

DESA
www.desa.com.tr

ACTIVITY REPORT / 2021



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DESA



**WE ARE MOVING FORWARD WITH CONFIDENT STEPS TOWARDS
BECOMING A GLOBAL BRAND.**

Chairman's Message

ESTEEMED STAKEHOLDERS,

DESA has advanced confidently throughout its 49-year adventure, and continued to enhance its operations in 2021 despite the Covid-19 pandemic which cast a shadow over the whole world. The company increased its profitability and turnover and the investment it directed to its human resources and technology during 2021 started to bear fruit. DESA has also managed to maintain its strong position within the sector.

With the help of investments in technology and infrastructure, our company has succeeded in improving its operations and logistical process. In 2021, 10% of our total retail turnover was obtained from e-commerce operations.

The international e-commerce site for the NINETEENSEVENTYTWO DESA brand, as DESA's offering to the market with the vision of becoming an international brand, became active this year under the website www.1972desa.com. In addition to the B2C e-commerce site serving the end consumer, the DESA NINETEENSEVENTYTWO brand has 126 sales points around the world thanks to the digital showroom we have created. In addition, we started to work with a PR agency based in Italy in 2021 to increase our visibility as a brand, which has already started to produce positive results.

With the contribution of sales and promotional activities in Turkey and abroad, DESA was ranked 96th among Turkey's most valuable brands in 2021 by Brand Finance.

In 2021, DESA has managed to overcome problems with a proactive approach, even at a time dominated by the pandemic, and increased its turnover by 85% compared to the previous year. The company's EBITDA increased to TL 115.2 million and its EBITDA margin rose rising to 27%.

For the year 2021, DESA has managed to focus on efficiency and profitability whilst reducing its financial debts from TL 68 million to TL 16.7 million. The company managed to increase its shareholders equity by 120%, from TL 94.5 million to TL 208 million.

We believe that we will continue to grow in 2022 with the same discipline, perseverance and determination. We will be celebrating our 50th anniversary this year and we would like to express our gratitude to all our employees who have contributed to our success as well as our customers who have brought our brand to this day. We would also like to thank to our suppliers and our esteemed investors for their contributions.

Melih Çelet

Chairman of the Executive Board

DESA's Story



1972

Founded as a collective open partnership by the brothers, Mehmet, Melih and Semih Çelet.

1982

DESA

DESA received the title of corporation.

1999

Thanks to its business approach which focuses on quality, DESA succeeded in ranking in 937th place on the ISO 1000 list. The company established a new tannery in Çorlu in order to develop its production capacity further and to enhance its cost control.

1974

Opened its first store on Bağdat Avenue and introduced Turkish women to the first handbag with a shoulder strap.

1983

Samsonite

DESA became the distributor for Samsonite in Turkey, a world-famous brand for travel goods.

1990

Production and manufacturing facilities started their operations on the site in Sefaköy, on a plot of 15,500 square meters.



2001



The company decided to continue its operations with a global vision and established an office in London under the name DESA UK.

2004

Aware that involvement in the capital markets will acquire transparency, reliability and accountability, DESA shares were listed on Istanbul Stock Exchange. A document for incentives in relation to the investment undertaken in the Düzce Organized Industrial Zone was received and an investment of TL 3.2 million was carried out. The Online Sales outlet was established under the www.desa.com.tr website and DESA became one of the brands to sell its products online.

2010

As the leading fashion retailer in Turkey, the company took its first steps on carrying its operations abroad with two stores established in the UK. In addition, DESA became the leading exporter in Turkey in its sector, according to the figures provided by the Union of Exporters for Leather and Leather Goods. DESA also ranked 210th on the list of Istanbul Chamber of Industry among 500 large-scale industrial corporations.

2008



The company rose to 449th ranking in the Fortune 500 List. The company bought the factory facilities in Çorlu, with all fixed assets.

2007

A joint venture was established with Samsonite, with Samsonite holding a 60% stake in the joint venture and DESA holding a 40% stake. DESA has been the distributor of Samsonite for the last 24 years.

A partnership was created with a British brand, Genex, in the same year in order to receive consultancy on branding and on becoming a global brand. Important changes were made to the company's logo, corporate identity and on store concepts for the same aim.

The Story of DESA

2011



DESA had the honor to ranking in first place among exporters for the second time. In the same year, the London store located in Covent Garden was selected as one of the best 60 stores in the VMSSD's International Visual Competition. DESA was mentioned in the book "Retail Spaces / Small Stores" published after the competition where brands of the world compete.

2013

The NINETEENSEVENTYTWO DESA collection dedicated to 1972, the year when the first handbag collection was launched and offered for sale in almost 40 luxury boutiques abroad, was exhibited in Milan Fashion Week on 21-23 September 2013 and in the showroom hosted by Escape Communes as part of Paris Fashion Week on 28 September - 4 October 2013, a proud reflection of a Turkish brand reaching a pinnacle in design and quality with its special collection.

2017

DESA started to operate in four European countries with six companies, under the names NINETEENSEVENTYTWO DESA SRL in Italy and Leather Fashion Bulgaria EOOD in Bulgaria. According to a study carried out by Turkish Time in 2017, DESA ranked 155th in terms of Research and Development investment, and its dedication in quality was confirmed with the award of the ISO/IEC 2007:2013 quality certificate in 2017.

2012

DESA was ranked as the leading exporter for a third time and decided to take concrete steps in introducing the brand to international platforms.

One of the initial steps taken our work with Graeme Black in the AW 12-13 Collection. Graeme Black has worked with world-famous brands such as John Galliano, Giorgio Armani and Salvatore Ferragamo. Graeme Black was assigned as the Design Director for DESA. Black created a collection for DESA which could compete with the world giants. DESA set itself apart in 2012 with its reversible pieces.

2014



DESA undertook an investment to renew its online sales website, a platform accessible to customers on a 24/7 basis regardless of their location. The customer experience has been enhanced on DESA's website, www.desa.com.tr – a platform where customers can buy leather clothing, shoes, accessories, textile and travel goods with just a click. DESA Deutschland GmbH was established in July, located in Düsseldorf, Germany.

2018

DESA increased its R&D investments in design and production by 27% compared to the previous year with its investments reaching TL 2.3 million, placing DESA as one of the most significant investors in the area of design and production in Turkey. DESA is the only Turkish brand to run its operations fully with its own facilities and its own team. DESA succeeded in boosting its turnover by 68% with its renewed online platform, www.desa.com.tr – a website which reflects a new generation in marketing and sales.

2019

Michele Cozzani Ditria, who had previously worked for world-famous brands such as Max Mara, Larusmiani and Loro Piana, began working for DESA as its design consultant in order to provide insight for the Italian market. Sales generated through www.desa.com.tr reached 5% of DESA's total sales. DESA launched a mobile application for IOS and ANDROID systems for its sales.

2020

DESA was ranked as the 91st brand among "The Most Valuable Brands – The Turkey 100" by Brand Finance, an international brand review organization. DESA Leather was also ranked as the 484th brand in the study conducted by TurkishTime regarding the investments in Research and Development. This marks a leading position for DESA in its sector. Operations outside of Turkey has been enhanced with stores opened in Cyprus, after the store in Albania. Internet sales has increased by 200%, reaching 19% of the total sales turnover.

2021

DESA succeeded in attaining the Gold level having undergone an audit process led by the Leather Working Group, an organization which provides auditing services to international leather producers and brands which use leather in their products. The emphasis on digital marketing became more apparent and the Live Shopping Event, recognized as the new trend in e-trade around the world, was held in December 2021 where DESA became one of the leading brands in Turkey to organize an online shopping event. DESA collaborated with the Foundation for the Support of Women's Work (KEDV) to support the contribution of women to production and initiated the project 'Every Knot is a Support for Women' for the aim of empowering women. DESA increased its sales by 85% and increased its pre-tax profit by 18-fold. DESA became the 96th most valuable brand in Turkey according to the study conducted by the Brand Finance Magazine.



Mission and Vision

To be a brand which instils pride and excitement in its customers with its expertise in design and leather, in addition to its products and services; to be a brand that is a world citizen, inspired by Istanbul.

To be a leading fashion brand in leather fashion which has respect for the environment and its employees, by generating its power

through its expertise on leather and through its investments. To be a leading brand in Turkey which is high-quality, chic and offers a product line which has good values. To be a brand that provides a pleasant shopping experience for its customers and which maximizes profitability for its shareholders. To provide services to its customers in every aspect with its e-trade investments.

Our Value Chain

OUR STORES

We carry shopping experience to an optimum level with our modern and attractive stores.

GLOBAL EXISTENCE

We go beyond Turkey's borders with our stores located abroad.

MARKETING AND COMMUNICATION ACTIVITIES

We enhance our brand's image and awareness through effective and innovative communication.

A FLEXIBLE SUPPLY CHAIN

Always rapidly adapting to change, we have a supply chain which swiftly brings innovative actions into practice.

FLEXIBLE PRODUCTION CAPACITY

Our production capacity can meet increasing demand and the growth which is expected in the coming period.

AN INTEGRATED BUSINESS MODEL

We economize our expenditure through vertical integration in our production.

EXPERIENCE IN DEPTH

We have a management team that is experienced, competent and always on the look-out for strategic opportunities.

TECHNOLOGY

We possess a high-tech infrastructure which supports our growth. Our investments made on integration software continue to grow with the aim of receiving permission from customers related to data and communication. We are also establishing digital platforms to meet the demands of our customers and to receive feedback in regard to their shopping experiences.

DESIGN

The unique talent from our designers finds life in designs which are created with great craftsmanship.

HUMAN RESOURCES

We ensure that contemporary design meets professional craftsmanship in our line of work.

OUR BRAND

We are always able to present our brand value with our vertically integrated production model.

SUSTAINABILITY

We managed in attaining the Gold level as an outcome of the audit conducted by Leather Working Group, thanks to our activities on sustainability which both focus on people and the environment. We contribute to the well-being of the world with our finest quality leather goods and our conscious production policies.



**“TO COMMAND THE LEADING POSITION
IN EVERY AREA OF OUR OPERATIONS AND
TO GROW WITHOUT COMPROMISING OUR
EFFICIENCY”**

OUR OBJECTIVES

Customer Satisfaction

DESA's work model is based on production and the retail industry. DESA aims to ensure customer satisfaction with its high-quality products and the excellence in its service approach, both for presale and after sale.

Quality

Our product quality, our traditional craftsmanship and our modern and functional designs are the most important aspects of our capital as a brand. We aim to go beyond providing fashion items and leather accessories for our customers by coming up with a different style, a different understanding and a different lifestyle without compromising our quality.

Profitability

Profitability is the main resource for DESA in financing new investments and Research and Development activities. For this reason, profitability is the most important criteria when we evaluate and review our company's performance. Therefore, we target long-term growth and aim to command a leading position in every area we operate in.



Members of the Board of Directors



MELİH ÇELET

CHAIRMAN OF THE EXECUTIVE BOARD

Melih Çelet founded DESA in 1972. He is a graduate of Ankara College, and studied Pharmaceuticals at Istanbul University. He speaks English.



BURAK ÇELET

MEMBER OF THE EXECUTIVE BOARD, CEO

Burak ÇELET graduated from the Bosphorus University in 1999 with a degree in Mechanical Engineering. He then completed a Master's Degree on finance and investment in 2001 from Wisconsin-Madison University. He went on to complete a second Master's degree from Northampton College in Leather Technology in 2002. BURAK ÇELET holds the position of CEO in DESA and is also a member of TUSİAD. Burak ÇELET speaks English, Italian and German.



BURÇAK ÇELET

MEMBER OF THE EXECUTIVE BOARD

Burçak ÇELET graduated with a degree in Industrial Engineering from Yıldız Technical University in 1999. Burçak ÇELET worked as the Head of Planning for Toys"R"Us between 1999 and 2001 and completed a Master's Degree in retail management from the University of Surrey in 2002. She worked as the Category Manager for Joker and Maxitoys in 2003 - 2004. She has been working for our company since 22 December 2006 as a Member of the Executive Board. She speaks Italian, English, Spanish and French. Burçak ÇELET is a member of Foundation for Women within the scope of the Executive Board and she has been a member for the last 5 terms.



NUMAN EMRE BİLGE

INDEPENDENT MEMBER OF THE EXECUTIVE BOARD

Numan Emre Bilge graduated from Istanbul University with a degree in Finance in 1987. He completed a Masters Degree in Business Management in 1990, after completing his studies at the City of London Polytechnic in London. He started his professional life in 1992 with Goodyear Tires and worked as the Marketing Manager for Goodyear Great Britain Limited between 1998 and 2000. Since 2007, he has been working for Zin D Investment and Management Inc. as the Deputy Chairman of the Board of Directors. BİLGE was elected as an independent member for a period of 2 years during DESA's 2019 Annual General Meeting held on 8 May, 2020.



BAHAR DENİZ EGEMEN

INDEPENDENT MEMBER OF THE EXECUTIVE BOARD

Bahar Deniz EGEMEN graduated from Istanbul Technical University in 1999 with a degree in Mechanical Engineering. She went on to complete an MBA from the University of North Carolina in Charlotte in 2002. Her professional life began in the USA where she worked for Unisource Worldwide Inc. and Staples Inc. as a Credit Analyst. She continued her career in the Research Department at Garanti Yatırım Menkul Kıymetler A.Ş. in 2005. Bahar Deniz EGEMEN resigned from her position as Head of Research in 2016. She went on to work as the Investment Director at SEAL Management Inc between 2016-2018. She was elected as an independent member for two years at DESA's 2019 Annual General Meeting held on 8 May, 2020.



Management Team

AYHAN DİRİBAŞ

DEPUTY GENERAL MANAGER FOR FINANCIAL AFFAIRS



Mr. Ayhan DİRİBAŞ graduated with a Bachelor's degree at the School of Business Administration in Mugla University in 1994 before completing a Pre-MBA degree in business administration at Lasalle University and Marmara University in 2003. Starting his career at the Finance Department of Doğu Holding in 1992, Mr. DİRİBAŞ served as Internal Auditor at Oger Holding between 1996 and 1998 and the Deputy General Manager of Reysaş Holding A.Ş. between 1999 and 2004. He then worked as the Accounting and Finance Director for the Retail Group at Unitim Holding A.Ş. between 2005 and 2010. Mr. DİRİBAŞ has been serving as the Deputy General Manager for Financial Affairs in our Company since January 2013.

HİLMİ İLKER SÜREK

DEPUTY GENERAL MANAGER FOR SALES AND MARKETING



Hilmi İlker SÜREK completed his undergraduate studies in 1989 at the Business Department at Uludağ University. He then completed a certificate program on foreign trade in Bournemouth in the UK in 1991. He started his professional life in 1991, working for Ditaş Doğan Spare Parts Production and Export Inc. as the Director of Foreign Trade. He worked for Valoo Automotive Inc. as the Product Manager between the 1995 and 1998. Hilmi İlker SÜREK worked for İnci Leather Goods Industries and Trade Inc. between 1998 – 2015 as a Foreign Trade Manager, Production Manager, Sales Manager and Operations Manager. He then went on to work for Tanca Shoe Trade Industries and Trade Inc in 2015 and 2016. SÜREK has been working for DESA since 27 April 2016 as the Deputy General Manager responsible for Marketing and Sales.

DESA at a glance

DESA, FOUNDED IN 1972 AS A FAMILY-OWNED COMPANY HAS ACHIEVED BIG ACCOMPLISHMENTS FOR THE LAST 49 YEARS AND CONTINUES ITS OPERATIONS AS TURKEY'S LEADING MANUFACTURER OF LEADER AND LEATHER GOODS.

DESA is justifiably proud to have been Turkey's leading exporter in its sector in 2010, 2011, 2012 and 2014, with the company offering a unique business model based on vertical integration. In 2021, DESA accounted for 16.5% of exports made to the Italian market as an independent company in another key achievement for the company. DESA strengthens its current profile with high-quality products and continues to move forward on its path towards becoming a prestigious brand in international markets.

