPENSES BY NATURE.....	37
NOTE 30 – OTHER OPERATING INCOME/(EXPENSES).....	38
NOTE 31 – GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES	39
NOTE 32 – FINANCIAL INCOME/(EXPENSES).....	39
NOTE 33 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	40
NOTE 34 – INCOME TAXES	40
NOTE 35 - EARNINGS PER SHARE	42
NOTE 36 - RELATED PARTY DISCLOSURES	42
NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS	43
NOTE 38 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING).....	51
NOTE 39 – EVENTS AFTER THE REPORTING PERIOD.....	52
NOTE 40 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE	52

**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH**

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Suwen Tekstil Sanayi Pazarlama Anonim Şirketi

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Suwen Tekstil Sanayi Pazarlama Anonim Şirketi (the "Company" or "Suwen Tekstil") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and 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 31 December 2023 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are part of Turkish Standards on Auditing adopted within the framework of the regulations of the Capital Markets Board and issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventories	
Please refer to notes 2.09 and 13 to the consolidated financial statements	
Key Audit Matter	How the matter was addressed in our audit
<p>Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements.</p> <p>The cost of inventories is determined by the weighted average method.</p> <p>Cost elements of inventories, inventory impairment policy, determination of provision for inventory impairment and inventory valuation determined as a key audit matter for audit of the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the provision for inventory impairment and net realisable value:</p> <p>As a part of our audit procedures;</p> <ul style="list-style-type: none"> -Evaluating whether there is a need for provision for net realizable value in accordance with the changes in gross sales profit on a general or product basis, Evaluating the sales invoice samples and the unit prices in these invoices were compared with the unit prices in the balance sheet period and after the balance sheet date, -Testing inventory impairment balances with the inventory aging reports prepare and comparing the year-end inventory counts indicate that whether there were inventories that had not moved or been damaged for a long time from prior period inventories, -Comparing the inventory turnover ratio, statement of cost of sales and selling costs to sales ratio with the prior period, -Recalculating the inventory cards selected as a sample for the cost calculation of the Group, -Evaluating inventory impairment study of the Group, -Testing the disclosures in the consolidated financial statements in relation to the inventory impairment and net realisable value and evaluating the adequacy of such disclosures for TFRS requirements, <p>We had no material findings related to the inventories as a result of these procedures.</p>

Leases	
Please refer to notes 2.09 and 18 to the consolidated financial statements	
Key Audit Matter	How the matter was addressed in our audit
<p>Application of TFRS 16 Leases standard and its impacts on consolidated financial statements and related notes</p> <p>The consolidated financial statements as of and for the year ending 31 December 2023 include right-of-use assets with carrying values of TL 426.854.442 and lease liabilities with carrying values of TL 285.646.934.</p> <p>As a result of the application of TFRS 16, the amounts recognized are material in terms of consolidated financial statements and determination of the accounting policy depends on the Group management. In addition, right-of-use assets and related lease liabilities calculation includes the significant estimates and assumptions of the Group management. The significant part of these assumptions includes the evaluation of the interest rate used in discounting cash flows and the options to extend the lease term and early termination. Furthermore, notes to the consolidated financial statements of the Group as of 31 December 2023 had significant material influence by the application of TFRS 16.</p> <p>In accordance with the aforementioned disclosures, the effects of TFRS 16 on consolidated financial statements and related notes determined as a key audit matter for audit of the consolidated financial statements.</p>	<p>We performed the following procedures in relation to application of TFRS 16 and its significant material impact on consolidated financial statements and related notes:</p> <ul style="list-style-type: none"> -Understanding and evaluating the significant processes that affecting financial reporting in relation to TFRS 16 standard, -Testing the completeness of the contract lists obtained from the Group management and assessing whether the contract contains a service or a lease, -Evaluating the contracts defined as lease by the Group are whether within the scope of TFRS 16, -Considering the lease contracts within scope of TFRS 16, recalculation of right-of-use assets and related lease liabilities, which are accounted in the consolidated financial statements by calculating the interest rate and rental increase rate and other inputs over the lease amounts, -Testing and evaluating the compatibility and consistency of the rent increase rate, interest rate and other inputs used in these calculations with the current market data, -Evaluating the selected the contracts subject to calculation of right of use assets and lease liabilities by sampling method with the correct evaluation of the terms of the lease contracts used in these calculations and the extension options, if any, in compliance with the contract provisions, -Testing the disclosures in the consolidated financial statements in relation to the leases and evaluating the adequacy of such disclosures for TFRS requirements, <p>We had no material findings related to the application of TFRS 16 Leases standard as a result of these procedures.</p>

Revenue	
Please refer to notes 2.09 and 27 to the consolidated financial statements	
Key Audit Matter	How the matter was addressed in our audit
<p>The Group recognizes the revenue when the Group transfers control of a good or service over time.</p> <p>Recognition of sales on correct period on the basis of periodicity assumption in accordance with matching principle determined as a key audit matter for audit of the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the testing recognition of revenue:</p> <p>As a part of our audit procedures;</p> <ul style="list-style-type: none"> -Revenue as a process is evaluated by observing the sales and delivery procedures of the Group. -Our audit procedures are focused on the assessment of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated. -We have evaluated revenue recognition during the period by applying the material verification procedures and substantive tests to the sales returns during the period following the end of the year. -Testing the disclosures in the consolidated financial statements in relation to the revenue recognition and evaluating the adequacy of such disclosures for TFRS requirements, <p>We had no material findings related to the revenue recognition as a result of these procedures.</p>

Key Audit Matter	How the matter was addressed in our audit
Application of TAS 29 – “Financial Reporting in Hyperinflationary Economies”	
<p>As disclosed in Note 2.02, the Group applied TAS 29 “Financial reporting in hyperinflationary economies (“TAS 29”) in the consolidated financial statements as of and for the year ended 31 December 2023.</p> <p>TAS 29 requires consolidated financial statements to be restated into the current purchasing power at the end of the reporting period. Therefore, transactions in 2023 and non-monetary balances at the end of the period with prior year statements with comparative information were restated to reflect a price index that is current at the balance sheet date as of 31 December 2023. The implementation of TAS 29 leads to a change in several of the Group’s control activities pervasively related to financial reporting. Applying TAS 29 results in significant changes to the consolidated financial statement items included in the Group’s consolidated financial statements as of and for the year ending 31 December 2023, which have been restated for comparative purposes as of and for the year ending 31 December 2022, including consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of cash flow. In addition, considering the additional effort required to perform the audit of the application of TAS 29, we identified the application of TAS 29 as a key audit matter.</p> <p>The explanations regarding the application of TAS 29 are disclosed in Note 2.02.</p>	<p>We performed the following audit procedures in relation to the application of TAS 29:</p> <ul style="list-style-type: none"> - Understanding and evaluating the process and controls related to application of TAS 29 designed and implemented by the Group management, - Obtaining detailed lists of non-monetary items and testing original entry dates and amounts on a sample basis, - Verifying whether the Group management’s determination of monetary and non-monetary items is in compliance with TAS 29, - Verifying the general price index rates used in calculations correspond with the coefficients in the “Consumer Price Index in Turkey” published by the Turkish Statistical Institute, - Evaluating the appropriateness of the Group management’s judgments by comparing with current practices and using our industry knowledge and experience including ensuring the comparison with prior period, - Testing the mathematical accuracy of non-monetary items, consolidated statement of profit or loss, and statement of cash flow adjusted for inflation effects, - Evaluating the adequacy of disclosures related to the application of TAS 29 in the notes to the consolidated financial statements in accordance with TFRS.

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

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

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

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

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

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

Our aim is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with ISAs is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an independent audit conducted in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

1) According to the Turkish Commercial Code ("TCC") No. 6102 and pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC"), the independent auditors report on the Early Risk Identification System and Committee was presented to the Group's Board of Directors on 28 February 2024.

2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2023 period are not in compliance with the TCC and provisions of the Group's articles of association related to financial reporting.

3) In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

The engagement partner who supervised and concluded this independent auditor's report is Metin ETKİN.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An Independent Member of BAKER TILLY INTERNATIONAL

Metin Etkin
Responsible Auditor, Partner

İstanbul, 24.04.2024

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 AND 2022

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

ASSETS	Notes	Audited	Audited
		Current Period 31.12.2023	Prior Period 31.12.2022
Current Assets			
Cash and Cash Equivalents	6	183.966.405	205.606.105
Trade Receivables	10	42.681.580	53.715.972
<i>Related Parties</i>	10-36	4.907.682	24.728.670
<i>Third Parties</i>	10	37.773.898	28.987.302
Other Receivables	11	379.846	525.698
<i>Third Parties</i>	11	379.846	525.698
Inventories	13	498.181.938	536.536.344
Prepaid Expenses	14	64.217.408	31.859.575
<i>Related Parties</i>	14	5.008.802	-
<i>Third Parties</i>	14	59.208.606	31.859.575
Current Income Tax Assets	24	-	205.378
Other Current Assets	25	14.685.254	19.757.873
Total Current Assets		804.112.431	848.206.945
Non-Current Assets			
Other Receivables	11	4.582.916	4.318.647
<i>Third Parties</i>	11	4.582.916	4.318.647
Property, Plant and Equipment	17	201.235.107	143.883.127
Right of Use Assets	18	426.854.442	332.411.960
Intangible Assets	19	27.865.069	14.994.191
<i>Other Intangible Assets</i>	19	27.865.069	14.994.191
Total Non-Current Assets		660.537.534	495.607.925
TOTAL ASSETS		1.464.649.965	1.343.814.870

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 AND 2022

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

	Notes	Audited Current	Audited Prior
		Period 31.12.2023	Period 31.12.2022
LIABILITIES			
Current Liabilities			
Short-Term Borrowings	8	31.354.881	33.543.073
Lease Liabilities	8	130.008.719	110.386.470
Short-Term Portion of Long-Term Borrowings	8	20.912.246	43.473.118
Trade Payables	10	132.846.320	257.053.012
<i>Related Parties</i>	<i>10-36</i>	<i>73.789.313</i>	<i>210.378.283</i>
<i>Third Parties</i>	<i>10</i>	<i>59.057.007</i>	<i>46.674.729</i>
Employee Benefits	20	44.764.685	28.933.348
Other Payables	11	817.037	-
<i>Third Parties</i>	<i>11</i>	<i>817.037</i>	<i>-</i>
Deferred Income	14	9.081.046	1.644.423
Current Income Tax Liabilities	34	20.852.085	18.364.907
Short-Term Provisions	21	6.955.162	11.241.125
<i>Short-Term Provisions for Employee Benefits</i>	<i>21</i>	<i>3.444.391</i>	<i>6.011.043</i>
<i>Other Short-Term Provisions</i>	<i>21</i>	<i>3.510.771</i>	<i>5.230.082</i>
Other Current Liabilities	25	15.013.709	5.756.439
Total Current Liabilities		412.605.890	510.395.915
Non-Current Liabilities			
Long-Term Borrowings	8	10.003.239	4.045.262
Lease Liabilities	8	155.638.215	120.476.128
Other Payables	11	3.306.941	-
<i>Third Parties</i>	<i>11</i>	<i>3.306.941</i>	<i>-</i>
Deferred Income	14	6.817.921	-
Long-Term Provisions	23	4.234.393	2.235.038
<i>Long-Term Provisions for Employee Benefits</i>	<i>23</i>	<i>4.234.393</i>	<i>2.235.038</i>
Deferred Tax Liabilities	34	43.025.241	18.742.903
Total Non-Current Liabilities		223.025.950	145.499.331
EQUITY			
Equity Holders of the Parent	26	829.018.125	687.919.624
Paid-in Share Capital		224.000.000	56.000.000
Adjustment to Share Capital		156.700.889	113.613.313
Treasury Shares (-)		(5.494.410)	-
Share Premium		97.199.455	182.639.665
Other Comprehensive Income or Expenses not to be reclassified to Profit or Loss		(2.883.390)	(984.645)
- <i>Gains/(losses) on remeasurements of defined benefit plans</i>		<i>(2.883.390)</i>	<i>(984.645)</i>
Currency Translation Differences		(7.810.301)	80.228
Restricted Reserves		26.996.421	4.340.514
Retained Earnings		148.746.013	108.001.981
Profit for the Period		191.563.448	224.228.568
TOTAL LIABILITIES		829.018.125	687.919.624
TOTAL LIABILITIES AND EQUITY		1.464.649.965	1.343.814.870

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022
(Amounts on tables expressed in Turkish Lira (“TL”) unless otherwise indicated.)

	Notes	Audited Current Period 1 January-31 December 2023	Audited Prior Period 1 January -31 December 2022
Revenue	27	2.503.534.099	1.757.058.244
Cost of Sales (-)	27	(1.205.933.451)	(828.701.373)
GROSS PROFIT		1.297.600.648	928.356.871
General Administrative Expenses (-)	28-29	(82.372.425)	(63.917.773)
Marketing, Sales and Distribution Expenses (-)	28-29	(970.298.111)	(686.307.331)
Other Operating Income	30	74.055.971	34.705.238
Other Operating Expenses (-)	30	(87.342.505)	(41.129.655)
OPERATING PROFIT		231.643.578	171.707.350
Gains from investment activities	31	137.351	10.743.628
OPERATING PROFIT BEFORE FINANCIAL INCOME/		231.780.929	182.450.978
Financial Income	32	27.179.244	34.039.674
Financial Expense (-)	32	(119.705.903)	(95.157.588)
Monetary gains/(losses)	32	194.867.591	165.720.582
PROFIT BEFORE TAX		334.121.861	287.053.646
Tax income/(expense)		(142.558.413)	(62.825.078)
Current period tax expense (-)	34	(117.708.918)	(68.088.474)
Deferred income tax expense	34	(24.849.495)	5.263.396
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		191.563.448	224.228.568
PROFIT FOR THE PERIOD FROM DISCONTINUED OPERATIONS		-	-
PROFIT FOR THE PERIOD		191.563.448	224.228.568
Attributable to		191.563.448	224.228.568
Non-Controlling Interests		-	-
Equity Holders of the Parent		191.563.448	224.228.568
Earnings Per Share			
Earnings Per Share From Continuing Operations	35	2.002	1.284
Earnings Per Share From Discontinued Operations			

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.
CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

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

	Notes	Audited Current Period 1 January-31 December 2023	Audited Prior Period 1 January -31 December 2022
PROFIT FOR THE PERIOD	35	191.563.448	224.228.568
OTHER COMPREHENSIVE INCOME			
Items not to be reclassified to profit or loss		(1.898.745)	(984.645)
Gains/(losses) on remeasurements of defined benefit plans – Actuarial gains/(losses)		(2.465.902)	(1.230.806)
Deferred tax effect		567.157	246.161
Items to be reclassified to profit or loss		(7.890.529)	80.228
Currency translation differences		(7.890.529)	80.228
OTHER COMPREHENSIVE INCOME		(9.789.274)	(904.417)
TOTAL COMPREHENSIVE INCOME		181.774.174	223.324.151
Attributable to			
Non-Controlling Interests		-	-
Equity Holders of the Parent		181.774.174	223.324.151

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

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SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

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

Audited Prior Period	Paid-in share capital	Adjustment to share capital	Treasury shares	Share premium	Restricted reserves	Prior years' income	Profit for the Period	Items not to be reclassified to profit or loss	Items to be reclassified to profit or loss	Equity holders of the parent	Non-controlling interests	Total equity
								Gains/(losses) on remeasurements	Currency translation differences			
Balances at 1 January 2022 (Beginning of the period)	22.961.072	71.828.848	-	-	112.356	175.080.190	-	-	-	269.982.466	-	269.982.466
Gains/(losses) on share-based transactions	-	-	-	194.613.007	-	-	-	-	-	194.613.007	-	194.613.007
Capital increases - Cash	6.000.000	5.973.342	-	(11.973.342)	-	-	-	-	-	-	-	-
Transfers	27.038.928	35.811.123	-	-	4.228.158	(67.078.209)	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	224.228.568	(984.645)	80.228	223.324.151	-	223.324.151
Balances at 31 December 2022 (End of the period)	56.000.000	113.613.313	-	182.639.665	4.340.514	108.001.981	224.228.568	(984.645)	80.228	687.919.624	-	687.919.624
Audited Current Period												
Balances at 1 January 2023 (Beginning of the period)	56.000.000	113.613.313	-	182.639.665	4.340.514	108.001.981	224.228.568	(984.645)	80.228	687.919.624	-	687.919.624
Dividends paid ^(*)	-	-	-	-	-	(35.181.263)	-	-	-	(35.181.263)	-	(35.181.263)
Transfers	-	-	-	-	22.655.907	201.572.661	(224.228.568)	-	-	-	-	-
Capital increases - Equity	168.000.000	43.087.576	-	(85.440.210)	-	(125.647.366)	-	-	-	-	-	-
Gains/(losses) on share-based transactions	-	-	(5.494.410)	-	-	-	-	-	-	(5.494.410)	-	(5.494.410)
Total comprehensive income	-	-	-	-	-	-	191.563.448	(1.898.745)	(7.890.529)	181.774.174	-	181.774.174
Balances at 31 December 2023 (End of the period)	224.000.000	156.700.889	(5.494.410)	97.199.455	26.996.421	148.746.013	191.563.448	(2.883.390)	(7.810.301)	829.018.125	-	829.018.125

^(*) In accordance with the decision of the General Assembly on 29 March 2023, it was decided to distribute dividends and the dividend distribution was realised on 31 July 2023.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF THE CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

SUWEN TEKSTİL SANAYİ PAZARLAMA A.Ş.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2023 AND 2022

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

	Notes	Audited Current Period 31.12.2023	Audited Prior Period 31.12.2022
PROFIT FOR THE PERIOD		191.563.448	224.228.567
Adjustments to reconcile profit for the period to cash generated from operating activities		329.875.933	210.738.160
Depreciation and amortisation	17,18,19	301.241.660	234.816.911
Adjustments for tax income/expense		142.558.413	62.825.079
Adjustments for Provisions	22,23	3.171.867	9.554.122
<i>Adjustments for Provision for Employee Benefits (Reversal)</i>		<i>2.881.396</i>	<i>7.330.793</i>
<i>Adjustments for Provision for lawsuits, litigations and penalties (Reversal)</i>		<i>(231.803)</i>	<i>1.074.903</i>
<i>Adjustments for Other Provisions (Reversal)</i>		<i>522.274</i>	<i>1.148.426</i>
Adjustments for Impairment Loss (Reversal of impairment loss)	13	1.660.632	1.258.934
Adjustments for Interest Income	32	(24.776.609)	(9.343.465)
Adjustments for Interest Expenses	32	117.466.561	83.760.397
Adjustments for losses/(gains) on disposal of non-current assets		(4.572.283)	(10.743.628)
Other adjustments for reconcile profit for the period	10,18	42.792	(24.063.598)
<i>Discount income from trade payables</i>	30	<i>6.095.262</i>	<i>8.924.445</i>
<i>Discount expenses from trade receivables</i>	30	<i>(6.052.470)</i>	<i>(5.513.076)</i>
<i>Lease contracts</i>	18	<i>-</i>	<i>(27.474.967)</i>
Monetary gains/(losses)		(206.917.100)	(137.326.592)
Changes in Working Capital		(178.063.079)	(164.627.666)
Adjustments for Gains/(Losses) on Trade Receivables	10	17.086.862	(9.320.836)
Adjustments for Gains/(Losses) on Other Receivables Related to Operations	11	(118.417)	(1.041.893)
Adjustments for Gains/(Losses) on Other Assets Related to Operations		5.277.997	(11.843.427)
Changes in Inventories	13	38.780.197	(229.831.958)
Adjustments for Gains/(Losses) on Trade Payables	10	(130.301.954)	126.895.928
Adjustments for Gains/(Losses) on Other Payables Related to Operations		13.381.249	550.870
Changes in Prepaid Expenses	14	(32.357.833)	16.046.206
Changes in Deferred Income	14	14.254.544	142.582
Adjustments for gains/(losses) on payables due to employee benefits	20	15.831.337	11.329.684
Adjustments for gains/(losses) on provisions for employee benefits	23	(4.675.320)	(3.773.477)
Income taxes refund/(paid)		(115.221.741)	(63.894.135)
Adjustments for gains/(losses) on other changes in working capital		-	112.790
Cash Flows from Operating Activities		343.376.302	270.339.061
B) CASH FLOWS FROM INVESTING ACTIVITIES		(110.591.942)	(65.364.271)
Cash inflows from sale of property, plant and equipment and intangible asset	17,19	21.631.884	39.260.825
Cash outflows from purchase of property, plant and equipment and intangible assets	17,19	(156.504.013)	(113.015.835)
Interest received		24.280.187	8.390.739
C) CASH FLOWS FROM FINANCING ACTIVITIES		(260.923.100)	(16.432.940)
Cash inflows from share premium		-	182.639.665
Cash outflows from repayments of borrowings	8	(117.928.691)	(184.719.066)
Cash inflows from borrowings	8	131.558.301	163.728.636
Cash outflows from lease liabilities	8	(147.920.445)	(115.089.888)
Cash outflows from treasury shares (-)		(5.494.410)	-
Dividends paid		(35.181.263)	-
Interest paid		(85.956.592)	(62.992.287)
D) NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		(28.138.740)	188.541.850
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		6.002.617	(446.733)
Net Increase/(Decrease) in Cash and Cash Equivalents		(22.136.123)	188.095.117
E) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		204.652.320	16.557.203
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		182.516.197	204.652.320

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

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Suwen Tekstil Sanayi Pazarlama Anonim Şirketi (the "Company" or "Suwen Tekstil") was established on 5 August 2003 in İstanbul with the title of "Ekofer Teskil Parfümeri Sanayi Pazarlama Limited Şirketi". The title of Ekofer Teskil Parfümeri Sanayi Pazarlama Limited Şirketi has been changed to "Suwen Tekstil Sanayi Pazarlama Anonim Şirketi" which published in Official Gazette on 27 July 2018 and numbered 821.

Suwen Tekstil's business activities include ensuring to produce, import, export, domestic purchase and sale of all kinds of raw materials, semi-finished materials and finished products related to textiles written in the articles of the association.

Suwen Tekstil is a retail company that produces and sells to its customers with a wide range of products from underwear to home wear, from socks to corsets, from beach wear collections to puerperal groups with its own brand and design in Turkey.

The registered address of Suwen Tekstil is as follows:

Tatlısu Mahallesi, Göksu Caddesi No:41/1 Ümraniye/İstanbul

As of 31 December 2023 and 2022, the number of the stores and dealers of the Company is as follows:

	31.12.2023	31.12.2022
Stores	165	148
Dealers	6	7
Foreign stores	9	6
Foreign dealers	10	-

As of 31 December 2023 and 2022, the principal shareholders and their respective shareholding rates in Suwen Tekstil are as follows:

Shareholders	31.12.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Intilux SARL	31.675.000	14.14%	10.343.750	18.47%
Birol Sümer	33.034.156	14.75%	11.531.248	20.59%
Ali Bolluk	23.241.664	10.38%	9.125.000	16.29%
Çiğdem Ferda Arslan	8.113.048	3.62%	2.000.002	3.57%
Özcan Sümer	13.942.794	6.22%	-	-
Other	113.993.338	50.89%	23.000.000	41.07%
Total share capital	224.000.000	100.00%	56.000.000	100.00%

The Group increased its current issued share capital from TL 56.000.000 to TL 224.000.000 by increasing TL 168.000.000. The relevant capital increase is under registered capital ceiling amounting to TL 300.000.000. In addition, the capital amount of TL 56.000.000 will be paid within the equity of the Group. The aforementioned decision was published in Official Gazette on 26 July 2023 and numbered 10879.

The subsidiaries ("Subsidiaries"), included in the consolidation scope of Suwen Tekstil, their country of incorporation, nature of business, their effective interests and their respective business segments are as follows:

Subsidiary	Country of incorporation	Effective ownership interests (%)		Nature of business
		31 December 2023	31 December 2022	
Suwen Lingerie SRL.	Romania	100.00%	100.00%	Retail sales

For the purpose of the consolidated financial statements and notes to the consolidated financial statements, Suwen Tekstil and

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

its consolidated subsidiary are hereinafter referred to as “the Group”.

Total end of period and average number of personnel employed by the Suwen Tekstil is 1.005 (31 December 2022: 850).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of presentation

2.1.1 Financial reporting standards

The consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards (“TFRS”) promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) that are set out in the 5th article of the communiqué numbered II-14.1 “Communiqué on the Principles of Financial Reporting In Capital Markets” (“the Communiqué”) announced by the Capital Markets Board (“CMB”) on 13 June 2013 and published in Official Gazette numbered 28676.

The accompanying consolidated financial statements are presented in accordance with the “Announcement regarding to TAS Taxonomy” which was published on 15 April 2019 by POA and the format and mandatory information recommended by CMB.

The Group maintains their books of account and prepares their statutory consolidated financial statements in accordance with the Turkish Commercial Code (“TCC”), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements have been prepared in Turkish Lira under the historical cost conversion except for the financial assets and liabilities presented at fair values. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the TFRS, have been accounted for in the statutory financial statements, which are prepared in accordance with the historical cost principle.

These consolidated financial statements as of and for the year ended 31 December 2023 have been approved for issue by the Board of Directors (“BOD”) on 24 April 2024. These consolidated financial statements will be finalised following their approval in the General Assembly.

2.1.2. Functional and presentation currency

Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in TL, which is Suwen Tekstil’s functional and presentation currency.

2.1.3. Adjustments of financial statements in hyperinflationary periods

Financial Reporting in Hyperinflationary Economies

In accordance with TAS 29 “Financial Reporting in Hyperinflation Economies” which requires entities whose functional currency is that of a hyperinflationary economy to prepare their consolidated financial statements in terms of the measuring unit current at the end of the reporting period. In a hyperinflation economy, it is not meaningful and useful to report operating results and financial position in the local currency without adjustment.