DESA manufactures clothing for men and women as well as producing bags and accessories on top of its operations on leather processing in its tannery. DESA is responsible for the wholesale and retail sales, as well as the distribution of these products. Retail sales are handled in a total of 116 stores throughout Turkey, including 58 DESA stores, 34 DESA Samsonite stores, four DESA Franchise stores, 14 Samsonite JV stores, two Tumi stores and four virtual stores.

NINETEENSEVENTYTWO DESA operates internationally with 126 stores and points of sale and serves its global customers. DESA has production facilities with a total of 25,500 square meters located in Istanbul and Düzce, and a tannery in Çorlu operating

on an area of 20,000 square meters. The company also serves as an integrated solution provider for a wide array of luxurious international brands such as Prada, Miu Miu, Furla, Marks & Spencer and Ecco. DESA has been the distributor for Samsonite, one of world's biggest brands of travel goods, for the last 24 years and entered a 40-60 partnership with Samsonite in 2007. With this initiative, DESA further strengthened its profile as an international company.

DESA provides high quality and durability with its products and places tremendous importance on materials with high standards and professional workmanship. The Company conducts e-trade operations through its website, www.desa.com.tr and has achieved significant success with this e-commerce operation. Online sales accounted for an 18% share of the retail sales of the DESA brand in 2021.

With an understanding of excellence adopted in its services, DESA continuously invests in design, research and development operations as well as human resources. The company's long-term strategic goal is to increase DESA-branded product sales both domestically and internationally.

DESA is a company open to the public and its shares have been trading on the Borsa Istanbul stock exchange since May 2004 under the DESA ticker. DESA's total assets had reached TL 635.4 million as of 31 December 2021 with its total revenues reaching TL 432.4 million. Çelet Holding holds a 54.3% stake in the company, Melih Çelet holds a 10.0% stake in the company and other partners own 0.8% of the company, while 34.9% of the shares in the company are open to the public.

DATE OF ESTABLISHMENT (REGISTRATION)

29 January 1982 – DESA received the title of "Corporation".

ISSUED CAPITAL

TL 49,221,969.86

REGISTERED CAPITAL CEILING

TL 200,000,000

OFFICE HEADQUARTERS - ADDRESS

HALKALI CAD. NO:208 SEFAKÖY-İSTANBUL

TRADE REGISTRY OFFICE AND NUMBER

Istanbul / 185047/132561

TAX OFFICE AND NUMBER

Large Taxpayers Office Directorate/ 293 004 8627

BIST STOCK TICKER

DESA

WEB SITE

www.desa.com.tr

E-MAIL ADDRESSES

desa@desa.com.tr

yatirimci.iliskileri@desa.com.tr

investor.relations@desa.com.tr



DESA





if different
DESA

www.desa.com.tr

DESA

VERTICALLY INTEGRATED BUSINESS MODEL THAT CREATES A DIFFERENCE FOR DESA

THE FACTOR THAT MAKES DESA DIFFERENT THAN ITS COMPETITORS IS THE CONTROL MECHANISM OF THE COMPANY THAT IS PRESENT IN ALL OF ITS OPERATIONS; INCLUDING ITS TANNERY, ITS SERVICE OPERATIONS AIMED FOR CUSTOMERS THROUGH ITS RETAIL STORES AS WELL AS ITS PRODUCTION CAPACITY FOR LEATHER GOODS, BAGS AND ACCESSORIES.

DESA, holding the leading position in its sector on production, export and retail, invests on design, R&D, human resources and training as well as technology and digital transformation in order to improve customer satisfaction. DESA has the approach of creating high-quality products in line with the contemporary fashion trends and with an excellent service.





RAW MATERIAL PRODUCTION

- Leather production in the tannery located in Çorlu, which has an indoor area of **20,000** square meters,
- Weekly capacity **28,850kg** cattle raw leather processing
- **170,200 kg** small cattle raw leather processing
- Suede, Napa Leather, Fur and Caff Leather Process.



MANUFACTURING

- Manufacturer of leather goods, bags and accessories.
- International Design Team
- Istanbul Facilities with an indoor area of **15,500** square meters
- Weekly Capacity **2,000** leather garments **1,000** textile items **6,000** bags
- The Düzce Facilities, with an indoor production area of **10,000** square-meter
- Weekly Capacity **14,000** bags



RETAIL STORES

- A total of **116** Stores
- **58** DESA Mono Brand Stores
- **34** DESA Samsonite Stores
- **1** DESA Franchise Store
- **3** Franchises abroad (in Albania, the Turkish Republic of Northern Cyprus and Sweden)
- **4** Virtual Stores
- **126** Stores and Sale Points located abroad
- **14** Samsonite JV Stores
- **2** Tumi Stores
- **15.268 m²** of Retail Space
- **1** Dijital Showroom
- **1972** Store in an airport located abroad

MAIN INFORMATION



15.500
square-meters of Indoor
Space at the Sefaköy
Factory and Headquarters

20.000
square-meters of Indoor
Space at the Çorlu
Leather Factory and
Tannery Facilities

10.000
square-meters of Indoor
Space at the Düzce
Factory

15.268
square-meters of Retail
Space

1589
Employees

24 years of
distributorship for
SAMSONITE

4 Years
Years as Export Leader

15th Years
PARTNERSHIP
(40% DESA - 60% SAMSONITE)

18%
Share of the retail turnover for
DESA brand from e-trade sales

Online Sales
desa.com.tr
1972desa.com
samsonite.com.tr
tumi.com.tr

116
Total Number of Stores

48
Samsonite Stores

2
Tumi Stores

3
Franchises Abroad - in
Albania, the Turkish Republic
of Northern Cyprus and
Sweden

126
Stores and points of sale
located abroad

London Headquarters
Office and Showroom

17
Export to 17 countries

115,2
Million TL EBIDTA

208
Million TL Equity

635,4
Million TL Total Assets

67,3
Million TL Operating Profit

432,4
Million TL Net Revenue

International Design Team

Solution Partner for International Brands

TUMI

Lipault
PARIS

Sams^onite[®]

PRADA

סומו סומו

FURLA

Key Indicators

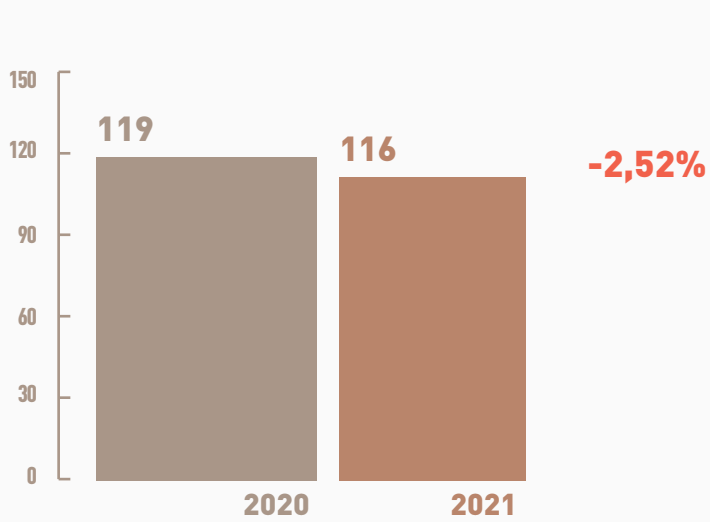
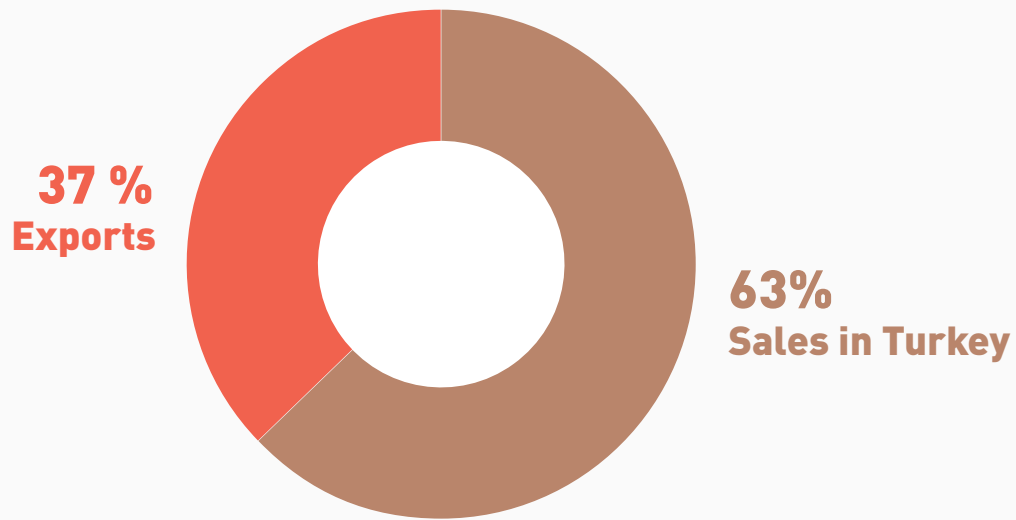
Summary Balance Sheet (TL)

	2021	2020
Current Assets	421.521.242	251.207.428
Fixed Assets	213.913.804	102.659.291
Total Assets	635.435.046	353.866.719
Short-term Liabilities	260.967.538	157.181.691
Long-term Liabilities	166.516.809	102.100.763
Total Liabilities	427.484.347	259.282.454
Net Financial Liability (*)	16.762.941	67.853.693
Shareholders Equity	207.950.699	94.584.265

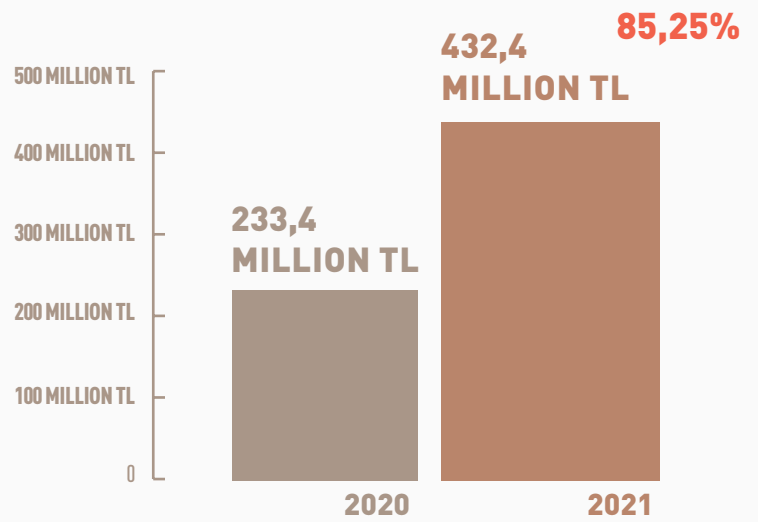
(Excluding IFRS 2016 Lease Standard)

Summary Income Statement

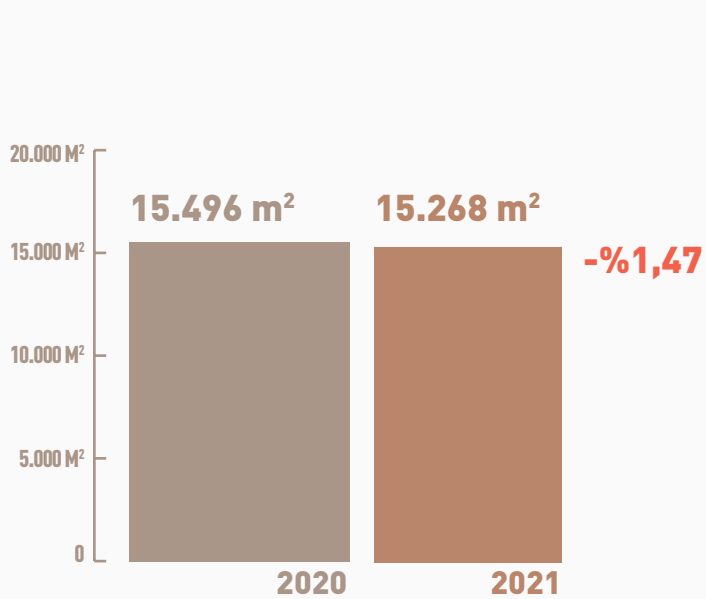
	2021	2020
INCOME FROM SALES	432.405.300	233.411.672
GROSS PROFIT	191.727.994	115.860.660
GROSS PROFIT MARGIN	44%	50%
OPERATING PROFIT	67.270.197	32.161.174
OPERATING PROFIT MARGIN	16%	14%
NET PROFIT	46.351.875	1.646.934
NET PROFIT MARGIN	11%	1%
EBITDA	115.248.049	52.474.237
EBITDA MARGIN	27%	22%



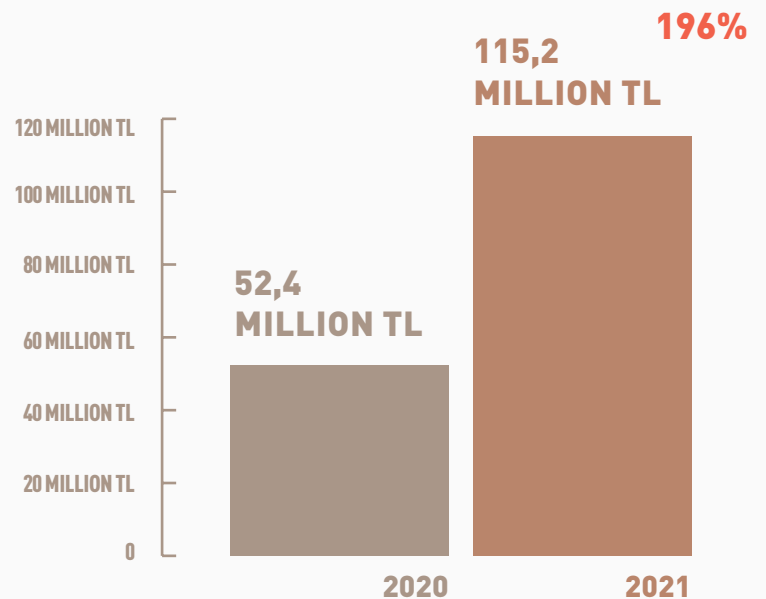
Number of Stores



Income



Store Area



EBITDA

DESA

NINETEENSEVENTYTWO

DESA

DESA moves towards World Fashion

Attracting well-deserved fame with its collections since the day of its establishment, DESA created the NINETEENSEVENTYTWO DESA brand, dedicated to the year 1972, and achieved progress in carrying the collection forward to the international arena – mainly for the aim of increasing visibility in foreign countries. The collection has been around for the last 17 seasons.

Introducing leather to the world with high-quality, modern and functional designs, DESA is also about to increase its brand awareness and visibility in the world by taking the right steps.

DESA took part in the Milan Fashion Week and was the first brand in Turkey to participate in this exclusive event. NINETEENSEVENTYTWO DESA Collection meets fashionistas in 126 locations around the world, including Italy, Germany, France and Japan.

The collection reflects and follows world fashion. The brand takes part in the Milan and Paris Fashion Weeks and also participates in showroom organizations and fairs organized during the fashion weeks.

The 2020-2021 NINETEENSEVENTYTWO DESA AW Collection was been created in Italy under the consultancy of the famous designer, Michele Cozzani Ditria, and was introduced to fashion connoisseurs in in fashion capital of the world. NINETEENSEVENTYTWO DESA has gained wide acclaim from fashionistas. A new collection is created every season for men and women.

The NINETEENSEVENTYTWO DESA bag collection is a sophisticated, innovative and personal collection and underlines the importance of accessories in fashion.