The restatement in accordance with TAS 29 has been made by using the adjustment factor derived from the Consumer Price Index (“CPI”) in Turkey published by the Turkish Statistical Institute (“TURKSTAT”). As at 31 December 2023, the indices and adjustment factors used in the restatement of the financial statements are as follows:

Date	Index	Adjustment coefficient	Three-year cumulative inflation rates
31.12.2023	1.859,38	1.00000	268%
31.12.2022	1.128,45	1.64773	156%
31.12.2021	686,95	2.70672	74%

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

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

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

Based on the announcement made by Public Oversight, Accounting and Auditing Standards Authority “(POA)” on 23 November 2023, entities applying Turkish Financial Reporting Standards (“TFRSs”) are required to present their financial statements by adjusting for the material influence of inflation for the comparative annual reporting period ending on or after 31 December 2022 and opening balances starting from 1 January 2022, in accordance with the accounting principles specified in TAS 29.

Accordingly, the financial statements and relevant amounts for prior periods have been restated for changes in the general purchasing power of the functional currency. Thus, those financial statements and relevant amounts are expressed in the measuring unit effective at the end of the reporting period in accordance with TAS 29.

The main components of the Company’s restatement for financial reporting purposes in hyperinflationary economies are as follows:

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

The material influence and impact of the application of inflation accounting in accordance with TAS 29 are summarised below:

Restatement of the Statement of Financial Position

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

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

Restatement of the Statement of Profit or Loss

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

Cost of inventories sold has been restated using the restated inventory balance. Depreciation and amortisation charges have been restated using the restated balances of property, plant and equipment, intangible assets and right-of-use assets.

Restatement of Statement of Cash Flows

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

Consolidated financial statements

The financial statements of a subsidiary whose functional currency is the currency of a hyperinflationary economy are restated by applying the general price index before they are included in the consolidated financial statements prepared by the parent company.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Subsidiaries of the Group whose functional currency is other than Turkish Lira have been translated to the purchasing power of 31 December 2023. If financial statements with different reporting period endings are subject to consolidation, all items, whether monetary or non-monetary, are restated according to the measuring unit in effect at the date of the consolidated financial statements.

Comparative figures

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

2.2. Statement of compliance with TFRS

The accompanying consolidated financial statements for the year ended 31 December 2023 have been prepared in accordance with Turkish Financial Reporting Standards (“TFRS/TAS”) with additions and interpretations as issued by POA. The accompanying consolidated financial statements and the related notes are presented in accordance with the “Financial Statement Examples and User Guide” published in the Official Gazette No. 28652 dated 20 May 2013.

2.3. Basis of consolidation

The consolidated financial statements include the accounts of the parent company, the Group, and the subsidiary until having the power over investee. Controlling interest is provided by having power over the financial and operational policies of an entity in order to have economic benefit from its operations.

The financial statements of the subsidiaries operating in foreign countries

Financial statements of subsidiaries that are operating in foreign countries are prepared in accordance with the laws and regulations in force in the countries in which they are registered in and required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the Group’s accounting policies.

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that statement of financial position,
- Income and expense items for each statement of profit or loss are translated at average exchange rates; and all resulting exchange differences (currency translation differences) are recognized as a separate component of equity and statements of comprehensive income.

When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Going concern

As of 31 December 2023, the Group has prepared its consolidated financial statements with the assumption on the Group’s ability to continue its operations in the foreseeable future as a going concern basis of accounting.

Subsidiaries

Subsidiary is a separate entity controlled by the Group. The Group have controlling interest over the entity when it is exposed to variable returns due to its relationship with a entity or has rights to these returns and has the ability to influence these returns with its controlling interest simultaneously. The financial statements of the subsidiary have been included in the consolidated financial statements from the commencement date of control until the date that it ceases.

The accounting policies of the subsidiary have been changed when deemed necessary in order to comply with the policies accepted by the Group. Even if the abovementioned matter reversed in non-controlling interests, total comprehensive income is transferred to the parent company’s shareholders and non-controlling interests.

Subsidiaries included in the scope of the consolidation and their effective interests (%) is as follows:

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Subsidiary	Country of incorporation	Effective ownership interests (%)		Nature of business
		31 December 2023	31 December 2022	
Suwen Lingerie SRL.	Romania	100.00%	100.00%	Retail sales

In order to start an operation that the Group will manage within its own structure with store openings and e-commerce sales in Romania, the Group has been established a subsidiary ("Subsidiary") at the registered address of Voluntari City, 1/VI Pipera Blvd. Hyperion Towers building, Tower 2, Ilfov county, Romania with the title of "Suwen Lingerie S.R.L." which was published in Official Gazette on 3 June 2019. As of 31 December 2023, the Group has 7 stores in Romania.

Consolidation procedures and eliminations

During the preparation of consolidated financial statements, consolidated financial statements eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and non-current assets, are eliminated in full). Consolidated financial statements offset the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Unrealized losses are eliminated accordingly as unrealized gains, unless there is evidence of impairment.

Consolidated statement of financial position and profit or loss restatement principles

Full consolidation method

- The paid in share capital and balance sheet items of the Group and the subsidiary are aggregated. In the aggregation, the receivables and payables of the subsidiaries in scope of consolidation from each other eliminated in full.
 - The paid in share capital of the consolidated balance sheet is the paid in share capital of the Group; paid in share capital of the subsidiary is not included in the consolidated balance sheet.
 - Equity items including paid / issued capital of the subsidiary within the scope of consolidation, less the amounts corresponding to the shares other than the parent company and subsidiaries presented as the "Non-Controlling Interests" after the equity of the group in the consolidated balance sheet.
 - Current and non-current assets acquired by the subsidiaries subject to full consolidation method from each other, in principle, are included in the consolidated balance sheet over carried at cost before the sale, by making adjustments to present these assets at the acquisition cost to the subsidiaries subject to the full consolidation method.
 - The profit or loss items of the Group and the subsidiary are aggregated separately and the sales of goods and services made by the subsidiaries subject to the full consolidation method to each other in the aggregation process have been deducted from the total sales amount and cost of goods sold. The profit arising from the purchase and sale of goods between these subsidiaries related to the inventories of the subsidiaries subject to the full consolidation method was deducted from the inventories in the consolidated financial statements and added to the cost of the sold goods, the loss was added to the inventories and deducted from the cost of the goods sold.
- Income and expense items resulting from the transactions of the subsidiaries subject to full consolidation method with each other have been offset in the relevant accounts.
- Net profit or loss of the subsidiary within the scope of consolidation, the part corresponding to the shares other than the subsidiaries subject to the consolidation method has been presented as the "Non-Controlling Interests" after the net consolidated period profit.
 - The necessary adjustments have been made for the compliance of the financial statements of the subsidiary with the accounting principles applied by other intragroups, when deemed necessary.

2.4. Offsetting

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

2.5. Comparatives and adjustment of prior periods' financial statements

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

Accounting estimates are based on reliable information and reasonable estimation methods. However, estimates are revised as a result of changes in circumstances, estimating new information or additional developments. If changes in accounting forecasts are related to only one period, amendments are made in the current period. If amendments are related to the forthcoming periods, changes are applied in both current period and forthcoming periods.

The nature and amount of a change in the accounting estimate, which has an impact on the outcome of the current period or is expected to have an impact on subsequent periods, is disclosed in the notes to the consolidated financial statements, except when the estimation of the effect on the future periods is not possible. The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance.

2.6. Changes in accounting policies

Whether there are changes and errors in accounting policies and accounting estimates, the amended significant changes and the identified significant accounting errors are implemented retrospectively and the previous periods Group's consolidated financial statements are adjusted. Whether the changes are amended in accounting policies effect the previous periods, aforementioned policy is implemented retrospectively to the consolidated financial statements as it had been used in. There has been no change in the accounting policies of the Group in the current period.

The Group started to apply TFRS 16 Leases standard to annual reporting periods beginning on or after 1 January 2019. As of 1 January 2019, the summary financial statements for leases previously classified as operating leases in accordance with TAS 17, right-of-use assets are accounted for at an amount equal to the lease liabilities (adjusted for the amount of prepaid or accrued lease payments) in accordance with the simplified transition method in the related standard.

2.7. Changes in accounting estimates and errors

Accounting estimates are based on reliable information and reasonable estimation methods. However, estimates are revised as a result of changes in circumstances, estimating new information or additional developments. If changes in accounting forecasts are related to only one period, amendments are made in the current period. If amendments are related to the forthcoming periods, changes are applied in both current period and forthcoming periods.

The nature and amount of a change in the accounting estimate, which has an impact on the outcome of the current period or is expected to have an impact on subsequent periods, is disclosed in the notes to the consolidated financial statements, except when the estimation of the effect on the future periods is not possible. There are no changes in the accounting estimates expected to have an impact on the results of operations in the current period.

The Group has applied accounting policies consistent with each other in its consolidated financial statements for the periods presented and has no significant changes in accounting policies other than TFRS 16 in the current period.

2.8. Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with TFRS requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the consolidated statement of profit or loss and in the carrying value of assets and liabilities in the consolidated balance sheet, and in the disclosure of information in the notes to the consolidated financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the consolidated financial statements in making these estimates. The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the consolidated balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

a) Provision for employment termination benefits is determined by using actuarial assumptions (discount rates, future salary increases and employee exit rates) (Note 23).

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) The Group depreciates its property, plant and equipment and intangible assets on a straight-line basis over their useful lives. Expected useful life residual value and amortization method are reviewed every year for possible effects of changes in estimates and are accounted for prospectively if there is a change in estimates. (Note 17, 19) .

d) Provision for doubtful receivables reflects the amounts that the Group Management believes will meet future losses as of the balance sheet date. Provision for doubtful receivables represents the amounts that the Group believes will compensate future losses of receivables which are present as of the balance sheet date but which are not subject to collection in current economic conditions. The past performance of borrowers assessed for impairment of receivables impairment, credits on the market and their performance from the balance sheet date to the date of approval of the financial statements are also taken into consideration. As of the balance sheet date, the related provisions are disclosed in Note 10.

d) Inventories are valued at the lower of cost or net realisable value.

e) Provision for inventory impairment is recognized when net realisable value less the costs of completion and selling expenses.

f) The physical properties of the inventories and the past are examined in relation to the inventory impairment, the availability of the personnel is determined according to the opinions of the technical personnel and provision is made for the items that are estimated to be unavailable. Average sales prices are used to determine the net realizable value of inventories. The information about the inventory impairment that has been set as of the balance sheet date is given in Note 13.

2.9. Summary of significant accounting policies

Revenue recognition

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Revenue is accounted for in the consolidated financial statements within the scope of the five-stage model below.

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contracts,
- Allocation of transaction price to the performance obligations,
- Recognition of revenue when the performance obligations are satisfied.

A contract with a customer will be identified if all the following conditions are met:

- (a) the contract has been approved by the parties to the contract,
 - (b) each party's rights in relation to the goods or services to be transferred can be identified,
 - (c) the payment terms for the goods or services to be transferred can be identified,
 - (d) the contract has commercial substance and,
 - (e) it is probable that the consideration to which the entity is entitled to in exchange for the goods or services will be collected.
- In assessing whether a consideration is likely to be collectible, the entity considers only the customer's intention to pay that amount on time (Note 27).

Revenue from goods sold

The Group generates revenue by selling bras, panties, socks, undershirts, dressing gowns, nightgowns, swimsuits, bikinis, pareos, pijamas, tights, underwear and textile products. The revenue is recognised when the goods or services are transferred to the customers.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is adjusted. On the other hand, when the contract effectively constitutes a financing component, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised on an accrual basis and classified under other operating income.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Inventories

Inventories are valued at the lower of cost or net realisable value. Cost of inventories includes; all purchasing costs, covering costs and other costs incurred to make the inventories ready to sell. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. Those costs also include systematically distributed costs from fixed and variable general production expenses incurred in covering direct raw material to the goods. The cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

When the net realisable value of the inventory falls below its cost, the inventories are reduced to their net realisable value and the expense is reflected in the profit or loss statement in the year in which the impairment incurred. In cases where the conditions that previously caused inventories to be reduced to net realizable value lose their validity or there is an increase in the net realizable value due to changing economic conditions, the provision for the impairment is reversed. The reversal is limited to prior impairment amount (**Note 13**).

Cash and cash equivalents

Cash and cash equivalents are carried at cost in the consolidated statement of financial position. Cash and cash equivalents represent cash on hand and demand deposits, deposits held in banks with maturities of 3 months or less, together with short-term, highly liquid investments that are readily convertible to a known amount of cash, and that are subject to an insignificant risk of changes in value (Note 6).

Related parties

(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 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.

According to the explanations above, in accordance with TAS 24, directly or indirectly on the company; Real and legal person partners who have control power alone or together and their close family members (up to second degree) and legal entities controlled directly or indirectly, alone or together by them, and that they have a significant impact and / or legal entities serving as senior management personnel; Subsidiaries of the Group, Board Members, key management personnel and their close family members (up to second degree) and legal entities controlled directly or indirectly, alone or together, are considered as related parties (**Note 36**).

Trade receivables and provision for doubtful receivables

Trade receivables generated by the Group by way of providing goods or services to a buyer are carried at amortized cost. Trade receivables that are not accrued after the unearned finance income are calculated by discounting the amounts to be obtained in the subsequent periods from the original invoice value. Short term receivables with no stated interest rate are measured at cost unless the effect of effective interest is significant (**Note 10**). The effective interest method is that the present value is calculated

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

on the basis of “compound interest basis”. The rate used in this method and determined on the basis of compound interest is called as an effective interest rate. Effective interest rate; is the rate that discounts the estimated future cash collections or payments to the present value of the financial asset over the expected useful life of the financial asset.

Considering the Group's normal trading cycle, trade receivables are subject to administrative and / or legal follow-up, secured or unsecured, objective finding, etc., for the trade receivables whose maturities are out of the ordinary business cycle. and evaluates the provision of provision for doubtful receivables. The amount of this provision is the difference between the carrying amount of the receivable and the amount that is available for collection. The recoverable amount is the present value of expected cash inflows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the receivable originally formed. The Group management evaluates the provision for doubtful receivables for the receivables that are under administrative and / or legal follow-up, unsecured and collection possibility over the term of the Group's ordinary business cycle.

In case of collecting the provision for the doubtful receivable, in case all or part of the doubtful receivable amount is collected, the collected amount is deducted from the provisioned doubtful receivable and recognized in other operating income.

Financial liabilities and borrowing costs

Financial liabilities are recognized initially at the proceeds received, net of transaction costs incurred. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowings.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (which is intended to be intended for use and intended for sale over an extended period of time) may be capitalized as part of the cost of that asset. The Group has no capitalized financing costs during the period (**Note 8**).

TFRS 16 “Leases”

Group - as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset)
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset. Group has the right to direct the use of the asset throughout the period of use only if either:

- a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or
- b) Relevant decisions about how and for what purpose the asset is used are predetermined
 - i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors.

Right-of-use asset

At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- a) The amount of the initial measurement of the lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the Group, and

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Group measures the right-of-use asset at cost:

- a) Less any accumulated depreciation and any accumulated impairment losses; and
- b) Adjusted for any remeasurement of the lease liability.

Group applies the depreciation requirements in TAS 16 “Property, Plant and Equipment” in depreciating the right-of-use asset.

Group applies TAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

The rate of depreciation applied on right of use assets is 33% for motor vehicles and 10%-50% for buildings.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group’s incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) Fixed payments, less any lease incentives receivable,
- b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, Group measures the lease liability by:

- a) Increasing the carrying amount to reflect interest on the lease liability,
- b) Reducing the carrying amount to reflect the lease payments made, and
- c) Remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Variable lease payments

Some lease contracts of the Group contain variable payment terms. Variable lease payments are not in the scope of TFRS 16 Standard and recognised in the statement of income as rent expense in the related period.

Practical expedients

The short-term lease agreements with a lease term of 12 months or less and agreements related to information on low value assets, which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 Leases Standard and related lease payments are recognised as an expense in the period in which they are incurred.

Group - as a lessor

The Group has no operating and finance leases as a lessor during the period.

Transition to TFRS 16 “Leases” Standard

The Group applied TFRS 16, “Leases”, which superseded TAS 17, “Leases”, and recognized in the consolidated financial statements by using “cumulative effect method” on the transition date of 1 January 2019. The standard allows a “simplified transition”, which does not require restatement of the comparative information and retained earnings of the financial statements.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

At the date of initial application of TFRS 16 “Leases”, the Group recognised “lease liability” in the financial statements regarding the lease commitments classified as operating leases in accordance with TAS 17 “Leases” before 1 January 2019. Related lease liabilities are measured at their present value by discounting the unrealised lease payments using the Group’s incremental borrowing rate at the date of initial application. Right of-use assets are recognized for at an amount equal to the lease liabilities (adjusted for the amount of prepaid or accrued lease payments) in accordance with the simplified transition method in the related standard.

The Group applies TFRS 16 Leases standard to annual reporting periods beginning on or after 1 January 2019. As of 1 January 2019, the summary financial statements for leases previously classified as operating leases in accordance with TAS 17, right of-use assets are accounted for at an amount equal to the lease liabilities (adjusted for the amount of prepaid or accrued lease payments) in accordance with the simplified transition method in the related standard.

Property, plant and equipment and related depreciation

Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is provided for property, plant and equipment (except land) on a straight-line basis over their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite useful life.

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

	Economic Useful Lives (years)
Plant, Machinery and Equipment	8-15
Motor Vehicles	15
Furniture and Fixtures	2-20
Leasehold Improvements	2-8

Useful life and the depreciation method are constantly reviewed, and accordingly, parallels are sought between the depreciation method and the period and the useful life to be derived from the related asset. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under “gains/(losses) from investing activities” in the current period.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the asset’s net selling price or value in use. Recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilisation of this property, plant and equipment.

Repairs and maintenance expenses are charged to statement of profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Gains or losses on disposals of property, plant and equipment are determined with respect to the difference between collections received and carrying amounts of property, plant and equipment and are included in the related income and expense accounts, as appropriate.

Intangible assets and related amortisation

Intangible assets acquired before 1 January 2005 are carried at acquisition costs adjusted for inflation; whereas those purchased in and purchased after 2005 are carried forward at their acquisition cost less accumulated amortization.

They are initially recognised at acquisition cost and amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being recognized for on a prospective basis.

Intangible assets acquired are amortised on a straight-line basis over their estimated useful lives. The estimated useful life of intangible assets are vary over 3-20 years.

Impairment of assets

Assets with an indefinite useful life, such as goodwill, are not subject to amortization. An impairment test is applied to these assets each year. For assets subject to amortization, impairment test is applied if the book value cannot be recovered. An impairment loss is recognized if the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell or value in use. Non-financial assets except goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Foreign currency translation

Foreign currency transactions are translated into Turkish Lira using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Turkish Lira using the exchange rates at the consolidated balance sheet date. Foreign exchange gains and losses resulting from trading activities (trade receivables and payables) denominated in foreign currencies of the Group have been accounted for under “other operating income/(expenses)”.

The consolidated financial statements are presented in TL, which is Suwen Tekstil’s functional and presentation currency. Transactions in currencies other than functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. Foreign currency indexed monetary assets and liabilities are recorded at the rates of exchange prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated to functional currency as Turkish Lira using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Currency translation differences recognized as profit or loss in the period which they incurred.

The exchange rates at the end of the annual reporting periods are as follows:

	31.12.2023	31.12.2023	31.12.2022	31.12.2022
	Purchase	Sale	Purchase	Sale
EUR/TL	32.5511	32.6815	19.9209	20.0007
USD/TL	29.4176	29.5355	18.6852	18.7601
GBP/TL	37.4155	37.6934	22.4735	22.6404

Earnings per share

Earnings per share disclosed in the income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported.

Events after the reporting period

Events after the reporting period are those events, which occur between the balance sheet date and the date when the financial statements are authorized for issue.

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Contingent liabilities are consistently reviewed prior to the probability of any cash out-flow. In case of the cash outflow is probable, provision is allocated in the financial statements of the year the probability of contingent liability accounts is changed. A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made for the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

Taxes on income

Income tax expense (or income) is the sum of the current tax expense and the deferred tax expense (or income).

Current tax

Current year tax liability is calculated over the taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that cannot be taxed or deducted. The Group's liability for current tax is calculated using legal statutory tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax assets and liabilities are determined by calculating the temporary differences between the amounts shown in the financial statements and the amounts considered in the statutory tax base in accordance with the balance sheet method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liability or asset is not calculated in respect of temporary timing differences arising from the initial recognition of assets or liabilities other than goodwill or business combinations and which do not affect both commercial and financial profit /loss.

Deferred tax liabilities are calculated for all taxable temporary differences related to the investments in subsidiaries and associates and shares in joint ventures, except in cases where the Group is able to control the discontinuation of temporary differences and in the near future it is unlikely that such difference will be eliminated. Deferred tax assets resulting from taxable temporary differences related to such investments and shares are calculated on the condition that it is highly probable that future taxable profit will be available and that it is probable that future differences will be eliminated.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that financial profit will be available to allow the benefit of some or that entire amount.

Deferred tax assets and liabilities are calculated over the tax rates that are expected to be valid in the period when the assets are realized or the liabilities are fulfilled and legalized or substantially legalized as of the balance sheet date (tax regulations). During the calculation of deferred tax assets and liabilities, the tax consequences of the methods that the Group expects to recover or settle the carrying amount of the assets as of the balance sheet date are taken into consideration

Deferred tax assets and liabilities are recognized when there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with the income tax collected by the same tax authority, or if the Group intends to pay off the current tax assets and liabilities.

Current and deferred tax for the period

The deferred tax, other than those directly attributable to debt or liability recognized in equity (in which case deferred tax is recognized directly in equity) or deferred tax, other than those arising from initial recognition of business combinations, is recognized as income or expense in the income statement. In business combinations, the tax effect is taken into consideration in the calculation of goodwill or in determining the part of the purchaser that exceeds the acquisition cost of the share of the acquiree's identifiable assets, liabilities and contingent liabilities in the fair value.

The taxes included in the consolidated financial statements include current period tax and the change in deferred taxes. The Group calculates current and deferred tax on the results for the period.

Offsetting in tax assets and liabilities

The amount of corporate tax payable is netted because it is related to prepaid corporate tax amounts. Deferred tax assets and liabilities are also offset in the same way.

Provision for employment termination benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections. TAS 19

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

“Employee Benefits” requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity’s obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/(losses) and recognised under consolidated statement of other comprehensive income. These estimates are reviewed at each balance sheet date and revised if deemed necessary.

Statement of cash flow

Cash and cash equivalents are carried at cost in the consolidated statement of financial position. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements. Cash flows from operating activities represent the cash flows generated from the Group’s activities such as cash on hand, bank deposits and liquid investments.

Cash flows from investing activities represent the cash flows that are used in or provided from the investing activities of the Group (property, plant and equipment, intangible assets and financial assets).

Cash flows from financing activities represent the cash proceeds from the financing activities of the Group and the repayments of these funds.

2.10. New and Revised Turkish Financial Reporting Standards

The new standards, amendments, and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as of 31 December 2023 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards (“TFRS/TAS”) and interpretations effective as of 1 January 2023 and thereafter. The effects of these standards and interpretations on the Group’s financial position and performance have been disclosed in the related paragraphs.

The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective as of 31 December 2023 are as follows:

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On 15 January 2021, the POA issued amendments to TAS 1 “Presentation of Financial Statements”. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”. Early application is permitted.

The Group is in the process of assessing the material influence of the amendments on financial position or performance of the Group.

Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the commencement of the effective date. Earlier application is permitted. The amendments did not have a significant material influence on the financial position or performance of the Group.

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

In August 2021, POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized. The amendments did not have a significant material influence on the financial position or performance of the Group.

Amendments to TAS 12 - International Tax Reform – Pillar Two Model Rules

In September 2023, POA issued amendments to TAS 12, which introduce a mandatory exception in TAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes. This amendment introduces a temporary exception to the accounting for deferred tax assets and liabilities related to Pillar Two income taxes. However, certain disclosure requirements are not required to be applied for any interim period ending on or before 31 December 2023. The amendments did not have a significant material influence on the financial position or performance of the Group.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

Amendment to TAS 1 – Non-current liabilities with covenants

The standard is 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. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements

The standard is effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's ("International Accounting Standards Board") response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

Amendment to TFRS 16 – Leases on sale and leaseback

The standard is effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 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.

TFRS S1, 'General requirements for disclosure of sustainability-related financial information

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

TFRS 2 Climate-related Disclosures

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

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 3 – BUSINESS COMBINATIONS

As of 31 December 2023 and 2022, the Group has no business combinations subject to common control and relevant transactions.

NOTE 4 – DISCLOSURE OF INTERESTS IN OTHER ENTITIES

Suwen Tekstil has no interests in subsidiaries, joint arrangements, associates and unconsolidated “structured entities”.

NOTE 5 – OPERATING SEGMENTS

As of 31 December 2023 and 2022, the Group has no reportable segments considered under operating segments.

NOTE 6 – CASH AND CASH EQUIVALENTS

As of 31 December 2023 and 2022, the functional breakdown of cash and cash equivalents is as follows:

	31.12.2023	31.12.2022
Cash on hand	1.147.833	679.156
Banks	168.923.938	195.513.513
- Time deposit (up to 3 months)	116.083.343	145.017.107
- Demand deposit	52.840.595	50.496.406
Other cash and cash equivalents (*)	13.894.634	9.413.436
Total	183.966.405	205.606.105
Interest accruals	(1.450.208)	(953.785)
Cash and cash equivalents, net	182.516.197	204.652.320

As of 31 December 2023 and 2022, the Group has no blocked deposits.