This exclusive collection, only presented in the Milan and Paris Fashion Weeks, is not yet on sale in the Turkish market. The collection re-defines luxury and adds a new dimension to it.





LOOKING AT THE WORLD FROM DESA'S POINT OF VIEW

DESA WAS THE FIRST BRAND IN TURKEY TO HAVE THE PRIVILEGE OF BEING A PART OF THE MILAN FASHION WEEK'S CALENDAR AND DESA'S 1972 COLLECTION, DEDICATED TO THE YEAR 1972, CREATES FASHION FOR MEN AND WOMEN, INTRODUCING THE BRAND TO COINESSEURS OF FASHION IN 126 LUXURY BOUTIQUES, WITH THE FIRST BAG COLLECTION PRESENTED BY DESA.

1972

NINETEENSEVENTYTWO

DESA

DESA



DESIGN DIRECTOR



MICHELE COZZANI DITRIA

THE CREATIVE DIRECTOR OF NINETEENSEVENTYTWO DESA

“Total Avangard Look” brand in the early 1990s and the brand was presented in many well-known boutiques around the world. After that, he worked with Max&Co and the Max Mara Fashion Group as a fashion director. He also worked as a fashion director for Anna Moligari Group BLUFIN and as a creative director for Loro Piana. He was in creative collaboration with Moncler and worked as the fashion director for Laurismiani Donna. He then continued his professional life as a fashion designer in Manzoni 24.

Michele began to provide consultancy for the NINETEENSEVENTYTWO DESA team in 2019. His modern and visionary approach makes leather look more contemporary. The collection has a modern touch and pieces come together with modern cuts.

NINETEENSEVENTYTWO

DESA Sales Points

STORE	CITY	COUNTRY
OTTO GEHMACHER GMBH	Salzburg	Austria
HANGAR9 STUDIO INC	Toronto	Canada
MILL LTD	Hamilton	Canada
GIRL CANDY SHOP	Winnipeg	Canada
MELANGE DE LUXE	Copenhagen	Denmark
SA CHAUSSURES LOUP	Cannes	France
MOSS	Paris	France
K LUMET S.A.R.L.	Juan Les Pins	France
BURRESI	Wiesbaden	Germany
MIKE SHAY	Kampen - Sylt	Germany
MR TEXTILHANDELSGESELLSCHAFT MBH	Sylt Ot Morsum	Germany
MICHAELA MOLLER DAMENMODE	Hannover	Germany
MOHRMANN	Munchen	Germany
ANTORA SELECTION	Baden - Baden	Germany
JANY RICHARD	Stuttgart	Germany
CHRISTINAS MODE VERTRIEBS GMBH	Timmendorfer Stand	Germany
LE MARCHE	Athens	Greece
ANASTASIA N. PAPACHARALAMBOU	Athens	Greece
ANTONIA SRL	Milano	Italy
ASIA TRADING DI LUISELLA ALPINI SAS	Terni	Italy
ASSELTA BOUTIQUE	Barletta	Italy
BABYLON BUS DONNA SRL	Prato	Italy
MODA & STYLE SA	Ascona	Italy
BERNARDELLI SRL	Mantova	Italy
CASELLA SRL	Mantova	Italy
BERNE' DI MADDALENA RUSSO	Bergamo	Italy
BIFFI BOUTIQUE SPA	Milano	Italy
BIRBA`S SNC	Pordenone	Italy
SAVE SRL	Riccione	Italy

STORE	CITY	COUNTRY
TINTORRI ROBERTO SRL	Sestola	Italy
BRUNA ROSSO SRL	Cuneo	Italy
DONNA BUGATTI SRL	Udine	Italy
BUGATTI UOMO SRL	Udine	Italy
CORSO 151 DI PE' CINZIA	Darfo Boario Terme	Italy
COSE SAS	Cremona	Italy
CUCCUINI Spa	Livorno	Italy
DELL'OGGIO SPA	Palermo	Italy
DELL'OLIO DONNA SRLS	Frosinone	Italy
DI PIERRO GIOVANNI DI LORENZO & C.	Taranto	Italy
DIANA CO SAS	Crema	Italy
VINCENTI BOUTIQUE DI VINCENTI VANDA & C S.n.c.	Alba	Italy
GIALLO SRL	Pescara	Italy
BRONX SRL	Milano	Italy
HUBERT SNC DI RAPILLO MICHELE E CERAVOLO SERGIO & C.	Pinerolo	Italy
IL FARO UOMO	Avellino	Italy
INCONTRI BOUTIQUE SRL	Milano	Italy
LUXNUT LUXURY SRL UNIPERSONALE	Milano	Italy
LA BOUTIQUE DI ADANI SRL	Modena	Italy
LA RINASCENTE SPA	Milano	Italy
MARCO LONGONI DONNA SRL	Milano	Italy
FOUR SRL	Milano	Italy
LA TENDA 3 SRL	Milano	Italy
LINEA ITALIANA SRL	Arosio	Italy
LOCK TRAND SA	Chiasso	Italy
LOSCHI SRL	Treviso	Italy
JULIAN FASHION SRL	Ravenna	Italy
MELANIA & MAXIMILIAN SRL	Roma	Italy
B.F.B SRL	Brescia	Italy
FLAB SRL	Brescia	Italy
PRODOTTI SRL	Ostuni	Italy
MARCOS S.P.A.	Mondovi	Italy

STORE	CITY	COUNTRY
MASSIMO PEPE SHOP DI A.MA. CA. SCARL	Affi	Italy
MAURIZIO ZATTI	Iseo	Italy
MAX ABBIGLIAMENTO CALZATURE DI GIROLAMO MAURIZIO	Lignano Sabbiadoro	Italy
MERICO SRL	Varese	Italy
MIDA SRL	Bari	Italy
DOMINI SRL	Bari	Italy
CALZATURE MOTTADELLI	Verano Brianza	Italy
NICOLA LECCESE	Gioia Del Colle	Italy
NIDA Srl	Caserta	Italy
NUGNES 1920 SRL	Bari	Italy
O' SRL	Parma	Italy
OEHLER PETER & CO OHG	Bressanone	Italy
ORENI SRL	Bergamo	Italy
BOUTIQUE OSCAR SRL	Reggio Emilia	Italy
PAPINI SRL	Catania	Italy
CATALINA SPA	Vicenza	Italy
PENELOPE SRL	Brescia	Italy
DOMANI SRL	Monza	Italy
ARTE SRL	Treviglio	Italy
QUATTRO STAGIONI DI MICHELONI A. & C. SNC	Sassuolo	Italy
CROSS SRL	Busto Arsizio	Italy
ROMATRE SNC DI RIPAMONTI A&C	Lecco	Italy
SATU' SRL	Piacenza	Italy
SINAGRA SRL	Palermo	Italy
SPORTISSIMO TRAME SRL	Treviso	Italy
SPINNAKER SRL	Sanremo	Italy
SAM GG SRL	Como	Italy
SG GIUGLIANO SRL	Nola	Italy
VANZULLI	Saronno	Italy
FRATELLI VIRNO SNC	Cava De' Tirreni	Italy
WISE SRL	Desenzano Del Garda	Italy
ZETAGIEFFE SRL	Roma	Italy
ZOE & CO SRL	Bassano Del Grappa	Italy
LE ZIE DI ZOE SRL	Pietrasanta	Italy
MARUBENI JOURNAL STANDARD	Tokyo	Japan
UNITED ARROWS LTD.	Tokyo	Japan
BUSH CO. LTD	Okayama	Japan

STORE	CITY	COUNTRY
S.SAKAKURA & CO. LTD	Osaka	Japan
LCM PARIS	Tokyo	Japan
LIDEA CO. LTD	Tokyo	Japan
PAUW	Amsterdam	Netherlands
GARBO NORGE AS	Oslo	Norway
THE WINDEPOT SRL	Bucharest	Romania
000 M FASHION TRADING PLATFORM	Moscow	Russia
VOLUME ONE CO. LTD	Seoul	South Korea
BOAZ CO LTD	Seoul	South Korea
DIHERCO CO LTD - 1423NW	Seoul	South Korea
DAEGU DEPARTMENT STORE	Seoul	South Korea
SUNO INTERNATIONAL	Seoul	South Korea
MJ GLOBAL INC.	Seoul	South Korea
MT COLLECTION CO. LTD	Seoul	South Korea
CHAPEAU BOUTIQUE	Valencia	Spain
JELMOLI AG	Zurich	Switzerland
ELIZABETH - GENEVE SARL	Geneve	Switzerland
GAMG SAGL	Lugano	Switzerland
BAMOCO AG MAISON LORENZ BACH	Gstaad	Switzerland
NASSADONNA SA	Lugano	Switzerland
GRÄNICHER AG	Luzern	Switzerland
GROSS COUTURE	Zurich	Switzerland
TASSELS GMBH	Bern	Switzerland
CLAUDIA WAIBEL	Luzern	Switzerland
JOSEPH LTD	London	United Kingdom
PERI.A	Beverly Hills	United States
MADDY'S 390	Greenvale	United States
BETSY BOUTIQUE LTD	New York	United States



DESA

Countries DESA Exports to -

THE NINETEENSEVENTYTWO DESA BRAND CONTINUES TO STRENGTHEN ITS POSITION AND VISIBILITY IN INTERNATIONAL AND GLOBAL MARKETS WITH RETAIL SALES IN MANY COUNTRIES ABROAD, INCLUDING THE USA, UK, ITALY, DENMARK, FINLAND, JAPAN AND SOUTH KOREA THROUGH SHOWROOMS AND STORES.

DESA has strengthened its infrastructure in Research & Development, design and brand management with the activities aimed at becoming a brand within the Turquality scheme. The company has completed its vertical integration and continues to grow stronger as an organization with a high level of know-how within the scope of R&D activities as well as a developed understanding of quality in technology, procurement and materials.

DESA participates in fairs organized parallel with the Milan and Paris Fashion Weeks.

NINETEENSEVENTYTWO DESA is a brand which enjoys a high reputation and high visibility within the premium segment with its products sold in exclusive locations around Europe, the USA and the Far East together with other well-known brands.

**GERMANY// USA //BELGIUM//CHINA//
DENMARK //FRANCE //FINLAND//
SOUTH KOREA//UK//SPAIN //SWITZERLAND
SWEDEN // //ITALY //JAPAN//
CANADA//CYPRUS // NEW ZEALAND**

1972

NINETEENSEVENTYTWO

DESA



FASHION WEEKS

- SS20** Berlin Premium
- SS20** Paris Tranoi
- AW19** Paris Tranoi
- SS19** Milan Fashion Week
- SS19** Paris Fashion Week
- FW19** Paris Tranoi Fair
- SS18** Milan Fashion Week and La Tenda
Promotion Event
- SS18** Paris Fashion Week
- SS17** Milan Fashion Week & Baglioni Hotel
Promotion Event
- FW17** Milan Fashion Week
- FW17** Paris Fashion Week
- FW16** Premium Munich
- FW16** Düsseldorf Fashion Week
- FW16** Premium Berlin
- FW16** Pitti Uomo
- FW16** Paris Fashion Week
- FW16** Milan Fashion Week
- SS16** Supreme Munich Resort
- SS16** Düsseldorf Fashion Week
- SS16** Show & Order Berlin
- SS16** Paris Fashion Week
- SS16** Milano Fashion Week
- FW15** Paris Fashion Week
- FW15** Milan Fashion Week + Palazzo Serbelloni
Promotion Event
- SS15** Paris Fashion Week
- SS15** Milan Fashion Week + Palazzo Bovara
Promotion Event
- FW14** Milan Fashion Week
- SS14** Milan Fashion Week
- FW13** Milan Fashion Week

www.desa1972.com



DESA in the World Press

COCKTAIL PARTY
Desa Nineteenseventytwo, presentata nuova collezione
 Lo Sfera

Linee essenziali e geometriche. La collezione A/I 2014-15 di Desa Nineteenseventytwo si presenta così: il concept, ben la mente.

Il brand turco ha presentato a Roma, a margine di *Alchimia* alla Moda, le sue nuove proposte: despoes, tracolle, borse stile scocchello e zainetti in nappa, struzzo e nabuk.

L'ispirazione che anima la collezione Desa Nineteenseventytwo è un lusso essenziale che incrosta l'urban più attuale. Tra i pellami utilizzati: nappa, struzzo e nabuk dalla grafica black&white ispirata al minimalismo geometrico di attraversamenti padonali e segnalistiche urban.

Tra gli instant-hit: il nuovo modello "Nineteen", la shoulder bag impreziosita di dettagli metallici a motivo unghiate, con flap scocchello e perline. Lo zainetto "Fortyfive" la borsa stile scocchello "Eighty-eight" riproponono invece le tradizioni delle forme originali dei modelli classici in una interpretazione in chiave design. La provocazione sulla boutique romana "Dagli Elettro" con la presenza tra gli altri del fondatore e chairman di Desa, Mehdi Cebit. Fra gli ospiti, le attrici Claudia Gerini, Valeria Golino, Anna Paludè, Pilar Abella e Miriam Catania.




Idea 2100g
Le città fotografano l'era e Roma

Fra heritage e tecnologia
 modello di cultura semplice e linea essenziale per un brand unico in "urban" delle avventure urbanistiche.

Nella foto di sinistra si vede un modello di borsa nera con una fascia bianca che attraversa diagonalmente la parte anteriore. Nella foto di destra si vede un modello di borsa nera con una fascia bianca che attraversa diagonalmente la parte anteriore.




Milano Moda Haftası'nda Türkiye'yi temsil etti
 Despoes'in yurtdışında satışını sürdüren "Nineteenseventytwo" koleksiyonu, moda dünyasını en büyük performansından Milano Moda Haftası'nda bu yıl da Türkiye'yi temsil etti.

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maie claire
Accessori



ROSSO
il colore del glamour

Il rosso è un colore che ha sempre avuto un fascino particolare. È un colore che ha sempre avuto un fascino particolare. È un colore che ha sempre avuto un fascino particolare.



ACCESSORI

- occhiali
- orecchini
- scarpe
- borse





SARAYDA GÖRKEMLİ DAVET

DESA

NINETEENSEVENTYTWO

Milano Moda Haftası takviminde ilinci kez yer alan DESA NINETEENSEVENTYTWO, 11 Mart Pazartesi günü Milano'nun en çarpıcı adreslerinden biri olan Palazzo Serbelloni'de moda dünyamızın önemli isimlerini ağırladığı bir davet verdi.

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DESA NINETEENSEVENTYTWO MILANO'YA ÇIKARMA YAPTI!

DESA'nın yurtiçinde sahneye sunduğu Nineteenseventytwo koleksiyonu, moda dünyamızın önemli isimlerinden Milano Moda Haftası'nda bir yıl da Türkiye'yi temsil etti.

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Strategie

DESA RILANCIA SU MILANO PER POTERSI ESPANDERE ANCORA

Il marchio turco, dopo aver conquistato 50 dei migliori multibrand nel mondo, sarà protagonista della fashion week

Nasce da un mix fra tradizione artigianale e innovazione un marchio che, dalla Turchia, è approdato in Italia da dove è iniziato il suo successo internazionale. Desa Nineteenseventytwo, il primo brand turco che abbia mai partecipato alla fashion week di Milano moda donna dove ha debuttato lo scorso settembre, rappresenta l'immagine di Desa, l'azienda fondata nel 1972 che oggi è leader in Turchia nel design di produzione di pelle e leather goods. Una produzione integrata che parte dalla concezione di proprietà le ha permesso di lanciare nel mercato le borse di alta gamma, disegnate dal direttore creativo Yusuf Çelen (con anima estetica di Balmain) e conquistando in sole quattro stagioni 50 tra i migliori multibrand del Giappone, Regno Unito, Corea del Sud e Stati Uniti. In Italia il brand è presente nelle vetrine di Cain Excessis e Anselmi di Milano, Degli Effetti di Roma e Luma Via Roma di Firenze. La nuova collezione per l'autunno-inverno 2019/16 trae

Una borsa Desa Nineteenseventytwo

dell'architetto Charlotte Perriand. La collezione sarà presentata a Palazzo Serbelloni di Milano, il 1° marzo durante la settimana della moda emiliana. (riproduzione riservata)

Michele Zio

StyleThe Topic

FASHION SOCIOLOGY di FRANCO SOLELLI

La donna e la moda: questione di codice genetico

Modestia e forte. Nuova ragazza e bad girl. La donna affetta da così questa dualità. E anche se vorrà o no conciliare il meglio.