(*) Includes credit card (“POS”) receivables up to 3 months

The details of time deposits are as follows (not includes interest accruals):

Time deposits

Currency	Annual effective interest rate (%)	Effective maturity	31.12.2023
TL	32.00-46.00%	0-1 month	114.633.135
Total			114.633.135

Time deposits

Currency	Annual effective interest rate (%)	Effective maturity	31.12.2022
TL	8.25 – 25.50%	0-1 month	144.063.322
Total			144.063.322

NOTE 7 – FINANCIAL INVESTMENTS

As of 31 December 2023 and 2022, the Group has no short and long-term financial investments.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES

As of 31 December 2023 and 2022, the details of current liabilities are as follows:

	31.12.2023	31.12.2022
Short-term borrowings	31.102.872	32.598.544
Lease liabilities (IFRS 16)	130.008.719	110.386.470
Short-term portion of long-term borrowings	20.912.246	43.473.118
Other	252.009	944.529
Total short-term borrowings, net	182.275.846	187.402.661

	31.12.2023	31.12.2022
Long-term borrowings	10.003.239	4.045.262
Lease liabilities (IFRS 16)	155.638.215	120.476.128
Total long-term borrowings, net	165.641.454	124.521.390

As of 31 December 2023 and 2022, the repayment schedule of borrowings is as follows:

	31.12.2023	31.12.2022
0-3 months	31.354.881	18.817.619
4-12 months	20.912.246	58.198.573
1-5 years	10.003.239	4.045.262
Total	62.270.366	81.061.454

As of 31 December 2023 and 2022, annual effective interest rates of borrowings in terms of currencies are as follows:

Currency	Annual effective interest rate (%)	31 December 2023		
		Short-term	Long-term	Total
TL	22.29%	52.267.126	10.003.239	62.270.366
		52.267.126	10.003.239	62.270.366

Currency	Annual effective interest rate (%)	31 December 2022		
		Short-term	Long-term	Total
TL	15.95%	77.016.191	4.045.262	81.061.454
		77.016.191	4.045.262	81.061.454

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 8 - FINANCIAL LIABILITIES (continued)

The breakdown and movement of cash and non-cash changes regarding the liabilities arising from financing activities are as follows:

	31.12.2023	31.12.2022
Beginning of the period – 1 January	81.061.454	166.950.069
Cash inflows from borrowings	131.558.301	163.728.636
Principal and interest payments	(117.928.691)	(184.719.066)
Interest accruals	(48.264)	420.131
Unrealised foreign exchange gains/(losses)	-	-
Monetary gains/(losses)	(32.372.434)	(65.318.316)
End of the period – 31 December	62.270.366	81.061.454

The movement of short and long-term lease liabilities is as follows:

	31.12.2023	31.12.2022
Beginning of the period – 1 January	230.862.597	217.556.227
Payments during the period (-)	(147.920.445)	(115.089.888)
Discounts	-	-
Additions	344.664.503	227.635.295
Disposals (-)	(4.308.767)	(31.456.167)
Changes in assumptions and estimates	-	-
Interest expenses (-)	(30.293.549)	20.027.654
Foreign exchange losses (-)	235.068	-
Monetary gains/(losses)	(107.592.473)	(87.810.524)
End of the period – 31 December	285.646.934	230.862.597

NOTE 9 – OTHER FINANCIAL LIABILITIES

None.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

As of 31 December 2023 and 2022, the functional breakdown of short-term trade receivables is as follows:

Trade receivables	31.12.2023	31.12.2022
Trade receivables	33.180.646	21.077.506
Cheques and notes received	4.593.252	7.909.796
Doubtful trade receivables	451.455	743.876
Provision for doubtful trade receivables (-)	(451.455)	(743.876)
Due from related parties (Note 36)	4.907.682	24.728.670
Short-term trade receivables, net	42.681.580	53.715.972

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Movements of provision for doubtful trade receivables are as follows:

	01.01 - 31.12.2023	01.01 - 31.12.2022
Beginning of the period – 1 January	743.876	743.876
Additions	-	-
Monetary gains/(losses)	(292.422)	-
End of the period – 31 December	451.454	743.876

As of 31 December 2023 and 2022, the Group has no long-term trade receivables.

As of 31 December 2023 and 2022, the functional breakdown of short-term trade payables is as follows:

Trade payables	31.12.2023	31.12.2022
Trade payables	40.549.929	24.517.728
Due to related parties (Note 36)	14.383.075	18.822.834
Notes payable	18.507.078	22.157.001
Notes payable due to related parties (Note 36)	59.406.238	191.555.449
Short-term trade payables, net	132.846.320	257.053.012

Libor interest rates were applied as the annual effective interest rate in the calculation of discount. (31 December 2023 and 2022: 43.63% and 14.93%, respectively).

As of 31 December 2023 and 2022, the Group has no long-term trade payables.

NOTE 11 – OTHER RECEIVABLES AND PAYABLES

As of 31 December 2023 and 2022, the detailed analysis of short-term other receivables is as follows:

Short-term other receivables	31.12.2023	31.12.2022
Receivables from tax office	379.846	525.698
Short-term other receivables, net	379.846	525.698

As of 31 December 2023 and 2022, the detailed analysis of long-term other receivables is as follows:

Long-term other receivables	31.12.2023	31.12.2022
Deposits and guarantees given	4.582.916	4.318.647
Long-term other receivables, net	4.582.916	4.318.647

As of 31 December 2023 and 2022, the detailed analysis of short-term other payables is as follows:

Short-term other payables	31.12.2023	31.12.2022
Deposits and guarantees received	817.037	-
Short-term other payables, net	817.037	-

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2023 and 2022, the detailed analysis of long-term other payables is as follows:

	31.12.2023	31.12.2022
Long-term other payables		
Deposits and guarantees received (*)	3.306.941	-
Long-term other payables, net	3.306.941	-

(*) Represents guarantees received for international distribution and foreign sales dealer agreements

NOTE 12 – DERIVATIVE INSTRUMENTS

None.

NOTE 13 – INVENTORIES

As of 31 December 2023 and 2022, the breakdown of inventories is as follows:

	31.12.2023	31.12.2022
Merchandise	493.208.621	536.864.735
Other inventories (*)	8.910.701	4.034.784
Provision for impairment on inventories (-)	(3.937.384)	(4.363.175)
Total	498.181.938	536.536.344

(*) Includes materials such as hangers and mannequins

The movement of provision for impairment on inventories is as follows:

	01.01 - 31.12.2023	01.01 - 31.12.2022
Beginning of the period – 1 January	4.363.175	5.099.327
Additions	1.660.632	1.258.934
Reversals	(2.086.423)	(1.995.086)
End of the period – 31 December	3.937.384	4.363.175

NOTE 14 - PREPAID EXPENSES AND DEFERRED INCOME

As of 31 December 2023 and 2022, the breakdown of short-term prepaid expenses is as follows:

	31.12.2023	31.12.2022
Short-term prepaid expenses		
Advances given	46.737.118	20.465.727
Advances given to related parties	5.008.802	-
Short-term prepaid expenses	12.471.488	11.393.848
Short-term prepaid expenses, net	64.217.408	31.859.575

As of 31 December 2023 and 2022, the Group has no long-term prepaid expenses.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2023 and 2022, the breakdown of short-term deferred income is as follows:

Short-term deferred income	31.12.2023	31.12.2022
Advances received	2.418.253	1.644.423
Short-term deferred income (*)	6.662.793	-
Short-term deferred income, net	9.081.046	1.644.423

As of 31 December 2023 and 2022, the breakdown of long-term deferred income is as follows:

Long-term deferred income	31.12.2023	31.12.2022
Long-term deferred income (*)	6.817.921	-
Long-term deferred income, net	6.817.921	-

(*) Represents bank promotions and premiums.

NOTE 15 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

None.

NOTE 16 – INVESTMENT PROPERTIES

None.

NOTE 17 – PROPERTY, PLANT AND EQUIPMENT

As of 31 December 2023 and 2022, the movements for property, plant and equipment, and related depreciation are as follows:

31.12.2023

	Opening balance – 1 January 2023	Additions	Disposals (-)	Currency translation differences	Closing balance – 31 December 2023
Cost					
Plant, machinery and equipment	841.757	102.396	-	-	944.153
Motor vehicles	15.769.495	38.832.931	(16.225.778)	-	38.376.648
Furniture and fixtures	36.811.708	10.949.336	(1.342.244)	-	46.418.800
Leasehold improvements	211.761.546	81.114.720	(1.140.732)	(2.841.325)	288.894.209
Total	265.184.506	130.999.383	(18.708.754)	(2.841.325)	374.633.810
Accumulated depreciation (-)					
Plant, machinery and equipment	(607.935)	(45.692)	-	-	(653.627)
Motor vehicles	(669.080)	(4.448.072)	920.772	-	(4.196.380)
Furniture and fixtures	(20.771.408)	(6.162.777)	208.661	-	(26.725.524)
Leasehold improvements	(99.252.956)	(43.223.942)	1.140.732	(487.006)	(141.823.172)
Total	(121.301.379)	(53.880.483)	2.270.165	(487.006)	(173.398.703)
Net book value	143.883.127				201.235.107

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

31.12.2022

	Opening balance – 1 January 2022	Additions	Disposals (-)	Currency translation differences	Closing balance – 31 December 2022
Cost					
Plant, machinery and equipment	841.757	-	-	-	841.757
Motor vehicles	11.835.499	34.627.792	(30.693.796)	-	15.769.495
Furniture and fixtures	27.691.224	9.473.080	(352.596)	-	36.811.708
Leasehold improvements	154.421.116	57.738.668	(1.104.990)	706.752	211.761.546
Total	194.789.596	101.839.540	(32.151.382)	706.752	265.184.506
Accumulated depreciation (-)					
Plant, machinery and equipment	(543.001)	(64.934)	-	-	(607.935)
Motor vehicles	(568.402)	(2.935.457)	2.834.779	-	(669.080)
Furniture and fixtures	(16.399.344)	(4.663.728)	291.664	-	(20.771.408)
Leasehold improvements	(66.747.322)	(32.833.583)	507.742	(179.793)	(99.252.956)
Total	(84.258.069)	(40.497.702)	3.634.185	(179.793)	(121.301.379)
Net book value	110.531.527				143.883.127

As of 31 December 2023, the Group has no pledges, mortgages and restrictions on property, plant and equipment.

As of 31 December 2023, total insurance coverage on property, plant and equipment is amounting to TL 1.039.239.915 (31 December 2022: TL 718.598.934).

NOTE 18 – RIGHT OF USE ASSETS

As of 31 December 2023 and 2022, the movements for right of use assets, and related depreciation are as follows:

31.12.2023

	Opening balance – 1 January 2023	Additions	Disposals (-)	Currency translation differences	Closing balance – 31 December 2023
Right of use assets	805.354.017	344.664.503	(63.870.556)	(13.583.062)	1.072.564.902
Depreciation and amortisation charges	(472.942.057)	(235.348.437)	59.561.789	3.018.245	(645.710.460)
Net book value	332.411.960				426.854.442

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

31.12.2022

	Opening balance – 1 January 2022	Additions	Disposals (-)	Currency translation differences	Closing balance – 31 December 2022
Right of use assets	609.174.887	227.635.295	(31.456.165)	-	805.354.017
Depreciation and amortisation charges	(311.244.780)	(189.172.244)	27.474.967	-	(472.942.057)
Net book value	297.930.107				332.411.960

NOTE 19 – INTANGIBLE ASSETS

As of 31 December 2023 and 2022, the movements for other intangible assets, and related depreciation are as follows:

31.12.2023

	Opening balance – 1 January 2023	Additions	Disposals (-)	Closing balance – 31 December 2023
Cost				
Rights	27.348.505	25.504.630	(1.397.264)	51.455.871
Total	27.348.505	25.504.630	(1.397.264)	51.455.871
Accumulated depreciation (-)				
Rights	(12.354.314)	(12.012.740)	776.252	(23.590.802)
Total	(12.354.314)	(12.012.740)	776.252	(23.590.802)
Net book value	14.994.191			27.865.069

31.12.2022

	Opening balance – 1 January 2022	Additions	Disposals (-)	Closing balance – 31 December 2022
Cost				
Rights	16.172.210	11.176.295	-	27.348.505
Total	16.172.210	11.176.295	-	27.348.505
Accumulated depreciation (-)				
Rights	(7.207.349)	(5.146.965)	-	(12.354.314)
Total	(7.207.349)	(5.146.965)	-	(12.354.314)
Net book value	8.964.861			14.994.191

Goodwill

None.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 20 – EMPLOYEE BENEFITS

As of 31 December 2023 and 2022, the breakdown of employee benefits is as follows:

	31.12.2023	31.12.2022
Due to employees	26.176.968	17.340.045
Social security premiums payable	18.587.717	11.593.303
Total	44.764.685	28.933.348

NOTE 21 – SHORT-TERM PROVISIONS

As of 31 December 2023 and 2022, the functional breakdown and detailed analysis of short-term provisions, contingent liabilities and contingent assets are as follows:

Short-term provisions	31.12.2023	31.12.2022
Provision for unused vacation	3.444.391	4.061.089
Short-term employee benefits	-	1.949.954
Other short-term provisions	3.510.771	5.230.082
Short-term provisions, net	6.955.162	11.241.125

The movement of provision for unused vacation is as follows:

	01.01 - 31.12.2023	01.01 - 31.12.2022
Beginning of the period – 1 January	4.061.089	3.588.307
Additions	979.731	1.876.689
Monetary gains/(losses)	(1.596.429)	(1.403.907)
End of the period – 31 December	3.444.391	4.061.089

Other short-term provisions	31.12.2023	31.12.2022
Provision for lawsuits (*)	750.066	1.541.754
Provision for price revision	1.670.344	2.837.442
Provision for sales returns	1.090.361	850.886
Other short-term provisions, net	3.510.771	5.230.082

(*) Mainly comprise of employment-related and workplace lawsuits filed against the Group

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The movement of other short-term provisions is as follows:

Other short-term provisions	Provision for lawsuits (*)	Provision for price revision	Provision for sales returns	Total
Beginning of the period	1.541.754	2.837.442	850.886	5.230.082
Additions	-	2.785.754	1.424.848	4.210.602
Reversals (-)	(231.803)	(2.837.442)	(850.886)	(3.920.131)
Monetary gains/(losses)	(559.885)	(1.115.410)	(334.487)	(2.009.782)
End of the period – 31 December 2023	750.066	1.670.344	1.090.361	3.510.771

Other short-term provisions	Provision for lawsuits (*)	Provision for price revision	Provision for sales returns	Total
Beginning of the period	766.894	3.664.696	507.591	4.939.181
Additions	1.074.903	4.271.235	1.049.478	6.395.616
Reversals (-)	-	(3.664.696)	(507.591)	(4.172.287)
Monetary gains/(losses)	(300.043)	(1.433.793)	(198.592)	(1.932.428)
End of the period – 31 December 2022	1.541.754	2.837.442	850.886	5.230.082

i) Commitments, mortgages and guarantees not included in the liability

As of 31 December 2023 and 2022, the details of guarantees are as follows:

	Currency	31 December 2023		31 December 2022	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
Letter of guarantee	TL	950.000	950.000	1.295.115	1.295.115
Letter of guarantee	USD	100.000	2.953.550	-	-
Letter of guarantee	EUR	120.000	3.921.780	-	-
Guarantees received, net			7.825.330		1.295.115

ii) Total mortgages and guarantees on assets

None.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

iii) Commitments, mortgages and guarantees not included in the liability

As of 31 December 2023 and 2022, the breakdown of collateral/pledge/mortgage (“CPM”) position of the Group is as follows:

	31 December 2023			31 December 2022	
	Currency	Original currency amount	TL equivalent	Original currency amount	TL equivalent
A. Total amount of CPM’s given in the name of its own legal personality				87.110.895	87.110.895
	TL	71.159.876	71.159.876		
	USD	218.000	5.987.828	175.000	3.283.018
	EUR	52.286	1.522.903	88.772	1.775.504
Total			78.670.607		92.169.417

NOTE 22 – COMMITMENTS

None.

NOTE 23 – LONG-TERM PROVISIONS

As of 31 December 2023 and 2022, long-term provisions of Suwen Tekstil is as follows:

Provision for employment termination benefits

Long-term provisions	31.12.2023	31.12.2022
Provision for employment termination benefits	4.234.393	2.235.038
Total	4.234.393	2.235.038

Under Turkish Labour Law, Suwen Tekstil and its subsidiaries incorporated in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). As of 31 December 2023, the amount payable consists of one month’s salary limited to a maximum of TL 35.058,58 (31 December 2022: TL 19.982,83) for each year of service.

The liability is not funded as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. TAS 19 (“Employee Benefits”) requires actuarial valuation methods to be developed to estimate the entity’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of total liabilities:

The principal assumption is that the maximum liability for each year of service increases in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for future inflation effects.

As of 31 December 2023, the provisions in the accompanying consolidated financial statements are calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. As of 31 December 2023, the provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 22% and an interest rate of 25%, resulting in a discount rate of 2.46% (31 December 2022: 3.28%).

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The movements of provision for employment termination benefits are as follows:

	01.01 - 31.12.2023	01.01 - 31.12.2022
Beginning of the period – 1 January	2.235.038	2.821.383
Service cost	1.036.299	501.458
Interest cost	357.156	320.332
Actuarial losses	2.465.902	1.230.806
Loss on remeasurements of defined benefit plans	4.410.003	3.002.691
Payments during the period (-)	(4.675.320)	(3.773.477)
Monetary gains/(losses)	(1.594.685)	(1.868.155)
End of the period – 31 December	4.234.393	2.235.038

NOTE 24 – TAX ASSETS AND LIABILITIES

As of 31 December 2023 and 2022, the breakdown of current income tax assets is as follows:

	31.12.2023	31.12.2022
Prepaid taxes	-	205.378
Current income tax assets, net	-	205.378

As of 31 December 2023 and 2022, the Group has no current income tax liabilities.

NOTE 25 – OTHER ASSETS AND LIABILITIES

As of 31 December 2023 and 2022, the breakdown of other current assets is as follows:

Other current assets	31.12.2023	31.12.2022
Deferred VAT	7.515.501	18.311.677
Other VAT	-	52.818
Advances given to employees	517.466	187.965
Income from incentives	6.652.287	1.205.413
Other current assets, net	14.685.254	19.757.873

As of 31 December 2023 and 2022, the breakdown of other current liabilities is as follows:

Other current liabilities	31.12.2023	31.12.2022
Taxes, duties and charges	11.468.077	5.709.665
Expense accruals	626.329	27.860
Other	2.919.303	18.914
Other current liabilities, net	15.013.709	5.756.439

As of 31 December 2023 and 2022, the Group has no other non-current liabilities.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 26 – EQUITY

As of 31 December 2023 and 2022, the principal shareholders and their respective shareholding rates in Suwen Tekstil are as follows:

Shareholders	31.12.2023		31.12.2022	
	Amount	Share (%)	Amount	Share (%)
Intilux SARL	31.675.000	14.14%	10.343.750	18.47%
Biröl Sümer	33.034.156	14.75%	11.531.248	20.59%
Ali Bolluk	23.241.664	10.38%	9.125.000	16.29%
Çiğdem Ferda Arslan	8.113.048	3.62%	2.000.002	3.57%
Özcan Sümer	13.942.794	6.22%	-	
Other	113.993.338	50.89%	23.000.000	41.07%
Total share capital	224.000.000	100.00%	56.000.000	100.00%

The Group increased its current issued share capital from TL 56.000.000 to TL 224.000.000 by increasing TL 168.000.000. The relevant capital increase is under registered capital ceiling amounting to TL 300.000.000. In addition, the capital amount of TL 56.000.000 will be paid within the equity of the Group. The aforementioned decision was published in Official Gazette on 26 July 2023 and numbered 10879.

i) Capital reserves

None.

ii) Restricted reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted. The details of the restricted reserves are as follows:

	31.12.2023	31.12.2022
Legal reserves	21.502.011	4.340.514
Treasury shares (*)	5.494.410	-
Total	26.996.421	4.340.514

(*) In accordance with the regulations issued by Turkish Commercial Code ("TCC") and the Capital Markets Board ("CMB"), a reserve in an amount for the acquisition cost is allocated for the treasury shares in the accompanying consolidated financial statements. Accordingly, with the consideration of the restricted reserves in the consolidated financial statements, a reserve amounting to TL 5.494.410 including transaction costs has been allocated for the treasury shares.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

iii) Retained earnings

As of 31 December 2023 and 2022, the breakdown of retained earnings which includes other retained earnings is as follows:

	31.12.2023	31.12.2022
Retained earnings	148.746.013	108.001.981
Total	148.746.013	108.001.981

iv) Treasury shares

As the Group repurchase their own equity instruments, these instruments are accounted for as “treasury shares” and deducted from equity. Gain or loss is not recognized in the consolidated statement of profit or loss due to the purchase, sale, issue or cancellation of the equity instruments of the Group and the amounts received or paid for these transactions including tax effect are recognized directly in equity. The Group has treasury shares amounting to TL 5.494.410

As of 31 December 2023 and 2022, the breakdown of treasury shares is as follows:

	31.12.2023	31.12.2022
Treasury shares	(5.494.410)	-
Total	(5.494.410)	-

v) Share premium

As of 31 December 2023 and 2022, the breakdown of share premium is as follows:

	31.12.2023	31.12.2022
Share premium	97.199.455	182.639.665
Total	97.199.455	182.639.665

Expenses incurred during the initial public offering have been deducted from the share premiums.

vi) Other comprehensive income or expenses to be reclassified to profit or loss

As of 31 December 2023 and 2022, the detailed table of other comprehensive income or expenses to be reclassified to the consolidated statement of profit or loss recognised under equity is as follows:

	31.12.2023	31.12.2022
Currency translation differences	(7.810.301)	80.228
Total	(7.810.301)	80.228

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

vii) Other comprehensive income or expenses not to be reclassified to profit or loss

As of 31 December 2023 and 2022, the detailed table of other comprehensive income or expenses not to be reclassified to the consolidated statement of profit or loss recognised under equity is as follows:

	31.12.2023	31.12.2022
Gains/(losses) on remeasurements of defined benefit plans	(2.883.390)	(984.645)
Total	(2.883.390)	(984.645)

As of 31 December 2023, the comparison of the relevant equity items presented as inflation-adjusted in the consolidated financial statements with the inflation-adjusted amounts in the financial statements prepared in accordance with the tax procedure law is as follows:

31 December 2023 (in accordance with TFRS)	Nominal amount	Adjustments for inflation	Indexed amounts
Share capital	224.000.000	156.700.889	380.700.889
Legal reserves	14.996.779	11.999.642	26.996.421

31 December 2023 (in accordance with TPL)	Nominal amount	Adjustments for inflation	Indexed amounts
Share capital	224.000.000	178.707.722	402.707.722
Legal reserves	14.996.779	6.702.369	21.699.148

NOTE 27 – REVENUE AND COST OF SALES

As of 31 December 2023 and 2022, the functional breakdown of revenue and cost of sales is as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Domestic sales	2.533.946.001	1.786.454.485
Foreign sales	72.899.273	34.448.599
Sales returns (-)	(62.676.625)	(33.010.087)
Other discounts (-)	(40.634.550)	(30.834.753)
Total	2.503.534.099	1.757.058.244

	01.01.- 31.12.2023	01.01.- 31.12.2022
Cost of merchandise sold	(1.205.933.451)	(828.701.373)
Total	(1.205.933.451)	(828.701.373)

As of 31 December 2023, the Group has gross profit amounting to TL 1.297.600.648 (31 December 2022: TL 928.356.870).

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The breakdown of channels for the sales of the Group is as follows:

Account Name	01.01.- 31.12.2023	01.01.- 31.12.2022
Retail Sales	2.162.306.847	1.549.566.252
E-Commerce Sales	296.999.573	171.681.852
Wholesales	25.035.780	16.627.916
Dealer Sales	19.191.899	19.182.223
Sales revenue, net	2.503.534.099	1.757.058.243

NOTE 28 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING SALES AND DISTRIBUTION EXPENSES

As of 31 December 2023 and 2022, the breakdown of operating expenses is as follows:

	01.01.- 31.12.2023	01.01. - 31.12.2022
Marketing, sales and distribution expenses (-)	(970.298.111)	(686.307.331)
General administrative expenses (-)	(82.372.425)	(63.917.773)
Total operating expenses (-)	(1.052.670.536)	(750.225.104)

NOTE 29 – EXPENSES BY NATURE

As of 31 December 2023 and 2022, the functional breakdown of marketing, sales and distribution expenses and general administrative expenses recognized in expenses by nature is as follows:

Marketing, sales and distribution expenses (-)	01.01.- 31.12.2023	01.01. - 31.12.2022
Personnel expenses	(404.458.820)	(257.764.267)
Depreciation and amortisation charges	(290.540.301)	(220.466.038)
Rent expenses	(84.581.080)	(49.762.547)
Advertisement and promotion expenses	(70.944.970)	(64.642.346)
Transportation and freight costs	(38.977.635)	(33.809.971)
Other	(33.892.089)	(20.043.456)
Insurance, maintenance and repair expenses	(19.960.005)	(13.287.600)
Stationery expenses	(19.536.862)	(19.029.815)
Consultancy expenses	(7.406.349)	(7.501.291)
Marketing, sales and distribution expenses, net (-)	(970.298.111)	(686.307.331)

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

General administrative expenses (-)	01.01.- 31.12.2023	01.01. - 31.12.2022
Personnel expenses	(57.021.186)	(39.930.401)
Depreciation and amortisation charges	(10.701.359)	(14.350.873)
Other	(7.202.432)	(5.252.406)
Consultancy expenses	(4.657.924)	(3.549.678)
Insurance, maintenance and repair expenses	(2.789.524)	(834.415)
General administrative expenses, net (-)	(82.372.425)	(63.917.773)
	01.01.- 31.12.2023	01.01.- 31.12.2022
Depreciation and amortisation charges		
Marketing, sales and distribution expenses (-)	(290.540.301)	(220.466.038)
General administrative expenses (-)	(10.701.359)	(14.350.873)
Depreciation and amortisation charges, net	(301.241.660)	(234.816.911)
	01.01.- 31.12.2023	01.01.- 31.12.2022
Personnel expenses		
Marketing, sales and distribution expenses (-)	(404.458.820)	(257.764.267)
General administrative expenses (-)	(57.021.186)	(39.930.401)
Personnel expenses, net	(461.480.006)	(297.694.668)