Quel look da brava ragazza

«Una personalità lussuosa di quelle dove i personaggi usano il piacere fra importanti abiti da sera, stoffe preziose e qualitativa eccellente, dove la stile personale viene su tutti i modelli e i colori.»

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IN COPERTINA

Non Parla della donna moderna. In questi giorni la donna moderna è un po' come una ragazza. Non molto quando si parla con la signora nel giardino di casa, sempre molto, sempre prima di prendere una decisione e quando ciò ultimato si sa qualcosa con la idea più importante mondiale per gran parte la mamma e i suoi fratelli, che non lo ha.

Se le dice Maria Perla? In realtà ho molte cose da dire. Per me la moda è una questione di stile e di gusto. E se mi dicono che sono una ragazza, è perché ho un look che è moderno e che è adatto a un'età che è ancora giovane.

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magentahomme

MAGENTA

MONTONE
suede LACE
GIACCA
intorlo magenta

Samsonite®

IN 1983, DESA BECAME THE TURKEY DISTRIBUTOR OF SAMSONITE, KNOWN AS ONE OF THE BIGGEST BRANDS IN TRAVEL GOODS AROUND THE WORLD.

Thanks to this distributorship, DESA contributed to the development of this sector in Turkey, leading the way by bringing comfortable and practical baggage models to the market.

After 24 years of distributorship, a joint partnership was initiated between Samsonite and DESA, in which 40% of the shares belong to DESA and 60% of the shares belong to SAMSONITE. After Samsonite bought Tumi, two Tumi stores opened their doors to customers in Turkey towards the end of 2021. Currently, 34 of the 48 Samsonite stores belong to DESA and 14 belong to the joint venture.

15 Years

15 Years of Partnership
40% DESA-60% Samsonite

48

Samsonite Stores

24 Years

24 years of distributorship
between 1983 and 2007

34

Stores belong to DESA

square-meters

3.356

Total Retail Area of Stores in
Turkey

14

Stores belong to JV

Online Sales

samsonite.com.tr
tumi.com.tr

2

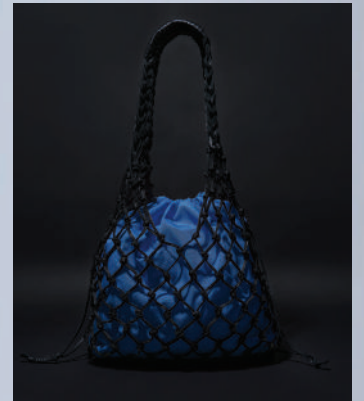
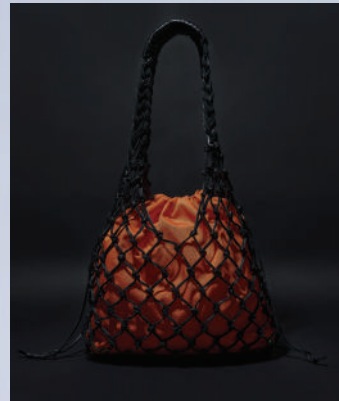
TUMI stores belong to JV



DESA supports the Foundation for the Support of Women's Work (KEDV)



DESA, as the most important representative of the leather sector in Turkey, cooperates with the Foundation for the Support of Women's Work to support the participation of women in business life and in all walks of life. With its integrated facilities, DESA, as the sector's leader in leather processing, initiated the project of 'Every Knot is a Support for Women' for the aim of empowering women. The project aims to improve women's participation in production, as well as their social and economic power.



#Every knot is a support for a women

DESA - Gold rated - Audited on the basis of LWG Standards in regards to sustainability

DESA, as one of the leading companies in leather fashion and the sector in Turkey, underwent an audit administered by the Leather Working Group, an organization which audits international brands and supply. DESA achieved a successful outcome of the Leather Working Group's audit with a Gold rating on the basis of LWG standards. DESA is one of the 1,300 members of the leather supply chain located in 52 countries that functions under the LWG. The LWG audits leather producers on the basis of their universal adaptation and their performance competencies. The LWG also encourages sustainability and develops protocols for sustainable environment practices.



Sustainability

Global Goals for Sustainable Development



- Considering the extent and the long-term consequences of climate change, it is one of the most important global issues which risks human life. The most tangible result of climate change, together with the increase in temperature in the atmosphere, is the unexpected and unusual series of natural events. At DESA, we are aware that we need to work together as a world to reduce the damage to the environment and to improve the current situation. We take into consideration this strategy in all of our decision-making processes.
- All of the leather our company uses in production is sourced from animals which were slaughtered for their meat. Therefore, our company follows the principles of recycling during its production process. We can track the skins with the barcode system and follow a transparent system where we can identify where the leather has come from and how it was obtained.
- We go to the greatest lengths to optimize the use of energy in our company. We also seek to follow an environmentally-aware process. We have replaced 80% of the lighting fixtures in stores with LED lighting, as well as the lighting in the Çorlu Tannery, Düzce and Sefaköy Factories, and have achieved 40% energy savings by doing so. Besides, we have eliminated the formation of poisonous gasses.
- We have replaced the motors we use in our sewing and stitching with new-generation and energy-saving motors in order to save energy. We have achieved savings of 40% in our energy costs by doing so.
- We initiated the project of establishing a Solar Energy Plant in our Düzce factory. We are planning to generate 50% more energy than we consume in our operations with this project and plan to continue our operations with environmentally-aware activities.
- We place importance on waste management and support the circular economy by sending our waste to certified recycling facilities.
- Our company attaches importance to international standards and stakeholder satisfaction and operates in line with the requirements of RSL (Restricted Substance List). This Restricted Substance List (RSL) is intended to provide apparel and footwear companies with information related to regulations and laws which restrict or ban certain chemicals and substances in finished home textile, apparel, and footwear products around the world.
- We adapt to the developing standards by following Sedex's audit processes and work on our social compliance.
- We do not limit our actions to meeting legal requirements; we seek to provide a healthy and safe working environment for all of our employees. We constantly work to improve our health and safety processes.

Investing in People

A TOTAL OF 1,589 PEOPLE WERE EMPLOYED IN OUR COMPANY AS OF DECEMBER 2021. OUR COMPANY HAS AN INTENSIVE PRODUCTION LINE.

Our strength is derived from our principles which we follow, based on our priorities and this effort and dedication has ensured we are a recognized brand. Our strength comes from the people we work with. We are always thankful to our employees and we do not compromise on quality in our operations. Our most important criteria is customer satisfaction, flexibility and the pace of operations for our customers.

The 49-year DESA miracle is an outcome of the high performance we have demonstrated throughout every stage of our operations and is a reflection of our approach to quality. Our company plans ahead and has a vision for the future. We always aim to possess a competent work force and seek to maintain our positive image in Turkey and abroad with our employees, our company and our products.

In light of these principles, we have the privilege of being a world brand with our employees and as a company which creates exclusive products tailored to meet customer needs.

We provide our employees with opportunities for their careers, their professional growth and their development.

DESA plans for the future, believing that success is achieved with its principles and that the biggest source of support comes from its human resources and working strength. With this approach, our philosophy to human resources development can be summarized as follows:

“We will train our own workforce by ourselves.”

In line with this philosophy, DESA carries its training and development activities within its premises in order to train and improve its employees.

The Training System at DESA takes into account the unique conditions of the sector and is based on training our own work force and developing it further.

Investing in People

Employees	2021	2020
Male	835	832
Female	754	680
TOTAL	1589	1512

Distribution by type of worker	2021	2020
Blue Collar	1000	945
White Collar	589	567
TOTAL	1589	1512



Investor Relations

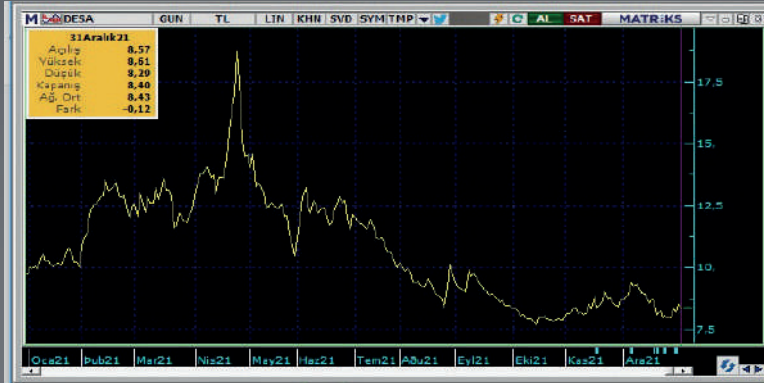
We aim to establish close relationships and ensure the maximum benefit for our shareholders. In line with Capital Market Legislation, we have issued 39 announcements to the public and answered and responded to analyst and investor questions which we received by telephone call and e-mail.

Stock Performance and Market Value

DESA stocks have been trading since 6 May 2004 on the Istanbul Stock Exchange (IMKB) under the DESA ticker. The equity ceiling for the year 2007 as registered in the system was TL 200,000,000. The issued capital was recorded as TL 49,221,970. This represents 4,922,196,986 shares each with a nominal value of 1 kurus.

DESA's market value as of 31 December 2021 stood at TL 413.4 million. The trading volume for DESA shares stood at TL 9,506,594 in 2021.

DESA 2021 Relative Share Performance

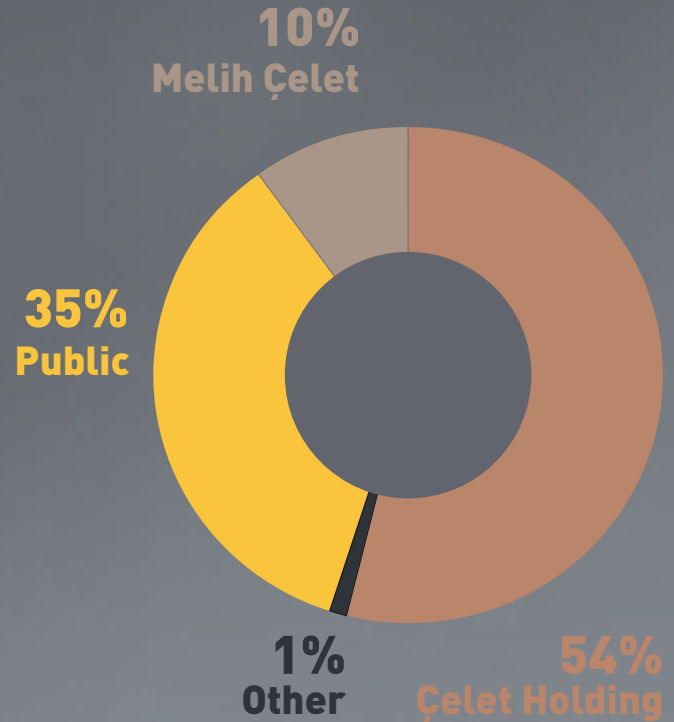


Stock Exchange Information

BIST TICKER	DESA
REUTERS TICKER	DESA.IS
BLOOMBERG TICKER	DESA.TI
DATE	6 May 2004
MARKET VALUE	413.4 MILLION TL

AS OF 31.12.2021

SHARES(%)	Share Nominal Value (TL)	Share Ratio(%)
Celet Holding Inc.	26,717,682	54%
Melih Çelet	4,922,197	10%
Open to Public	17,188,315	35%
Other	393,780	1%
Total	49.221.970	100,0%



THE CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT for 2021

Article 8 of the Corporate Governance Communiqué (II-17.1) of the Capital Markets Board (CMB) is titled "Compliance with the Corporate Governance Principles". Pursuant to the Article 8, there are also a section of "Corporate Governance Compliance Report (CGCR) and the Corporate Governance Information Form (CGIF)", which are in the annex of the Communiqué and that were announced with decision 2/249 by the CMB dated 10 January 2019. They were also published in issue 2019/2 of the CMB Bulletin dated 10 January 2019. These can be accessed from the Public Disclosure Platform (PDP) addresses provided below.

Corporate Governance Compliance Report (CGCR):
<https://www.kap.org.tr/tr/Bildirim/1001914>

Corporate Governance Information Form (CGIF):
<https://www.kap.org.tr/tr/Bildirim/1001911>



The Corporate Governance Principles Compliance Report for 2021

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT AND SUSTAINABILITY PRINCIPLES

DESA Deri Sanayi ve Ticaret A.Ş. ("DESA") determined the principles contained in the Corporate Principles published by the Capital Markets Board as its goals.

In addition to creating value for shareholders with a stable and profitable growth performance, the ability to operate at international standards is of the utmost importance in order to be able to take part effectively in the financial markets developing with the depth created in the financial markets as a result of globalization trends.

Good corporate governance is especially important in contributing to the sustainability of the company and to increase its credibility and prestige in the financial and capital markets.

Within the framework of legal and regulatory rules, DESA simultaneously transmits the necessary information to all its investors and analysts in a timely, secure, stable and regular manner. With the information provided in our Investor Relations section on our website, investors and other stakeholders may access historical and current information concerning DESA simultaneously and in full.

Our company's management aims to comply with our obligations set out in the Corporate Governance Communiqué No. II-17.1 published by the Capital Markets Board as a whole. It has taken the necessary actions over time in line with this purpose. Compliance has been achieved with the principles required of our company within the scope of the Corporate Governance Principles Communiqué.

SECTION II- SHAREHOLDERS

2.1. INVESTOR RELATIONS DEPARTMENT

2.1.1. Investor Relations Department and its Duties

The Company complies with the legislation and the articles of association in exercising shareholder rights, and practices are implemented to ensure the exercise of these rights. Since the IPO of DESA Deri San. ve Tic. A.Ş. in 2004, the Company established the "Investor Relations" department in order to conduct relations with the shareholders. All relations between DESA and the shareholders are carried out under the responsibility of the "Investor Relations" department, as a result of the joint work carried out with the relevant departments in accordance with the following principles.

The Investor Relations Department, in coordination with other departments, is responsible for regularly informing the shareholders and potential investors about the Company's activities and financial status, excluding confidential and trade secret information, and managing the communication between

shareholders and the company managers.

In this context, the Investor Relations Department:

- Promotes the company to existing and potential investor institutions and brokerage houses, meets the information requests of experts and research analysts working in these institutions,
- Answers questions and requests from shareholders,
- Ensures that databases and records of investors are kept up-to-date and regularly,
- Provides a two-way flow of information by acting as a bridge between shareholders, the company's senior management and the Board of Directors,
- Reports on developments in the capital markets and the stock performance to the relevant departments within the company and the senior management,
- Is responsible for ensuring that the shareholders reach the most accurate, fast and complete information by regularly updating the communication tools such as the company website, annual report, investor presentations, investor bulletins and company promotional films, where shareholders may obtain information about DESA.

In addition, the Investor Relations Department assists in General Meetings, which is held within the company, to be held in accordance with the legislation that is in force, the articles of association and other in-house regulations. By means of the minutes of the General Meetings, the voting results are recorded and the General Assembly minutes of meeting and related reports are submitted to the shareholders by the Investor Relations Department for for informative purposes.

The Investor Relations Department fulfills all kinds of public disclosure obligations required by the legislation, such as public disclosure of financial reports and material cases prepared by the Accounting Department.

The contact information of the Investor Relations Department is given below.