NOTE 30 – OTHER OPERATING INCOME/(EXPENSES)

As of 31 December 2023 and 2022, the functional breakdown of other operating income/(expenses) is as follows:

Other operating income	01.01.- 31.12.2023	01.01. - 31.12.2022
Foreign exchange gains	38.201.199	15.325.643
Interest income	14.077.126	6.325.662
Other	6.959.970	2.573.836
Income from incentives	6.729.721	1.555.652
Discount income	6.095.262	8.924.445
Income from insurance compensations and claims	1.853.260	-
Reversals of provisions	139.433	-
Other operating income, net	74.055.971	34.705.238

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	01.01.- 31.12.2023	01.01. - 31.12.2022
Other operating expenses (-)		
Interest expenses	(50.189.074)	(16.809.746)
Other	(4.584.377)	(3.132.647)
Delay and interest fees and charges	(17.112.406)	(7.722.433)
Foreign exchange losses	(6.969.222)	(6.698.306)
Discount expenses	(6.052.470)	(5.513.076)
Grants and donations (*)	(2.434.956)	-
Provision for lawsuits	-	(1.253.447)
Other operating expenses, net (-)	(87.342.505)	(41.129.655)

(*) Includes grants and donations realised to relevant institutions regarding the earthquake disaster that occurred on 6 February 2023

Fees for Services Received from Independent Auditor/Independent Audit Firms

The Group's disclosure regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	1 January- 31 December 2023	1 January - 31 December 2022
Audit fee for the reporting period	630.000	420.000
Tax consulting fee	430.079	175.000
Other service fee apart from audit	27.000	23.276
Total	1.087.079	618.276

NOTE 31 – GAINS/(LOSSES) FROM INVESTMENT ACTIVITIES

As of 31 December 2023 and 2022, the functional breakdown of gains from investment activities is as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Gains from investment activities		
Gain on sale of non-current assets	137.351	10.743.628
Gains from investment activities, net	137.351	10.743.628

As of 31 December 2023 and 2022, the Group has no losses from investment activities.

NOTE 32 – FINANCIAL INCOME/(EXPENSES)

As of 31 December 2023 and 2022, the functional breakdown of financial income/(expenses) is as follows:

	01.01.- 31.12.2023	01.01.- 31.12.2022
Financial income		
Foreign exchange gains	2.402.635	24.696.209
Interest income	24.776.609	9.343.465
Financial income, net	27.179.244	34.039.674

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	01.01.- 31.12.2023	01.01.- 31.12.2022
Financial expenses (-)		
Commission expenses	(66.586.121)	(32.237.588)
Expenses from finance leases	(31.201.079)	(20.027.654)
Interest expenses	(19.679.361)	(31.495.155)
Foreign exchange losses	(2.004.274)	(10.645.405)
Other	(235.068)	(751.786)
Financial expenses, net (-)	(119.705.903)	(95.157.588)

NOTE 33 – NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None.

NOTE 34 – INCOME TAXES

The Group's tax expense (or income) consists of current period corporate income tax expense and deferred tax expense or income and the breakdown and details of income taxes are as follows:

	31.12.2023	31.12.2022
Current period tax expense (-)	102.586.829	68.088.474
Earthquake tax	15.122.089	-
Prepaid taxes (-)	(96.856.833)	(49.928.945)
Total tax income/(expense) – Current income tax liability, net	20.852.085	18.159.529

i) Corporate tax

Advance tax in Turkey is calculated and accrued on a quarterly basis. Accordingly, the Group has been calculated tax in accordance with the 2023 and 2022 earnings in the first advance tax period, an advance tax rate of 23% and 21%, respectively was calculated on corporate earnings.

Entities whose shares representing at least 20% of the capital are offered to the public for the first time in the Borsa Istanbul Equity Market. The corporate tax rate to be applied to corporate earnings will be applied at a discount of two (2) points for five accounting periods, starting from the accounting period in which the shares are offered to the public for the first time. The tax rate applied in 2023 is 25% but the tax rate applied as 23% since the initial public offering of Suwen Tekstil was completed.

Law No. 7440 on Restructuring of Certain Receivables and Amendments to Certain laws ("Law No. 7440"), published in the Official Gazette dated 12 March 2023, introduced a one-time additional tax for certain corporate taxpayers that benefit from certain exemptions and deductions in the calculation of their corporate income tax base. The one-time additional tax applies under Article 10 of Law No. 7440, with the following corporate income tax calculation for 2022 considered as 10% on exemption and deduction amounts applied on the business income under the Corporate Income Tax Law (CITL) and other laws, and on the tax base within the reduced corporate tax rate under Article 32/A of the CITL, without being associated with the business income of the period. In addition, 5% on the income subject to the participation income exemption under Article 5/1-a of the CITL and on exempt income obtained from abroad and certified to bear a tax burden of at least 15%. In accordance with the aforementioned regulation and disclosures, the calculated additional tax amounts have been accrued in the consolidated financial statements and the current period tax expense is amounting to TL 10.573.051. The first installment of the tax payments regarding the relevant tax was realised in May 2023, and the second installment will be realised in August 2023.

According to Turkish Corporate Tax Law, losses can be carried forward to offset the future taxable income for a maximum period of 5 years. On the other hand, such losses cannot be carried back to offset prior years' profits. According to corporate tax law No. 5520 and article numbered 24, the corporate tax is imposed by the taxpayer's tax returns. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their corporate tax returns between 1-25 April following the close of the accounting year. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2023, the domestic corporate tax rate applied in Romania is 16%. However, the corporate tax rate to be applied due to the grants incentives the Group has benefited from in Romania is 1%.

ii) *Deferred tax*

Suwen Tekstil and its subsidiaries, recognise deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with TFRS and the Turkish tax legislations. These differences usually due to the recognition of revenue and expense items in different reporting periods for the TFRS and tax purposes, the differences explained as below. Temporary differences are result of recognizing certain income and expense items differently for accounting and tax purposes. Temporary differences are calculated off of the property, plant and equipment (except land), intangible assets, inventories, the revaluation of prepaid expenses, discount of receivables, provision for employment termination benefits, and prior years' losses. Every accounting year, the Group reviews the deferred tax asset and in circumstances, where the deferred tax assets cannot be used against the future taxable income, the Group writes-off the recognized deferred tax asset.

The breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	Cumulative	Cumulative	Deferred tax	Deferred tax
	temporary	temporary	assets	assets
	differences	differences	/(liabilities)	/(liabilities)
Provision for employment termination benefits (long-term)	(4.234.393)	(2.235.038)	973.910	447.008
Provision for employment termination benefits (short-term)	-	(1.949.954)	-	350.992
Provision for unused vacation	(3.444.391)	(10.546.977)	792.210	1.768.738
Right of use assets	111.995.431	96.146.412	(25.977.867)	(17.306.354)
Trade and other receivables	(1.157.105)	(771.309)	266.134	138.836
Provision for doubtful receivables	(322.665)	(531.665)	-	-
Provision for sales returns	(821.288)	(850.886)	188.896	153.159
Trade payables	4.617.288	7.232.411	(1.302.263)	(1.295.620)
Inventories	36.882.393	28.939.559	(8.483.372)	(5.209.121)
Property, plant and equipment and intangible assets	43.035.524	(7.219.155)	(9.898.171)	1.299.448
Borrowings	(1.618.524)	(549.609)	372.261	98.930
Provision for lawsuits	(750.066)	(1.541.754)	172.515	277.516
Provision for price revisions	(1.670.344)	(2.837.442)	384.179	510.740
Other	2.134.888	(242.499)	(513.673)	22.825
Deferred tax assets, net			(43.025.241)	(18.742.903)

Movements in deferred tax assets/(liabilities) are as follows:

	01.01 –	01.01 –
	31.12.2023	31.12.2022
Beginning of the period - 1 January	(18.742.903)	(24.252.460)
Defined benefit plans, deferred tax effect	567.157	246.161
Deferred income tax expense during the period	(24.849.495)	5.263.396
End of the period – 31 December	(43.025.241)	(18.742.903)

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 35 - EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Accordingly, the weighted average number of shares used in earnings per share calculation as of 31 December 2023 and 2022, which is as follows:

Earnings per share	01.01.- 31.12.2023	01.01. – 31.12.2022
Profit for the period	191.563.447	224.228.568
Profit attributable to equity holders of the parent	191.563.447	224.228.568
Weighted average number of shares with nominal value of TL 1 each	95.675.277	174.695.652
Earnings per share (TL)	2.002	1.284

NOTE 36 - RELATED PARTY DISCLOSURES

a) Related party balances due from related parties are as follows:

Trade receivables due from related parties (short-term)	31.12.2023	31.12.2022
Eko Tekstil San. ve Tic A.Ş.	4.907.682	24.728.670
Total	4.907.682	24.728.670
Trade payables due to related parties (short-term)	31.12.2023	31.12.2022
Latte Tekstil Sanayi ve Ticaret A.Ş.	24.024.524	12.424.970
Livadi Tekstil İth. İhr. Tic. A.Ş.	1.144.823	5.510.980
Eko Tekstil San. ve Tic. A.Ş.	8.097.366	131.024.216
Elmas Çamaşır İth. İhr. Tic. A.Ş.	25.576.572	33.376.726
Moni Tekstil Sanayi Ticaret A.Ş.	8.988.975	15.825.629
Aseyya Tekstil	5.940.346	12.215.762
Netcad Yazılım A.Ş.	16.707	-
Total	73.789.313	210.378.283

b) Related party transactions are as follows:

As of 31 December 2023 and 2022, the details of purchases from related parties are as follows:

Purchases

01.01 - 31.12.2023

Related parties	Goods	Financial transactions	Other	Services	Total
Eko Tekstil San. Ve Tic A.Ş.	428.742.396	390.654	383.801	-	429.516.851
Elmas Çamaşır İth. İhr. Tic. A.Ş.	200.227.161	-	1.070.561	-	201.297.722
Latte Tekstil Sanayi ve Ticaret A.Ş.	188.710.490	-	2.411	-	188.712.901
Moni Tekstil Sanayi Ticaret A.Ş.	105.438.626	-	-	-	105.438.626
Aseyya Tekstil	50.851.450	-	1.128	-	50.852.578
Livadi Tekstil İth. İhr. Tic. A.Ş.	32.018.470	-	-	-	32.018.470
Total	1.005.988.593	390.654	1.457.901	-	1.007.837.148

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

01.01 - 31.12.2022					
Related parties	Goods	Financial transactions	Other	Services	Total
Eko Tekstil San. Ve Tic A.Ş.	429.615.721	16.387.819	441.974	-	446.445.514
Elmas Çamaşır İth. İhr. Tic. A.Ş.	202.006.015	-	38.327	6.368	202.050.710
Latte Tekstil Sanayi ve Ticaret A.Ş.	92.869.699	-	6.223	-	92.875.922
Moni Tekstil Sanayi Ticaret A.Ş.	92.097.423	-	6.222	-	92.103.645
Aseyya Tekstil	46.752.219	-	51.147	-	46.803.366
Livadi Tekstil İth. İhr. Tic. A.Ş.	53.340.998	259.855	-	-	53.600.853
Netcad Yazılım A.Ş.	-	-	127.110	-	127.110
Total	916.682.075	16.647.674	671.003	6.368	934.007.120

Sales

01.01 - 31.12.2023					
Related parties	Goods	Financial transactions	Other	Services	Total
Eko Tekstil San. Ve Tic A.Ş.	-	-	289.348	-	289.348
Netcad Yazılım A.Ş.	-	-	563.781	-	563.781
Total	-	-	853.129	-	853.129

01.01 - 31.12.2022					
Related parties	Goods	Financial transactions	Other	Services	Total
Eko Tekstil San. Ve Tic A.Ş.	7.743.491	-	-	2.099	7.745.590
Livadi Tekstil İth. İhr. Tic. A.Ş.	-	-	-	56.197	56.197
Moni Tekstil Sanayi Ticaret A.Ş.	-	-	-	24.959	24.959
Total	7.743.491	-	-	83.255	7.826.746

Key management compensation

Total key management compensation incurred by Suwen Tekstil in 2023 amounted to TL 16.260.070 (31 December 2022: TL 10.370.590).

NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group is exposed to variety of financial risks due to its operations. These risks include credit risk, price risk, foreign exchange risk, interest rate risk and liquidity risk. The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance. The Group also has financial instruments such as trade receivables and trade payables that arise directly from its operations.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The Group has financial instruments such as bank borrowings, cash on hand and short-term bank deposits which are applied on foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Group management manages these risks as follows. The Group also monitors the market risk that may arise from the use of financial instruments.