Pınar Kaya – Investor Relations Department Manager

Telephone: 0212 473 18 00

Fax: 0212 698 98 12

E- mail: pinar.kaya@desa.com.tr

E- mail: yatirimciiliskileri@desa.com.tr

Bülent Uyarlar – Accounting Manager

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Ms. Pınar Kaya, the Investor Relations Department Manager, and Mr. Bülent Uyarlar, the Accounting Manager, report to Mr. Ayhan Diribaş, our Company's Assistant General Manager for Financial Affairs. The report on investor relations activities carried out in 2021 was submitted to the Board of Directors on 10 February, 2022.

Ms. Pinar Kaya, our Company's Investor Relations Department Manager, holds the Capital Markets Operations Advanced Level and Corporate Governance Rating licenses. Pinar Kaya was appointed as a Member of the Corporate Governance Committee in line with the decision taken by the the Board of Directors on 11 May, 2020.

2.1.2. Information on the Activities of the Investor Relations Department in 2021

Questions directed to the investor relations department were answered by telephone and e-mail. The company's website had been regularly updated to ensure that investors are able to monitor up-to-date information. Disclosures which are important to investors were published on the company's website after they were disclosed on the Public Disclosure Platform (PDP).

During 2021, a total of 39 material event disclosures were disclosed to the public in accordance with the Capital Markets Legislation.

Updates on investor instruments are made on a quarterly basis. Utmost care is taken in order to comply with the legislation in fulfilling investor requests. To the best of our knowledge, there were no complaints regarding our company in the past year regarding the use of shareholders' rights, or administrative and legal proceedings against our company.

2.2. USE OF THE SHAREHOLDERS' RIGHT TO INFORMATION

2.2.1. Principles of Use of the Right to Obtain and Examine Information

There is no discrimination between shareholders in the exercise of their right to obtain and review information. With the exception of information containing trade secret received, all requests from shareholders are shared with the shareholders via telephone or e-mail, after obtaining information from the relevant departments.

During the year, all kinds of information which may be of interest to shareholders are announced with material event disclosures and these disclosures are published on the website.

2.2.2. RIGHT TO REQUEST A PRIVATE AUDITOR

Although there is a regulation regarding the appointment of a private auditor in our articles of association, shareholders did not submit any such request. The company's activities are periodically audited by Independent Auditors and Legal Auditors determined at the General Assembly.

In the Annual General Meeting for 2020, which was held on 31 March, 2021, the independent audit firm selected for 2021 is Birleşim Bağımsız Denetim ve YMM Anonim Şirketi, which is an Independent Auditor and Certified Public Accountant Joint Stock Company.

2.3. INFORMATION ON GENERAL MEETINGS

Our General Meetings are held in a manner that allows shareholders to be informed sufficiently and which attracts the broad participation of shareholders, taking into account the Turkish Commercial Code, the Capital Markets Legislation and the Corporate Governance Principles.

2.3.1. ANNUAL GENERAL MEETING FOR 2021

Our Company's Annual General Meeting for 2020 was held on 31 March, 2021 with a quorum of 81.35%. No specific period was foreseen for registered shareholders to be registered in the share book, and the relevant provisions of the Turkish Commercial Code were applied. Our Annual General Meeting was held at the company headquarters under the supervision of the ministry representative appointed by the Ministry of Industry and Trade in order to facilitate the participation. The location of our Annual General Meetings is planned in such a way as to allow the participation of all shareholders. A separate agenda item was included in the agenda of the General Assembly regarding donations and aids made during the year. In addition, no agenda suggestions were put forward by the shareholders. There was no media participation in the meeting.

In accordance with the Turkish Commercial Code, the Annual General Meeting for 2020 was held as open to electronic voting.

2.3.2. Invitations and Advertisements

Invitations to the General Meetings are made by the Board of Directors in accordance with the provisions of the Turkish Commercial Code (TTK), the Capital Markets Law and the Company's Articles of Association. As soon as the Board of Directors takes the decision to hold the General Meeting, necessary disclosures are made through the Public Disclosure Platform and the public is informed. The announcement of the General Meeting is published in all Turkish editions of one of the daily newspapers and in the Turkish Trade Registry Gazette, in a manner to reach as many shareholders as possible within the framework of the required legal regulations.

The announcement, which contained the necessary information concerning the meeting date and time of the 2020 Annual General Meeting, the meeting place, the agenda items, the procedure for the participation of the shareholders in the Annual General Meeting, the sample power of attorney and the arrangement procedure, was published in issue 10283 of the Turkish Trade Registry Gazette dated 9 March, 2021. It was also published in issue 15362, dated 8 March, 2021, of the Hürses newspaper, which is published throughout Turkey.

Together with the General Assembly Information Document published on the website, the meeting day and time, the meeting place, the agenda, the invitation made by the Board of Directors and the participation procedure of the shareholders to the General Assembly were explained in the General Meeting announcements.

The following information was disclosed to the public within 1 week after the announcement of the Annual General Meeting:

- The total number of shares and voting rights reflecting the shareholding structure of the Company,
- Privileged shares in the capital of the company (if any), the number of shares representing each privileged share group and their voting right,
- Changes in the management and activities of the Company which took place in the Company's previous accounting period, and any changes in the management and activities of the Company's major subsidiaries and affiliates, or any changes in the management and activities which are planned for the following accounting period which will significantly affect the Company's activities, and the reasons for these changes and the annual reports and annual

financial statements of all organizations, which are party to the changes, for the last two accounting periods,

- If there is dismissals, replacements or selection of the Members of the Board of Directors on the agenda of the General Assembly meeting, the grounds for their dismissal and replacement,
- Information concerning the candidates to be nominated for membership of the Board of Directors
- With the decision of the Board of Directors regarding the amendment of the Articles of Association included in the agenda,
- Old and new forms of Articles of Association amendments,
- The Curriculum vitae of the persons to be nominated for the Membership of the Board of Directors, their duties in the last ten years and their reasons for leaving,
- The nature and level of significance of the relationship between the Company and its related parties, whether it is independent or not,
- In case these persons are selected as Members of the Board of Directors, information on similar matters that may affect the Company's activities,

Announcements regarding the Annual General Meeting were published 21 days before the Annual General Meeting at the Company's headquarters and on the Company's website (www.desa.com.tr) in order to reach as many shareholders as possible, in addition to the procedures stipulated by the legislation.

There were no questions which could not be answered in the Annual General Meeting, but which were later answered in writing by the Investor Relations Unit.

2.3.3. VOTING METHODS

For the shareholders, who will be represented by power of attorney at the Annual General Meeting, a copy of the power of attorney is presented to the use of the shareholders on our website and with a newspaper advertisement.

2.3.4. Principles of Participation in the Annual General Meeting

At our company, Group A shares are registered to the name and Group B shares are registered to the bearer. Some of our shareholders' shares are kept in investor accounts under Broker Organizations with the Central Registry Agency (Merkezi Kayıt Kuruluşu A.Ş.). At our company's 2020 Annual General Meeting, which was held on 31 March, 2021, the records of some of these shareholders, who wished to attend the Annual General Meeting, on the General Assembly Shareholders List were taken into account, in accordance with the provisions of the Central Registry Agency regulating the "General Assembly" transactions. These shareholders may attend the General Meetings in their own capacity or they may send a third person to the Annual General Meeting as their representative. There is no requirement for the representative to be a shareholder.

During General meetings, shareholders may have themselves represented by other shareholders or by a proxy whom will appoint from outside, within the framework of the Capital Markets Board's regulations regarding voting by proxy. Proxies, who are shareholders of the company, are authorized to cast the votes of the shareholder they represent, in addition to their own votes.

2.3.5. Minutes of the Meeting

Minutes of the meeting can be accessed from www.kap.gov.tr and our website at www.desa.com.tr following the end of the meeting. In addition, these minutes are open to the inspection of our shareholders at the company headquarters and are shared with the investors upon request.

2.4. VOTING RIGHTS AND MINORITY RIGHTS

2.4.1. Voting Rights

Our company avoids practices which cause difficulty in exercising the right to vote. All shareholders are provided with the opportunity to vote equally, easily and appropriately. Unprivileged shareholders, who have the right to vote at our company, may use this right themselves or through a third party which is not a shareholder. There is no provision in the Articles of Association which prevents a non-shareholder from voting by proxy as a representative for unprivileged shares.

With the decision of our Board of Directors dated 6 January 2016, in order to comply with the Turkish Commercial Code No. 6102, an application was lodged to the Capital Markets Board to amend subparagraph d, entitled "Voting and Appointment of Proxy", of the Article 20 of our Company's Articles of Association, which is titled as "General Assembly". The application for amendment of the Articles of Association was approved by the Capital Markets Board's letter dated 15 January 2016 and numbered 29833736-110.03.02-E.520. In addition, the draft amendment was approved by the Ministry of Customs and Trade, the General Directorate of Domestic Trade with the letter dated 26.01.2016 and numbered 67300147 – 431.02. During our company's 2015 Annual General Meeting dated 31 March, 2016, the amendment text was submitted to the approval of the shareholders and was accepted.

According to the amendment to the Articles of Association, during Annual and Extraordinary General Meetings, group A shareholders hold 15 (fifteen) votes for each 1 (one) share, while other shareholders hold 1 (one) vote for each 1 (one) share.

2.4.2. MINORITY RIGHTS

Our company pays attention to the exercise of minority rights. In 2019, our company did not receive any criticisms or complaints regarding this issue. Since we hold privileged shares in voting, there is no regulation for cumulative voting.

The holders of group A shares hold the right to appoint four of the five board members. There are no companies with which there is a mutual subsidiary relationship. The company's articles of association do not include the cumulative voting method.

There is no provision in the articles of association regarding the determination of minority rights in a manner which is less than one twentieth of the capital.

2.5. PROFIT DISTRIBUTION POLICY AND TIMING OF PROFIT DISTRIBUTION

2.5.1. Profit Distribution Policy

DESA Deri Sanayi Ve Ticaret A.Ş. distributes profits in accordance

with CMB legislation. In accordance with the Corporate Governance principles of the Capital Markets Board, in line with the goals of the "DESA" brand to grow and develop and become a global company with a strong financial structure, and in order to take into account the additional investments to be made abroad and to protect it from the possible effects of the global economic crisis and to seize domestic and foreign investment opportunities, the decision was unanimously taken to pursue a balanced and measured profit distribution policy by taking into account the interests of our partners and the company in the market. The aforementioned profit distribution policy is included in the annual report and on our company's official website. There are no privileges regarding participation in the company's profits.

2.5.2. Timing of Profit Distribution

The approval of the General Assembly is sought in regard to the dividend distribution, and the determined legal periods are complied with in accordance with the provisions of the Turkish Commercial Code, the regulations of the Capital Markets Board and the provisions of our Company's Articles of Association.

2.6. TRANSFER OF SHARES

In our Articles of Association, there are no practices which present difficulties for holders of the publicly open B group shares to freely transfer their shares, and there are no provisions restricting the transfer of shares. Bearer shares are transferred and assigned in accordance with the provisions of the Turkish Commercial Code and other relevant legislation. For the non-public A group shares held by the controlling partner, there is a pre-emptive right for other A group shareholders in proportion to their existing shares in the company, in accordance with Article 9 of the Articles of Association.

SECTION III- PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. CORPORATE WEBSITE AND ITS CONTENT

DESA Deri San. ve Tic. A.Ş.'s official website (www.desa.com.tr) is updated periodically, with historical information also included on the website. As required by the CMB Corporate Governance principles, the necessary information is published on the company's website. Our company's annual reports are published in both English and Turkish. In order to provide more comprehensive information flow to current and potential investors and broker organizations, our investors are regularly informed of the following issues, including the matters specified in the Corporate Governance Principles, in the investor relations section, which was created separately on the website.

- Articles of Association
- Trade registry information
- Financial Data
- Audit Reports
- Annual reports
- Corporate Governance Practices and Compliance Report
- Corporate Governance Committee Duties and Working Principles
- Materiality Disclosures
- General Meeting Agenda
- General Meeting Minutes of Meeting
- Table of Attendants
- Partnership Structure
- Company Policies
- Board members

- Power of attorney sample
- Frequently Asked Questions
- Communication

3.2. ANNUAL REPORT

Annual reports are prepared in sufficient detail to enable our shareholders, the public and all other stakeholders to access full and accurate information about the Company's activities, and with the detail required by the Turkish Commercial Code and the Capital Market Legislation.

SELECTION IV - STEAKE HOLDER

4.1. INFORMING STAKEHOLDERS

Stakeholders are informed regarding matters which concern them in line with the company's information policy, through the press, material disclosures, press and analyst meetings, and in electronic media.

Although participation in management requires election to the Board of Directors, the employees' participation in management is encouraged through various work processes. No restrictions have been put in place in regard to the ability of stakeholders to convey any illegal and unethical transactions within the company to the Corporate Governance Committee and the Audit Committee. At the company, it is the responsibility of the Audit Committee to ensure and monitor compliance with legal regulations. The Corporate Governance Committee is responsible for examining and resolving any complaints from partners and stakeholders regarding matters of corporate governance.

4.2. PARTICIPATION OF STAKEHOLDERS IN THE MANAGEMENT

No model has been created regarding the involvement of stakeholders in the management of the company. On the other hand, requests and suggestions submitted in meetings held with the employees and other stakeholders are evaluated by the managers and policies and practices regarding these are developed.

4.3. HUMAN RESOURCES POLICY

The human resources policy of our company aims to ensure the necessary human resources for the future while living in the present, without ever forgetting that our most important resource is people. We summarize the human resources policy of our company as "We will train our human resources at every level by ourselves".

In accordance with this philosophy, DESA carries out its own training and development activities in order to train and develop its employees. In addition, to ensure the success of this policy, we select individuals who possess clear foresight and career expectations, and we seek the qualifications required for the job they will do when recruiting personnel to our organisation. We clearly explain the duties and responsibilities to all personnel working in our organization during the job interview. We then provide orientation training when they are recruited to the position and offer them the job description in writing.

A "joint working board" was formed in order to increase motivation within the organization. Other goals for the board are to align corporate goals with personal targets, to ensure that the problems are systematically transferred to the management for the solution

of problems faced by employees, to evaluate the demands of employees within the framework of the social responsibility standard and to share their demands with the management. This board is formed of representatives elected by our employees from each department with their own votes. The representatives work by holding regular monthly meetings in accordance with the written regulations.

No complaints have been received in regard to discrimination in our organization. There have been no complaints raised regarding this issue in the social responsibility audits carried out by independent auditors on a regular basis upon the request of our customers. In addition, the "social responsibility policy" is placed in points in the Company where all employees can see it.

As of 31 December, 2021, there were a total of 1,589 employees in the company.

4.4. CODE OF ETHICS AND SOCIAL RESPONSIBILITY

Codes of Ethics was established for the company and its employees. These codes of ethics have been disclosed to employees of the company in the Human Resources Handbook and to the public within the framework of the company's information policy. A culture of honesty, dignity, ethical behavior and compliance with laws and regulations has always been at the forefront of DESA's activities throughout its 49-year history.

DESA aims at healthy development by ensuring the satisfaction of its customers together with its employees. It also aims to provide products and services to universal quality and standards. Thus, Desa seeks to be a symbol of reliability, continuity and prestige in the eyes of its country, customers, partners and the companies to which it sells to. Desa's values shed light on the path it takes in achieving these goals, and they are shared with the public through the website. DESA's most important values, from which it derives strength in its current success and achieving its goals, are its ethical values.

DESA has attached importance to supporting social and cultural activities since its establishment. To this end, it undertakes sponsorships in various activities. The codes of ethics of our company are also published on our website (www.desa.com.tr).

SECTION V- THE BOARD OF DIRECTORS

5.1. ORGANIZATION OF THE BOARD OF DIRECTORS AND ITS FORMATION

In the election of the members of the Board of Directors, actions are taken within the framework of the Turkish Commercial Code, the CMB legislation and Corporate Governance Principles. The Board of Directors consists of five members, two of whom are independent members.

Melih ÇELET-Executive Member - Chairman of the Board of Directors

Burak ÇELET- Executive Member - General Manager

Burçak ÇELET- Non-Executive Member - Corporate Governance Committee Member

Bahar Deniz EGEMEN- Non-Executive Independent Member

Numan Emre BİLGE – Non-Executive Independent Member

As of the relevant operating period, no situation had arisen which compromised the independence of the independent members of the board of directors. The declarations of independence of the independent members of the board of directors are as follows:

In view of being elected to the Board of Directors as an "Independent Member" at the Annual General Meeting held on 8 May, 2020, in accordance with the regulations of the Capital Markets Board regarding corporate governance;

I present the following for the information of our Board of Directors, our partners and all interested parties that

- In the last five years, there has been no direct or indirect employment, and have been no capital or significantly important commercial relations between myself, my spouse or relatives by blood or marriage up to the third degree and any of the related parties of DESA Deri San. Ve Tic. A.Ş. or with the legal entities with which shareholders, who have a direct or indirect share of 5% or more in the DESA Deri Capital, are related to in terms of the management or capital.
- In the last five years, I have not worked at any of the companies which carry out all or a certain part of DESA Deri's activities and organization, within the framework of the agreements made, especially the companies which audit, rate and provide consultation to DESA Deri, and that I have not served as a member of the board of directors at any such company.
- In the last five years, I have not been a partner, employee or member of the board of directors at any of the companies which provide significant services and products to Desa Deri,
- Since I am an Independent Member of the Board of Directors, I possess the professional education, knowledge and experience to properly fulfill the duties I will undertake,
- I do not work full-time in any Public Institutions or Organizations,
- I am deemed as a resident of Turkey according to the Income Tax Law,
- I have possess ethical standards, a professional reputation and experience where I can contribute positively to DESA Deri's activities, maintain my impartiality in conflicts of interest between partners, and I can freely reach decisions by taking into account the rights of stakeholders,
- I can spare enough time for company business to follow up on the activities of DESA Deri and fully fulfill the requirements of the duties I have undertaken,

The CVs of the Members of the Board of Directors are as follows:

Melih ÇELET – The Chairman of the Board of Directors

Melih Çelet founded DESA in 1972. He is a graduate of Ankara College, and studied Pharmaceuticals at Istanbul University. He speaks English.

Burak ÇELET – Member of the Board – the General Manager

Burak ÇELET completed his undergraduate education in Mechanical Engineering at Boğaziçi University in 1999, before completing a Master of Business Administration in the field of Finance and Investment at the University of Madison Wisconsin in 2001. He then completed his postgraduate degree in Leather Technology at the Northampton College in 2002. Mr. Burak ÇELET is a member of TÜSİAD (Turkish Industry and Business Association), in addition to his duty as the General Manager of our company. Mr. Burak ÇELET speaks English, Italian and German.

Burçak ÇELET – Member of the Board

Ms. Burçak ÇELET completed her undergraduate education at the Department of Industrial Engineering of Yıldız Technical University in 1999. Working as the Planning Manager at Toys'R'Us between 1999 and 2001, Ms. Burçak ÇELET completed her master's degree in retail management at the University of Surrey in 2002 and worked as Maxitoys - Category Manager at Joker between 2003 and 2004. Continuing her duty as a member of the board of directors at our company since 22 December, 2006, Ms. Burçak ÇELET speaks Italian, English, Spanish and French. Ms. Çelet is a member of the Association of Women in the Board of Directors and she is a 5th term mentee.

Bahar Deniz Egemen-Independent Board Member

Ms. Bahar Deniz EGEMEN graduated from the Faculty of Mechanical Engineering at Istanbul Technical University in 1999. She completed an MBA at the University of North Carolina - Charlotte in 2002. She started her professional career in the private sector in the USA in 2001, working as a Credit Analyst at Unisource Worldwide Inc. and Staples Inc.,

before returning to Turkey in 2005 where she continued her career in the Research Department of Garanti Yatırım Menkul Kıymetler A.Ş. Ms. Bahar Deniz EGEMEN resigned from her position as a Research Director in 2016. Ms. Bahar Deniz EGEMEN worked as the Investment Director at SE-AL Yönetim A.Ş. between 2016 and 2018. Ms. EGEMEN was elected as an independent member for two years at our Company's 2019 Annual General Meeting, dated 8 May 2020.

Numan Emre Bilge – Independent Board Member

Mr. Numan Emre Bilge graduated from the Finance Department of Istanbul University in 1987. He completed a Master's degree in Business Administration at the City of London Polytechnic in London in 1990. He started his professional career at Goodyear Lastikleri A.Ş. in 1992. After working as a Product Manager and Regional Sales Manager respectively, he worked as the Marketing Manager at Goodyear Great Britain Limited Organization between 1998 and 2000. Between 2000 and 2004, he served as an Assistant General Manager in charge of Sales and Marketing at Axa Oyak Hayat Sigorta A.Ş. Since 2007, he has been serving as a General Manager and Deputy Chairman of the Board of Directors at Zin D Yatırım ve Yönetim Geliştirme A.Ş. Mr. BİLGE was elected as an independent board member for two years at our Company's 2019 Annual General Meeting dated 8 May 2020.

Our independent members of the Board of Directors submitted their declaration of independence to the Corporate Governance Committee, which also carries out the task of the Nomination Committee. The Corporate Governance Committee submitted the nomination report, which it prepared on the independent board member candidates, to the Board of Directors on 9 March 2020. During the Annual General Meeting held on 8 May 2020, Ms. Bahar Deniz Egemen and Mr. Numan Emre Bilge were elected to the Board of Directors as "Independent Members" for a period 2 (two) years. There is no specific rule regarding members of the Board of Directors taking on other duties outside the company. Mr. Numan Emre Bilge, one of the members, has been serving as the General Manager and Deputy Chairman of the Board of Directors at Zin D Yatırım ve Yönetim Geliştirme A.Ş. A total of two women sit on the current Board of Directors at our company.

5.2. OPERATION PRINCIPLES OF THE BOARD OF DIRECTORS

The activities of the Board of Directors are carried out within the framework of the provisions of the Turkish Commercial Code and the Articles of Association. The Board of Directors convenes as required by the business. With the decisions taken in 2021 within the framework of Paragraph 4 of Article 390 of the Turkish Commercial Code No. 6102, a total of 36 decisions were taken during the year. The members of the board of directors do not hold weighted voting rights, and each member has one vote.

At the Board of Directors meetings, votes are announced as in favour or against. Those who vote against write the reason for their decision and sign it. However, since no such opposition or contrary opinions have been expressed recently, no public disclosure has been made. Particular attention is paid to actual participation in the Company's Board of Directors.

The damage to be caused by faults of the members of the board of directors during their duties at the company have not yet been insured.

5.3. NUMBER, ORGANIZATION OF THE COMMITTEES FORMED BY THE BOARD OF DIRECTORS AND THEIR INDEPENDENCE

Work on Corporate Governance started in 2005. The Audit Committee, which works under the Board of Directors, was established with the decision of the Board of Directors numbered 18 and dated 26 May 2004.

In the operating period of 2014, the Corporate Governance Committee was established with the Board of Directors decision numbered 22 and

dated 19 June 2012 within the framework of the Corporate Governance Principles. The duties and responsibilities of the Nomination Committee, Early Detection of Risk Committee and Remuneration Committee were assigned to the committee. The Early Detection of Risk Committee was established with the decision of the Board of Directors numbered 16 and dated 20 May 2013. With the decision numbered 24 and dated 11 May 2020, Mr. Numan Emre Bilge was elected as the chairman of the committee and Mr. Burçak Çelet was elected as a member.

5.3.1. Audit Committee

The Audit Committee fulfils the duties stipulated for the audit committee in the Capital Markets Legislation. In this context, our Company's accounting system monitors the public disclosure of financial information, independent auditing, and the operation and effectiveness of the internal control system of the partnership.

The selection of the independent audit firm, the preparation of independent audit contracts, the initiation of the independent audit process, and the work of the independent audit firm at every stage are carried out under the supervision of the audit committee.

The Audit Committee is obliged to inform the Board of Directors in writing, together with its own evaluations, by taking the opinions of the responsible managers and independent auditors of the partnership regarding the accuracy and conformity of the annual and interim financial statements to be disclosed to the public, with the accounting principles followed by the partnership, and at least four times a year. and meets more often as needed.

The responsibility of the Audit Committee, together with the company management, is to maintain the internal and external audit meticulously, and to ensure that records, procedures and reports comply with the relevant laws, rules and regulations, as well as CMB and IFRS principles. This committee consists of independent non-executive members.

Members of the Audit Committee:

Chairman: Numan Emre Bilge

Member: Bahar Deniz Egemen

5.3.2. Corporate Governance Committee

The Corporate Governance Committee works to support and assist the board of directors by working on the Company's compliance with the corporate governance principles, determining the members of the board of directors and senior executives, remuneration, reward and performance evaluation, career planning, investor relations and public disclosure. The reason why Ms. Bahar Deniz Egemen, one of our independent members, is assigned to both committees is that two of our independent members are in the audit committee in order to ensure that the entire audit committee consists of independent members. Since the members of the Corporate Governance Committee should consist of non-executive members, she carries out these duties.

Corporate Governance Committee Members:

Chairman: BAHAR DENİZ EGEMEN

Member: BURÇAK ÇELET

Member: Pınar KAYA

5.3.3. Early Detection of Risk Committee

The tasks of the Early Detection of Risk Committee include determining areas which may create managerial risks and vulnerabilities and obtaining the opinions of the management and related parties regarding plans to eliminate the deficiencies, carrying out work for the early detection of risks which may endanger the existence, development and continuation of the company, implementing the necessary measures regarding the identified risks and managing the risk, reviewing risk management systems at least once a year, examining important complaints received by the partnership regarding the management, ensuring that they are resolved and ensuring that notifications from employees on these matters are forwarded to the management within the framework of the principle of confidentiality.

Early Detection of Risk Committee Members:

Chairman: NUMAN EMRE BİLGE

Member: BURÇAK ÇELET

5.4. RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

The company's risk management includes regular reviews of financial risk, market risk and operational risks. The Internal Audit is engaged with evaluating the adequacy and effectiveness of controls covering the company's management, operations and information systems based on the results of risk assessments. These evaluations cover the reliability of financial and operational information, the effectiveness and efficiency of operations, the protection of assets, and compliance with laws, regulations and contracts. Our Company's Internal Control Specialist is Mr. Tuncay Erol.

5.5. THE COMPANY'S STRATEGIC GOALS

DESA's mission, vision, goals and ethical values were added to the corporate identity file and presented to the public on the company website.

The Board of Directors participates in and approves the formulation of strategic targets prepared by the managers. Activities are evaluated on a monthly, quarterly, 6-monthly, 9-monthly and annual basis. Strategic goals for 2022 were established and sales & marketing and production goals have started to be reviewed. The dissemination of the goals continues. Strategic planning activities for the next 5 years have got underway. Indicators for financial, customer, process and learning development goals were created for all departments, and the actual situation for 2021 was determined, and the forecast was conducted for 2022.

5.6. FINANCIAL RIGHTS

The rights, benefits and remunerations provided to the members of the Board of Directors are applied depending on the decisions taken at the General Assembly. No debt, guarantee, loan or similar benefits were provided to any member of the board of directors during the activity period. Financial rights in the field of remuneration provided to the Board of Directors are discussed at the General Assembly and the public is informed with minutes of meetings. The determined rights are not informed on an individual basis, but on the basis of whether they are executive members or independent memberships. The principles of remuneration of the members of the board of directors and executives with administrative responsibility were accepted with decision number 15 of the board of directors dated 20 May, 2013. The principles of remuneration were placed under the investor relations section of the company website. The policy was also presented to the shareholders of the company at the Annual General Meeting for 2013.

VI- SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

As stated in Article 8 of the Corporate Governance Communiqué II-17.1, annual reports include an explanation of whether the sustainability principles are applied or not, and if not, a justified explanation is provided, along with a statement regarding the effects on environmental and social risk management due to the failure to comply with these principles.

As DESA Deri, we are aware of the fact that we are in a period when we need to work together as the whole world in order to leave behind a sustainable world to future generations, and we manage all our activities with this principle. Our goal is to be a pioneer and to be a sensitive company at all times.

A. GENERAL PRINCIPLES

A1. STRATEGY, POLICY AND GOALS

The board of directors identifies material ESG (Environmental, Social and Governance) issues, risks and opportunities. It implements and audits the determined ESG issues in accordance with the ISO 14001 - Environmental Management Systems standard. Work has got underway together with the preparation of a sustainability report for short and long-term targets in accordance with the ESG policies. Our Environmental Policy and Restricted Substances Chemical Management Policy is published on our website at www.desa.com.tr.

A2. Implementation/Monitoring

Our ESG committee will be determined and its working principles regarding its duties and responsibilities will be explained separately. DESA aims to work in line with the United Nations Sustainable Development Goals for the short- and long- term targets to be determined. DESA manages all actions it takes to preserve its pioneering brand identity in the industry and to leave a livable environment for future generations with this principle. DESA seeks to procure all of the leather it processes from animals which are slaughtered for meat and by recycling the leather. With the barcode system on leather, we work to a transparent management approach, where we can track where and how the leather comes from.

A3. Reporting

The explanations regarding the compliance with the principles specified in the Sustainability Principles Compliance Framework will be included in the annual report. If there is a significant change in the said explanations within the period, the relevant change will be included in the interim annual reports every year. The utmost importance is placed on the issues of transparency and reliability. The company aims to implement 17 items in line with the United Nations Sustainability Development Goals. Which of these 17 items are related to our activities are matched with our sustainability activities, which are to be published in our annual report.

A4. Verification

In order to develop and verify our sustainability efforts, we contacted third-party independent sustainability providers (bodies) and started to have them verified.

B. Environmental Principles

Policies and practices in the field of environmental management, action plans, environmental management systems are implemented based on ISO 14001 – Environmental Management System. We are working in full compliance with the Environmental Law No. 2872 adopted on 9 August 1983 and all the regulations to which we are bound. We follow up the developments and revisions from the official gazette. Information will be provided concerning the reporting date and

reporting conditions in the content of the sustainability report, which we aim to start work on in due course. Our ESG team aimed to conduct joint work on environmental and climate change issues and detailed information will be provided. We support continuous innovation efforts with our sensitivity towards sustainability and our understanding of responsible production.

At our Düzce factory, we are working to implement the Accessible Clean Energy item of the United Nations by ensuring that more than 50% of the electricity we need is renewable energy. We record all our energy sources and water consumption amounts. In order to use electricity more efficiently. We replaced our lighting fixtures with LED lighting at our Çorlu Tannery, the Düzce and Sefaköy factories, thereby preventing the emission of toxic waste into the environment and achieving energy savings of 40%. We produce all of our products by obtaining a gold certificate in accordance with the standards of the Leather Working Group, which inspects waste management, water use, energy use and whether the leather processing is in a manner that is free from restricted chemicals. The amount of energy used is monitored regularly, and meters are checked at our factories to monitor use of electricity and water. To promote the efficient use of energy and to minimize the impact on the environment, the sewing machine motors used in production were replaced with more modern and energy efficient motors. Work continues on replacing all of the motors.

With the "Green Deal" approved by the EU Parliament on 24 June 2021, we are preparing for the carbon tax that will be introduced on 1 January 2026, within the scope of the goal of reducing greenhouse gas emissions by 55% by 2030 and being carbon neutral by 2050.

In respect to the natural gas used in our heating, our greenhouse gas emissions are measured annually. Work is carried out in accordance with the activity categories of the "Regulation on the Monitoring of Greenhouse Gas Emissions".