Foreign exchange risk

Foreign exchange risk arises from the fact that the Group has liabilities denominated in USD, EURO and GBP.

Foreign exchange transactions result in foreign exchange risk arising from foreign exchange denominated assets and liabilities into Turkish Lira. The Group's exposure to foreign exchange risk arises from its trade payables, purchases and sales denominated in foreign currencies. In order to minimize this risk, the Group monitors its financial position and cash inflows/outflows with detailed cash flow statements as of 31 December 2023 and 2022.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2023 and 2022, foreign exchange position of the Group is as follows:

	31 December 2023				31 December 2022			
	TL equivalent	EUR	USD	GBP	TL equivalent	EUR	USD	GBP
1. Trade Receivables	53.330.879	1.611.939	29.251	-	151.054	21	4.884	-
2a. Monetary Financial Assets	67.049.990	2.286	2.276.718	-	395.555	4.927	7.523	60
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	13.751.426	26.182	404.541	11.800
4. Total Current Assets (1+2+3)	120.380.869	1.614.225	2.305.969	-	14.298.036	31.130	416.948	11.860
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary financial assets	-	-	-	-	-	-	-	-
7. Other	1.243.085	1.000	41.150	-	-	-	-	-
8. Total Non-Current Assets (5+6+7)	1.243.085	1.000	41.150	-	-	-	-	-
9. Total Assets (4+8)	121.623.954	1.615.225	2.347.119	-	14.298.036	31.130	416.948	11.860
10. Trade Payables	1.238.203	28.418	-	8.210	719.061	9.503	3.222	8.210
11. Financial Liabilities	1.476.775	-	50.000	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	459.282	5	14.853	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	2.714.978	28.418	50.000	8.210	1.178.343	9.508	18.075	8.210
14. Trade Payables	3.306.939	56.000	50.000	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-	-	-
16b. Other Non- Monetary Liabilities	-	-	-	-	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	3.306.939	56.000	50.000	-	-	-	-	-
18. Total Liabilities (13+17)	6.021.917	84.418	100.000	8.210	1.178.343	9.508	18.075	8.210
19. Off-Balance Sheet Derivative Instruments Net Asset / (Liability) Position (19a-19b)	-	-	-	-	-	-	-	-
19a. Total Asset Amount of Hedged	-	-	-	-	-	-	-	-
19b. Total Liabilities Amount of Hedged	-	-	-	-	-	-	-	-
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	115.602.037	1.530.807	2.247.119	(8.210)	13.119.693	21.622	398.873	3.650
21. Monetary Items Net Foreign Exchange Asset / (Liabilities) Position (1+2a+3+5+6a-10-11-12a-14-15-16a)	-	-	-	-	-	-	-	-
22. Export	19.395.662	-	-	-	3.937.564	-	-	-
23. Import	41.714.453	-	-	-	28.620.517	-	-	-

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

The following table details the Group's foreign currency sensitivity as at 31 December 2023 and 2022 for the changes at the rate of 10%:

Exchange rate sensitivity analysis		
31 December 2023		
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD Net Asset/Liability	6.609.306	(6.609.306)
2- Hedged portion of USD Risk (-)	-	-
3- USD Net Effect (1+2)	6.609.306	(6.609.306)
Change in EUR against TL by 10%		
4- EUR Net Asset/Liability	4.981.844	(4.981.844)
5- Hedged portion of EUR Risk (-)	-	-
6- EUR Net Effect (4+5)	4.981.844	(4.981.844)
Change in GBP against TL by 10%		
7- GBP Net Asset/Liability	(30.946)	30.946
8- Hedged portion of GBP Risk (-)	-	-
9- GBP Net Effect (7+8)	(30.946)	30.946
Total (3+6+9)	11.560.204	(11.560.204)
Exchange rate sensitivity analysis		
31 December 2022		
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
Change in USD against TL by 10%		
1- USD Net Asset/Liability	745.167	(745.167)
2- Hedged portion of USD Risk (-)	-	-
3- USD Net Effect (1+2)	745.167	(745.167)
Change in EUR against TL by 10%		
4- EUR Net Asset/Liability	42.996	(42.996)
5- Hedged portion of EUR Risk (-)	-	-
6- EUR Net Effect (4+5)	42.996	(42.996)
Change in GBP against TL by 10%		
7- GBP Net Asset/Liability	8.066	(8.066)
8- Hedged portion of GBP Risk (-)	-	-
9- GBP Net Effect (7+8)	8.066	(8.066)
Total (3+6+9)	796.229	(796.229)

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. Total credit risk is presented in consolidated the statement of financial position.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Group seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. The Group also obtains security when appropriate. It is the Group's policy to enter into financial instruments with a diversity of creditworthy counterparties.

31 December 2023	Receivables				Bank deposits	Financial assets and derivative instruments	Other
	Trade receivables		Other receivables				
	Related party	Other	Related party	Other			
Maximum exposure to credit risk as of reporting date (A+B+C+D)	4.907.682	37.773.898	-	4.962.762	168.923.938	-	-
- Maximum risk secured with guarantees and collaterals	-	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	4.907.682	37.773.898	-	4.962.762	168.923.938	-	-
B. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
Past due (gross book value)	-	451.455	-	-	-	-	-
Impairment (-)	-	(451.455)	-	-	-	-	-
Secured with guarantees and collaterals	-	-	-	-	-	-	-
Not past due (gross book value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Secured with guarantees and collaterals	-	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-	-

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2022	Receivables				Bank deposits	Financial assets and derivative instruments	Other
	Trade receivables		Other receivables				
	Related party	Other	Related party	Other			
Maximum exposure to credit risk as of reporting date (A+B+C+D)	24.728.670	28.987.302	-	4.844.345	195.513.513	-	-
- Maximum risk secured with guarantees and collaterals	-	-	-	-	-	-	-
A. Net book value of neither past due nor impaired financial assets	24.728.670	28.987.302	-	4.844.345	195.513.513	-	-
B. Net book value of past due but not impaired financial assets	-	-	-	-	-	-	-
C. Net book value of impaired assets	-	-	-	-	-	-	-
Past due (gross book value)	-	743.876	-	-	-	-	-
Impairment (-)	-	(743.876)	-	-	-	-	-
Secured with guarantees and collaterals	-	-	-	-	-	-	-
Not past due (gross book value)	-	-	-	-	-	-	-
Secured with guarantees and collaterals	-	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-	-

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its funding needs. Prudent liquidity risk management is to provide sufficient cash and cash equivalents, to enable funding with the support of credit limits provided by reliable credit institutions and to close funding deficit. The Group provides funding by balancing cash inflows and outflows through the provision of credit lines in the business environment.

Undiscounted contractual cash flows of the non-derivative consolidated financial liabilities in TL as of 31 December 2023 and 2022 are as follows:

Non-derivative financial liabilities					
31.12.2023	Carrying value	Total contractual cash outflows (I+II+III)	Demand or up to 3 months (I)	3-12 months (II)	1-8 years (III)
Borrowings	62.270.366	73.522.252	34.196.102	24.446.498	14.879.652
Trade payables	132.846.320	138.060.425	134.201.001	3.859.425	-
Lease liabilities	285.646.934	377.405.154	46.511.010	104.348.301	226.545.844
	480.763.620	588.987.831	214.908.113	132.654.224	241.425.496

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023
(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 37 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31.12.2022	Carrying value	Total contractual cash outflows (I+II+III)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)
Borrowings	81.061.453	86.032.397	18.374.834	62.635.275	5.022.287
Trade payables	257.053.012	263.974.722	183.983.499	79.991.223	-
Lease liabilities	230.862.598	280.515.593	34.279.754	84.398.557	161.837.282
	568.977.063	630.522.712	236.638.087	227.025.055	166.859.569

Interest rate risk

The Group is exposed to interest rate risk arising from the rate changes on interest-bearing liabilities and assets. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed and floating interest rate financial instruments and short-long term nature of borrowings.

As of 31 December 2023 and 2022, interest position of Suwen Tekstil is as follows:

Interest position statement	31.12.2023	31.12.2022
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Fixed-interest rate financial instruments

Financial assets	114.633.135	144.063.322
Financial liabilities	347.917.300	311.924.051
- Borrowings	62.270.366	81.061.453
- Lease liabilities	285.646.934	230.862.598

As of 31 December 2023 and 2022, the Group has no floating-interest rate financial instruments.

Price risk

Price risk include foreign exchange risk, interest rate and market risk. The Group manages this risk by balancing the repricing terms of interest-bearing assets and liabilities with fixed-floating interest. Market risk have been determined by the Group by using available market information and appropriate valuation methodologies.

Capital risk management

The Group's main objectives for capital management are to keep 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. The capital structure of the Group consists of cash and cash equivalents, borrowings and equity items containing respectively issued share capital, capital reserves, profit reserves and profits of previous years.

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

General strategy based on the Group's equity does not differ from the prior period.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Net financial debt/invested capital ratio as of 31 December 2023 and 2022 are as follows:

	31.12.2023	31.12.2022
Borrowings (except for TFRS 16)	62.270.366	81.061.453
Total borrowings	347.917.300	311.924.051
Less: Cash and cash equivalents	183.966.405	205.606.105
Net financial debt	163.950.895	106.317.946
Invested capital	829.018.125	687.919.624
Net financial debt/invested capital ratio	19.78%	15.45%

Fair value of financial assets and liabilities

Fair value is the amount for which a financial instrument could be exchanged, or a liability settled between, willing parties during current transaction, other than in a forced sale or liquidation, and is best evidenced through a quoted market price, if one exists.

Foreign currency denominated receivables and payables are translated with the exchange rates prevailing as of the date of the financial statements.

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

Financial assets

Carrying values of cash and cash equivalents, accrued interests and other financial assets are approximate to their fair values due to their short-term nature and insignificant credit risk. The carrying values of receivables estimated that reflecting the fair value with the less provision for doubtful receivables.

Financial liabilities

The fair values of trade payables and other monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. Bank borrowings are carried at their discounted cost and transaction costs are added to the initial cost of the borrowing. The fair values of the borrowings after discount are considered to be approximate to their corresponding carrying values. In addition, it is considered that the fair values of the trade payables are approximate to their respective carrying value due to their short-term nature.

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 38 – FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND HEDGE ACCOUNTING)

31.12.2023	Notes	Other financial assets at amortised costs	Loans and receivables	Financial assets at fair value through profit or loss	Other financial liabilities at amortised costs	Book value	Fair value
Financial Assets		183.966.405	42.681.580	-	-	226.647.985	226.647.985
Cash and Cash Equivalents	6	183.966.405	-	-	-	183.966.405	183.966.405
Trade Receivables	10	-	42.681.580	-	-	42.681.580	42.681.580
Financial Investments		-	-	-	-	-	-
Financial Liabilities		-	132.846.321	-	347.917.300	480.763.621	480.763.621
Financial Liabilities	8	-	-	-	347.917.300	347.917.300	347.917.300
<i>Borrowings</i>	8	-	-	-	62.270.366	62.270.366	62.270.366
<i>Lease liabilities</i>	8	-	-	-	285.646.934	285.646.934	285.646.934
Other Financial Liabilities	9	-	-	-	-	-	-
Trade Payables	10	-	132.846.321	-	-	132.846.321	132.846.321
31.12.2022							
Financial Assets		205.606.105	53.715.972	-	-	259.322.077	259.322.077
Cash and Cash Equivalents	6	205.606.105	-	-	-	205.606.105	205.606.105
Trade Receivables	10	-	53.715.972	-	-	53.715.972	53.715.972
Financial Investments		-	-	-	-	-	-
Financial Liabilities		-	257.053.014	-	311.924.051	568.977.065	568.977.065
Financial Liabilities	8	-	-	-	311.924.051	311.924.051	311.924.051
<i>Borrowings</i>	8	-	-	-	81.061.453	81.061.453	81.061.453
<i>Lease liabilities</i>	8	-	-	-	230.862.598	230.862.598	230.862.598
Other Financial Liabilities	9	-	-	-	-	-	-
Trade Payables	10	-	257.053.014	-	-	257.053.014	257.053.014

SUWEN TEKSTİL SANAYİ PAZARLAMA ANONİM ŞİRKETİ

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 39 – EVENTS AFTER THE REPORTING PERIOD

In accordance with the decision of the General Assembly on 20 July 2023, it has been decided that the maximum number of shares will be determined as 6,000,000 number of outstanding shares with a nominal value of TL 6.000.000, and the fund to be allocated for share buyback will be determined as a maximum amount of TL 150.000.000, to be paid from equity with the consideration under share buyback program which will be effective until 30 June 2024. The shares “SUWEN” with a total nominal value of TL 126.522 were bought back at a price range of 20.22-21.14 (weighted average TL 20.938) per share on 4 January 2024. Furthermore, the shares “SUWEN” with a total nominal value of TL 189.000 were bought back at a price range of 20.72-21.06 (weighted average TL 20.956) per share on 8 January 2024. Considering the aforementioned disclosures, the Group has 621.151 number of outstanding shares on 8 January 2024 under share buyback program which will be classified under “treasury shares” in the accompanying consolidated statements.

NOTE 40 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.