Within the scope of the Waste Management Regulation, DESA has an Industrial Waste Management plan in place, which includes information on the process and activity in which the waste is generated, the waste code information, waste quantities and the method of waste disposal. In accordance with the hierarchy of waste management, priority is first given on preventing the generation of waste, reducing waste if it cannot be prevented and then encouraging the reuse of waste in areas where reduction is not possible. In this context, some waste generated at our Çorlu factory is used as raw material in different sectors. We also declare the amount of waste generated every year and the licensed recycling facility information to which we send the waste to the Ministry of Environment and Urbanization, the Waste Management Application and the Mobile Waste Tracking System.

C. Social Principles

C1. Human Rights and Employee Rights

DESA works in full compliance with the conventions of the ILO, which Turkey became a member of in 1932.

- Weekly Rest (Industry) Convention No. 14
- Forced Labour Convention No. 29
- Minimum Age (Industry) Convention No. 59
- Equal Remuneration Convention No. 100
- Social Security (Minimum Standards) Agreement No. 102
- Abolition of Forced Labour Convention No. 105
- Discrimination (Employment and Occupation) Convention No. 111
- Equality of Treatment (Social Security) Convention No. 118
- Minimum Age Convention No. 138
- Occupational Health and Safety and Working Environment Convention No. 155

- Promotional Framework for Occupational Safety and Health Convention No. 187

We care about social compliance, and in this context, we carry out continuous improvement and development activities as accredited (SEDEX) in the ETI Base Code audits.

DESA effectively manages the processes of equal opportunity, fair working conditions and the improvement of working standards within the scope of the Recruitment Procedure in the recruitment processes. DESA also works to increase the employment of women and avoids discrimination on the basis of gender, religion, faith, language, race, ethnicity, age, disability and refugee status.

In order to contribute to women's participation in production and their social and economic empowerment of women, we implemented the "Every Knot is Support for a Woman" project with the Foundation for the Support of Women's Work. We believe that one of the most important issues is gender equality and women's economic freedom when it comes to achieving the dream of a better future where healthy, educated and knowledgeable generations are raised.

Within the scope of the Occupational Health and Safety Services Regulation dated 29/12/2012 and numbered 28512 and the DESA Occupational Health and Safety Policy, we work meticulously in order to ensure that the working environment is safe, that employees work in accordance with the necessary legislation and to prevent work accidents and occupational illness. We carry out necessary risk assessments, training and corrective actions.

The ISO 27001 Information Security Management System is implemented to protect personal data and ensure data security.

C2. Stakeholders, International Standards and Initiatives

Activities in the field of sustainability are carried out by taking into account the needs and priorities of all stakeholders including employees, customers, suppliers, service providers, public institutions, shareholders, society and non-governmental organizations. The ISO10002:2018 Customer Satisfaction Management System was certified until January 2024. Customer satisfaction is a priority issue, and we work diligently on complaint management and resolution.

In order to participate in the Borsa Istanbul Sustainability Index, meetings were held with the relevant company, and we participated in the "Environmental, Social and Governance" training.

D. Corporate Governance Principles

Our Corporate Governance Committee takes into account the environmental effects of sustainability activities and undertakes maximum effort to ensure full compliance with the Corporate Governance Principles.

As stated in the Corporate Governance Principles, DESA takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen the communication with stakeholders. Feedback from stakeholders is sought determining measures and strategies in the field of sustainability. DESA bases its sustainability work on international standards, and it has started work on the preparation of a sustainability report. Its efforts to tackle bribery and corruption and the principles of honesty in terms of taxation are supported within the scope of the United Nations Sustainable Development Goals.



Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
1	GENERAL	A1. Strategy, Policy and Goals	The Board of Directors identifies ESG material issues, risks and opportunities and establishes appropriate ESG policies. In terms of the effective implementation of the said policies, intra-partnership directives, business procedures, etc. can be prepared. The Board of Directors takes the decision for these policies and discloses them to the public.	Partial Compliance	We have an Environment, Restricted Substances and Chemical Management Policy, Quality and Social Security policies in place, and we act in accordance with these policies in our activities in order to implement these policies effectively. Our Environmental Policy and Restricted Substances and Chemical Management Policy are available on our website. The Corporate Governance Committee undertakes maximum effort to comply with the sustainability principles.
2			The Board of Directors determines the Partnership Strategy that is in line with the ESG policies, risks and opportunities. It sets the short and long-term goals in line with the partnership strategy and the ESG policies, and discloses them to the public.	Partial Compliance	The Board of Directors works to determine the risks and opportunities applicable to the company. In 2022, work will be carried out to determine short and long-term goals in the ESG policies.
3		A2. Implementation / Monitoring	It identifies the committees/departments responsible for the implementation of the ESG policies, and discloses this to the public. The responsible committee/ department reports the activities carried out within the scope of the policies to the Board of Directors at least once a year. Moreover, in any case, the responsible committee/ department reports to the board in a way to remain within the maximum durations determined for the disclosure of annual reports to the public in the relevant regulations of the Board.	Partial Compliance	The committees responsible for the implementation of the ESG policies have been identified and not disclosed to the public. One of the company's objectives is to report the activities carried out within the scope of the policies annually.
4			It creates implementation and action plans in line with the determined short and long-term goals and discloses them to the public.	Partial Compliance	Short and long-term goals will be specified in the Sustainability Report, which is planned to be prepared in 2022.
5			It determines the ESG Key Performance Indicators (KPI) and discloses them comparatively on a yearly basis. It provides the KPIs with local and international industry comparisons, if verifiable data is available.	Partial Compliance	KPIs will be mentioned in the Sustainability Report, the preparation of which has got underway.
6			It discloses innovation activities that improve sustainability performance for business processes or products and services.	Partial Compliance	There are no innovation activities to improve sustainability performance. However, it support carrying out work.
7			It reports and publicly discloses the sustainability performance, goals and actions at least once a year. It discloses information on sustainability activities within the scope of the annual report.	Partial Compliance	The work on sustainability reporting, which includes sustainability performance, goals and actions, will start in 2022.
8		A3. Reporting	It is essential to share information that is important for stakeholders in terms of understanding the position, performance and development of the partnership in a direct and concise manner. It may also disclose detailed information and data on the corporate website, and prepare separate reports which directly meet the needs of different stakeholders.	Partial Compliance	Corporate web page, annual reports, the PDP Notifications and press releases are used in stakeholder communication.
9			It takes the utmost care in terms of transparency and reliability. Within the scope of the balanced approach, it explains all kinds of developments on material issues in disclosures and reports in an objective manner.	Complied	Within the scope of company culture, DESA pays utmost attention to transparency and reliability issues. An objective approach is displayed in reporting and disclosures.
10			It provides information concerning which of its activities are related to the United Nations (UN) 2030 Sustainable Development Goals.	Partial Compliance	Work is carried out on integrating the Sustainable Development Goals into the activities and which activities are related. This will be mentioned in the sustainability report to be prepared.
11			It issues a statement regarding the lawsuits filed and/or concluded against the company with regard to environmental, social and corporate governance issues.	Irrelevant	There are no lawsuits filed against the company with regard to the environmental, social and corporate governance issues.

Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
12	GENERAL	<i>A4. Verification</i>	It discloses sustainability performance measures to the public, if they are verified by independent third parties (independent sustainability assurance providers). It strives to increase the number of these verifications.	Partial Compliance	Competent organizations have been contacted for sustainability verification, and work is ongoing.
13	ENVIRONMENT	<i>B. Environmental Principles</i>	It discloses the policies and practices, action plans, environmental management systems (known as the ISO 14001 standard) and programs in the field of environmental management.	Partial Compliance	DESA applies ISO 14001 Environmental Management System at all of its business establishments. No disclose has been made.
14			It complies with environmental laws and other relevant regulations, and discloses this.	Partial Compliance	We work in accordance with the Environmental Law No. 2872, Waste Management Regulation, Industrial Air Pollution Control Regulation, Environmental Impact Assessment Regulation and all other environmental regulations, which we are under.
15			It explains the limitations of the environmental report to be included in the report, which is to be prepared within the scope of the Sustainability Principles, the reporting period, the reporting date, the data collection process and the reporting conditions.	Partial Compliance	DESA will start its sustainability reporting activities in 2022 and plans to make a statement at the end of the reporting period.
16			It explains the highest-level responsible individual in the partnership regarding the environment and climate change, the relevant committees and their duties.	Partial Compliance	Our ESG committee has been determined and its duties and competencies will be explained.
17			It explains the incentives it offers for the management of environmental issues, including the achievement of targets.	Partial Compliance	The project for the completion of the electrical infrastructure of the 1250 kVa Solar Electricity system and the installation of solar panels was approved and the work has got underway. The company aims to include a statement in the report once the process is finalized.
18			It explains how environmental issues are integrated into business goals and strategies.	Partial Compliance	One of the company's goals to carry out work for the implementation of sustainability goals in all fields of activity and in the suppliers, and evaluate the work carried out.
19			It explains the sustainability performances of work processes or products and services and the activities to improve this performance.	Partial Compliance	Our sustainability approaches and improvement efforts are mentioned in the annual report.
20			It explains how it manages environmental issues and integrates suppliers and customers into its strategies, not just in terms of direct operations but throughout the partnership value chain.	Partial Compliance	The company plans to carry out management and strategy efforts in order to create and achieve common goals with all our stakeholders.
21			It discloses whether it is involved in policy-making processes on environmental issues on a sectoral, regional, national and international level, the cooperation it enters into with the environmental associations which it is a member of, related organizations and non-governmental organizations and, if any, the duties it undertakes and the activities it supports.	Partial Compliance	In 2022, efforts will be made to become a member of environmental associations and organizations in the national and international policy making processes.
22			It periodically reports information on the impacts of the company on a comparable basis in the light of environmental indicators such as greenhouse gas emissions Scope-1 (Direct), Scope-2 (Energy indirect), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management and biodiversity impacts.	Complied	Waste generated at the company and the licensed facilities to which waste is sent, are recorded and declared in the Waste Management Application of the Ministry of Environment and Urbanization.
23			It describes the details of the standards, protocols, methodologies, and the base year it uses in order to collect and calculate its data.	Partial Compliance	Data collection standards, protocols and methodologies are clear and defined. No public disclosure has been made.

Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
24	ENVIRONMENT	B. Environmental Principles	It describes the status of environmental indicators (increase or decrease) for the reporting year in comparison with previous years.	Partial Compliance	No sustainability report has yet been published. We plan to conduct a comparison after publication.
25			It sets short and long-term goals to reduce its environmental impacts and explains these goals. It is recommended that these goals be set based on science, as proposed by the UN Climate Change Conference of the Parties. If there is progress in the reporting year according to the goals it has set previously, it provides information on the subject.	Partial Compliance	In order to reduce environmental impacts, importance is attached to the issues proposed by the UN Climate Change Conference of the Parties and work will be initiated.
26			It explains its strategy and actions taken to tackle the climate crisis.	Partial Compliance	DESA aims to prepare the strategy and actions to combat the climate crisis.
27			It describes programs or procedures to prevent or minimize the potential adverse impact of its products and/or services. It explains the actions of third parties to reduce greenhouse gas emissions.	Partial Compliance	Within the work on the annual report, efforts to reduce the impact on the environment were explained. It was aimed to calculate greenhouse gas emissions.
28			It explains the actions it takes to reduce its environmental impacts, the total number of projects and initiatives it carries out, and the environmental benefits/gains and cost savings that these activities provide.	Partial Compliance	DESA works with the principle of reducing its environmental impacts and protecting environmental health in all areas where it operates. Our annual report sets out our actions to reduce our environmental impacts.
29			It reports the total energy consumption data, excluding raw materials, and it explains the energy consumptions as Scope-1 and Scope-2.	Partial Compliance	Energy consumption data is recorded and it has not been yet disclosed.
30			It provides information on electricity, heat, steam and cooling produced and consumed in the reporting year.	Partial Compliance	We record our energy consumption. We carry out work with our ESG team to use it more efficiently.
31			It carries out work to increase the use of renewable energy, transitioning to zero carbon or low carbon electricity and explains the activities taken in this regard.	Partial Compliance	In order to reduce our impact on the environment and increase the use of renewable energy, a green energy project was approved at our Düzce factory and work on the project has got underway.
32			It explains renewable energy production and usage data.	Partial Compliance	When our renewable energy production starts operating at our Düzce factory, energy production and usage data will be mentioned.
33			It carries out energy efficiency projects and explains the amount of energy consumption and emission reductions achieved through these activities.	Complied	As part of energy efficiency, energy savings of 60% were achieved in energy consumption by converting lighting fixtures to LED lighting.
34			It reports the amount of water drawn from underground or above ground, used, recycled and discharged, its sources and procedures such as total water withdrawal by source, water sources affected by water drawal; percentage and total volume of recycled and reused water.	Complied	DESA complies with all the requirements within the scope of the Water Pollution Control Regulation and it reports accordingly.
35			It explains whether its operations or activities are included in any carbon pricing system such as Emissions Trading System, Cap & Trade or Carbon Tax.	Irrelevant	It is not included in the carbon tax.

Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
36	ENVIRONMENT	B. Environmental Principles	It discloses the carbon credit information accumulated or purchased during the reporting period.	Irrelevant	It does not have a carbon credit.
37			If carbon pricing is applied within the partnership, it explains the details.	Irrelevant	There is no carbon pricing.
38			It discloses all mandatory and voluntary platforms where it discloses its environmental information.	Partial Compliance	The preparation of a comprehensive report covering environmental issues has started and voluntary platforms will be disclosed.
39	SOCIAL	C1. Human Rights and Employee Rights	It creates a Corporate Human Rights and Employee Rights Policy, in which full compliance with the Universal Declaration of Human Rights, the ILO Conventions ratified by Turkey, and the legal framework and legislation regulating human rights and working life in Turkey is committed. It publicly discloses the policy and the roles and responsibilities associated with its implementation.	Complied	DESA observes full compliance with national and international norms regulating human rights, especially the Declaration of Human Rights, and it implements the necessary practices within the scope of its activity cycle. In this context, it has been accredited in the audits of the ETI Base Code.
40			It provides equal opportunity in recruitment processes. By considering the effects of supply and value chain, it includes fair workforce standards, improvement of work standards, women's employment and inclusion issues such as non-discrimination based on gender, religion, faith, language, race, ethnicity, age, disability, refugee status and so on in its policies.	Complied	The DESA Human Resources department carries out its activities in a manner to ensure equality of opportunity in recruitment processes, increasing women's employment, avoid employment of child labour to avoid discrimination. In this context, it has been accredited in the audits of the ETI Base Code.
41			It explains the measures taken along the value chain to protect the rights of certain groups such as low-income groups, women, etc., or minority rights/equality of opportunity, which are sensitive to certain economic, environmental and social factors.	Complied	The DESA Human Resources department is active in ensuring equality and full rights that are sensitive to economic, environmental and social segments, and takes measures to prevent any contraventions. It has been accredited in the audits of the ETI Base Code also within this context.
42			It reports developments regarding the preventive and corrective practices of discrimination, inequality, human rights violations, and forced labour. It explains the regulations in place against the employment of child labour.	Complied	In all its activities, the DESA Human Resources department is sensitive to human rights, does not employ forced labour and carries out its activities in an inclusive manner where rights are fully provided.
43			It explains its policies regarding investment in employees (education, development policies), compensation, benefits, the right to unionize, work/life balance solutions and talent management. It establishes mechanisms for employee complaints and dispute resolution, and determines dispute resolution processes. It regularly explains the activities carried out to ensure employee satisfaction.	Complied	DESA continues its activities with the principle of fairness and equality in ensuring employee satisfaction and ensuring employee rights.
44			It creates occupational health and safety policies and discloses to the public. It explains the measures taken for the protection of occupational accidents and the health of employees, and accident statistics.	Partial Compliance	DESA has an occupational health and safety policy in place. It has not been shared with the public. Accident statistics are recorded for the protection from occupational accidents and of the health of employees.
45			It creates and publicly discloses personal data protection and data security policies.	Complied	DESA implements the ISO 27001 Information Security Management System. Protecting personal data and working with data security awareness are part of the working culture.

Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
46	SOCIAL	C1. Human Rights and Employee Rights	It creates an ethics policy, including work on business, work ethics, compliance processes, and advertising and marketing ethics, open disclosure, etc. It discloses this to the public.	Partial Compliance	There is a Desa Ethics Policy in place.
47			It explains its work on social investment, social responsibility, financial inclusion and access to finance.	Partial Compliance	With our "Every Knot is a Support for a Woman" project, which we carried out with with the Foundation for the Support of Women's Work (FSWW), we achieved our goals of bringing women into business life and for them to achieve economic freedom.
48			It organizes information meetings and training programs for employees on the ESG policies and practices.	Complied	In accordance with the Regulation on Environmental Management Services No. 30847, environmental law and secondary regulations, compulsory education programs are organized on environmental issues.
49		C2. Stakeholders, International Standards and Initiatives	It carries out its activities in the field of sustainability by taking into account the needs and priorities of all stakeholders such as employees, customers, suppliers and service providers, public institutions, shareholders, society and non-governmental organizations.	Complied	Desa continues its activities by taking into account the needs and priorities of all stakeholders in its sustainability activities.
50			It regulates and publicizes a customer satisfaction policy regarding the management and resolution of customer complaints.	Partial Compliance	Desa implements the Customer Satisfaction Management System ISO 10002:2018 standard.
51			It conducts stakeholder communication in a continuous and transparent manner. It explains the developments achieved in sustainability activities. It explains with which stakeholders it communicates, for what purpose, on what subject and how often.	Partial Compliance	Strong and transparent communication is established with all stakeholders and the frequency of communication is determined according to sustainability activities.
52			It publicly discloses the international reporting standards it has adopted such as the Carbon Disclosure Project (CDP), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-Related Financial Disclosures (TCFD).	Partial Compliance	Currently, there is no adopted standard, but work has begun to this end.
53			It publicly discloses international organizations or principles, of which it is a signatory or a member, such as the Equator Principles, the United Nations Environment Program Finance Initiative (UNEP-FI), the United Nations Global Compact (UNGC) and the United Nations Principles for Responsible Investment (UNPRI). It publicly discloses the international principles which it has adopted such as the International Capital Market Association (ICMA) and Green/ Sustainable Bond Principles.	Partial Compliance	Desa is not a member of the aforementioned organizations, but work has begun to this end.
54			It exerts clear efforts to be included in the Bursa Istanbul Sustainability Index and international sustainability indices such as the Dow Jones Sustainability Index, FTSE4Good and MSCI ESG Indices.	Complied	Tangible work has been initiated in order to be included in the Sustainability Index in 2022. The ESG team participated in the training provided by an authorized company.

Serial number	Category	Principle Name and Code	Definition of the Principles	Compliance Status	Explanation
55	CORPORATE GOVERNANCE	D. Corporate Governance Principles	In addition to the Corporate Governance principles which must be complied with within the scope of the Capital Markets Board's Corporate Governance Communiqué numbered II-17.1, it exerts maximum effort to comply with all Corporate Governance principles.	Complied	It exerts maximum effort to comply with the Corporate Governance Principles, which must be complied with within the scope of the Corporate Governance Communiqué.
56			It considers the issue of sustainability, the environmental impacts of its activities and the principles in this regard while determining its corporate governance strategy.	Complied	DESA aims to work in line with the goals of environmental protection and sustainability in all its fields of activity.
57			It takes the necessary measures to comply with the principles regarding the stakeholders and to strengthen communication with stakeholders as specified in the Corporate Governance Principles. It seeks the opinions of stakeholders in determining the measures and strategies in the field of sustainability.	Partial Compliance	Measures are taken to comply with the principles regarding stakeholders and to strengthen communication with stakeholders. The opinions of stakeholders will be taken in the determination of measures and strategies in the field of sustainability.
58			It works to raise awareness about the issue of sustainability and its importance through social responsibility projects, awareness events and training.	Complied	Together with the FSWW, DESA carried out the "Every Knot Supports a Woman" project in order to contribute to women's participation in production and their social and economic empowerment. In addition, according to Article 9 of the Apprenticeship and Vocational Education Law No. 3308, apprentice candidates attending school between the ages of 14 and 19 received training.
59			It strives to comply international standards and join initiatives on sustainability and to contribute to work in this regard.	Complied	DESA strives to comply with international standards and join initiatives, and to participate in work in this regard.
60			It discloses the policies and programs regarding the fight against bribery and corruption and the principle of honesty in terms of taxation.	Partial Compliance	DESA observes a policy of tackling bribery and corruption and promoting honesty in terms of taxation, but it has not been disclosed to the public. In this context, DESA was accredited in the ETI Base Code audits and all reports were uploaded to the Sedex system.

ANNUAL REPORT OF THE BOARD OF DIRECTORS IN RELATION TO THE INDEPENDENT AUDITOR'S REPORT



TO THE GENERAL ASSEMBLY OF DESA DERİ SANAYİ VE TİCARET A.Ş.

1) Limited Positive Opinion

Since we have audited the full set of financial statements of DESA Deri Sanayi ve Ticaret A.Ş. (the "Company") for the 1 January - 31 December 2021 accounting period, we have also audited the annual report for this accounting period.

In our opinion, with the exception of the subject specified in the Basis of Limited Positive Opinion, the financial information included in the annual report of the Board of Directors and the Board of Directors' discussion regarding the Company's situation is consistent with the full set of financial statements audited in all important aspects and the information we have obtained during the independent audit and reflects the truth.

2) The Basis of the Limited Positive Opinion

As explained in details in the Financial Investments postscript (Note: 3 Shares in Other Entities), the Company should present its affiliate, that should be measured by reflecting fair value change to the profit or loss, over cost prices in accordance with the TFRS 9 Financial Instruments Standard and by consolidating in financial statements in accordance with the TFRS 10 Consolidated Financial Statements Standard, and show the subsidiaries under its control, as a financial asset over cost prices. The Company had not carried out an impairment study for these financial assets as of the year-end. If the aforementioned liabilities are accounted for in the financial statements dated 31 December 2021, we cannot undertake with conviction to declare whether or not there is a need to revise the impact of this information on the statement of the financial position.

Our independent audit has been performed in accordance with the Independent Auditing Standards published by the Capital Markets Board and the Independent Auditing Standards (BDS) that are part of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority (KGK). Our responsibilities within the scope of these Standards are set out in detail in the section of Responsibilities of the Independent Auditor for Independent Audit of the Annual Report of our report. We hereby declare that we are independent of the Company in accordance with the Codes of Conducts for Independent Auditors (Codes of Conduct) issued by the KGK and the ethical provisions in the legislation relating to independent auditing. Other responsibilities regarding the Code of Conducts and the ethics within the scope of the legislation have also been fulfilled by ourselves. We believe that the independent audit evidence we have obtained during our independent audit is sufficient and forms an appropriate basis to build our limited positive opinion.

3) Our Auditor Opinion for the Full Set of Financial Statements

Due to the matters set out in the paragraph of the Basis of Limited Positive Opinion, we have provided a limited positive opinion in our auditor's report dated 15 February 2022 in regard to the full set financial statements of the Company for the 1 January - 31 December 2021 accounting period.

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

The Company Management is responsible for the following relating to the annual report according to Articles 514 and 516 of the Turkish Commercial Code No.6102 ("TCC") and Communiqué on Principles ("Communiqué") Regarding Financial Reporting in the Capital Markets No. II-14.1 of the Capital Markets Board ("CMB").

a) To prepare the annual report in the first three months following the balance sheet day and submit it to the General Assembly

b) To prepare the annual activity report in a manner which reflects the Company's financial status accurately, completely, straightforwardly, truthfully and honestly in all aspects with the flow of its activities for that year. In this report, the financial position is evaluated according to the financial statements. The report also indicates the Company's development and potential risks. The Board's evaluation is also included in the report.

c) The annual report also includes the following:

- Events which occur within the Company following the end of the activity year and are of particular importance,

- The Company's research and development activities,

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

The Board of Directors also takes into account the secondary legislative arrangements set out by the Ministry of Customs and Trade and related institutions while preparing the annual report.

5) Independent Auditor's Responsibility for the Independent Auditing of the Annual Report

Under the provisions of the TCC and the Communiqué, our purpose is to provide an opinion about whether the financial information included in the annual report and the Board of Directors' discussion is consistent with the audited financial statements of the Company and the information we obtained

during the independent audit and whether they reflect the truth and to issue a report containing our opinion.

The audit we carried out was conducted in accordance with the Independent Auditing Standards issued by the Capital Markets Board and the BDSs. These standards require that the independent audit should be conducted in compliance with ethical requirements by planning to obtain reasonable assurance as to whether financial information included in the annual report and the Board of Directors' discussion is consistent with the financial statements and the information obtained during the independent audit and whether it reflects the truth.

The cap auditor who conducted and concluded this independent audit is Ergun Şenlik.

Istanbul, February 15th, 2022

BİRLEŞİM BAĞIMSIZ DENETİM VE YMM A.Ş.
Ergun ŞENLİK
Sorumlu Denetçi




**FINANCIAL STATEMENTS AND
ANNUAL REPORT APPROVED BY
THE BOARD OF DIRECTORS**

**RESOLUTION DATE: 15.02.2022
RESOLUTION NO: 05/2022**

**OUR DECLARATION IN ACCORDANCE WITH ARTICLE 9 OF THE SECOND PART OF THE COMMUNIQUÉ
NO: II-14,1 OF THE CAPITAL MARKETS BOARD,**

- 1- We have reviewed the independently audited Financial Statements and Annual Report of our Company for the period 01.01.2021–31.12.2021.
- 2- Within the framework of the information we have in our field of duty and responsibility within the Company, the Financial Statements and Annual Reports do not contain inaccurate statements on material matters or any shortcomings that may result in misleading as of the date of disclosure.
3. According to information to which we have access as a part of our duties and responsibilities within the Company, the Financial Statements, which have been prepared in accordance with the Financial Reporting Standards in force, reflect the truth relating to the assets, liabilities, financial standing as well as profits and losses of the Company fairly and the Annual Report faithfully reflects the development and performance of the business and the financial standing of the Company along with the risks and uncertainties that it is facing.

CHAIRMAN OF THE BOARD
MELİH ÇELET

GENERAL MANAGER
BURAK ÇELET

VICE GENERAL MANAGER
AYHAN DİRİBAŞ

INDEPENDENT AUDITOR REPORT

DESA

SA

**DESA DERİ SANAYİ VE
TİCARET A.Ş.**

**31 DECEMBER 2021
ENDED
FINANCIAL STATEMENTS FOR THE
PERIOD AND INDEPENDENT
AUDITOR'S REPORT**



To the General Assembly of DESA Deri Sanayi ve Ticaret A.Ş.

A. Independent Audit of the Financial Statements

1. Limited Positive Opinion

We have audited the financial statements including the footnotes to the financial statements regarding DESA Deri Sanayi ve Ticaret A.Ş. ("Company"), which comprise the statement of the financial position dated 31st December 2021, the statement of profit or loss and the statement of other comprehensive income, statement of changes in equity and statement of cash flows for the accounting period ended on the same date, and also a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31st December 2021, and its financial performance and its cash flows for the accounting period ended on the same date in accordance with Turkish Accounting Standards ("TASs"), except for the effects of matters mentioned on section of Basis for Limited Positive Opinion.

2. Basis for Limited Positive Opinion

As detailed in the Financial Investments foot note (Note: 3 Shares in Other Entities), the Company recognizes its affiliate, of which fair value change should be reflected to the profit or loss pursuant to TFRS 9 Financial Instruments Standard and its subsidiaries it controls, which it is obliged to present by consolidating in its financial statements pursuant to TFRS 10 Consolidated Financial Statements Standard, as a financial asset at cost. An impairment study was not carried out for these financial assets by the Company at the end of the period. If such liabilities are recognized in the financial statement dated 31st December 2021, we are not able to express an opinion on whether there is a need to revise the impact of this information on the items of the statement of financial position.

We conducted our audit in accordance with Independent Auditing Standards (IASs) which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the independent audit evidence we have obtained during the independent audit is sufficient and appropriate to provide a basis for our limited positive opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in independent audit of the financial statements of the current period. These matters were addressed in the context of the independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Limited Positive Opinion section, we have determined the matters described below to be key audit matters and communicated in our report:

Recording The Revenue In Financial Statements	How The Matter Was Addressed In The Audit
<p>Revenue recording; the Company generated sales revenue of TL 432,405,300 in the period between January 1st, 2021 and December 31st, 2021.</p> <p>Note 2.i As stated in the Summary of Significant Accounting Policies; sales revenue should be recognized at fair value when it can be measured reliably and economic benefits arising from the transactions are acquired by the Company.</p> <p>Revenue represents one of the most significant amounts in the Company's statement of profit or loss and contains an important aspect in terms of our audit procedures as it has a weighted effect on the Company's key performance indicators.</p> <p>The Company started to apply the TFRS 15 "Revenue from Contracts with Customers" standard as of January 1st, 2018. For the reasons mentioned above, the recognition of said sales is an important issue in terms of our audit.</p>	<p>The auditing procedure we applied with respect to this matter in brief as follows;</p> <ul style="list-style-type: none"> -Understanding the recognition process relating to the revenue, -Assessing accuracy and completeness of the amounts constituting basis for the calculations, assessing whether the amount reflected in the financial statements as provision is a liability arising from events taken place in previous periods and assessing the possibility regarding outflow of resources embodying economic benefits from the Company.
<p>Revaluation In Tangible Fixed Assets</p> <p>Land and buildings and fixed assets held for sale, which are reported under the item tangible fixed assets and fixed assets held for sale in the financial statements of the company, are recognized at their reappraised value.</p> <p>As of 31 December 2021, there was an increase in the value of land, buildings and non-current assets held for sale as a result of the revaluation performed by an independent professional appraisal company.</p> <p>Accordingly, the value appraised for the land is TL 31,030,000, the value appraised for the buildings is TL 85,240,495, and the value appraised for the fixed assets held for sale is TL 6,210,000. The revaluation of the said land, buildings and fixed assets held for sale present a significant influence on the financial statements.</p>	<p>How The Matter Was Addressed In The Audit</p> <p>Within the scope of the audit work carried out, sufficiency of revaluation performed by the appraisers of the independent appraisal company, expedience and reasonability of findings and conclusions obtained by the appraisers as well as consistency of these findings and conclusions with other audit evidence was assessed.</p> <p>Reconciliation of value determined by the appraisers for the real estate as specified in revaluation reports with the values explained in footnote 11 and footnote 25 has been carried out.</p> <p>No significant findings were discovered in the study which we carried out in connection with the revaluation in tangible fixed assets and fixed assets held for sale.</p>
<p>Inventory Valuation Method</p> <p>Inventories are one of the significant assets in the financial statements of the Company.</p> <p>"The valuation method of inventories" has been determined as the key subject of the audit since it is significant in terms of the financial statements for the accounting period ended on December 31st, 2021.</p> <p>The Company recognizes its inventories of raw leather, processed leather and other textile materials with the lower of the cost or net realizable value in accordance with the TAS 2 Inventories Standard. The company supplies raw materials from domestic and foreign markets.</p> <p>In our audit work, we have focused on this issue for the following reasons:</p> <p>The inventory cost calculation method is the process costing and this system contains complex calculations and assumptions.</p> <p>The existing stock amounts which are based on the costing studies are calculated by the experts employed within the Company.</p> <p>Explanations regarding the Company's accounting policies and amounts related to inventories are provided in note 9.</p>	<p>How The Matter Was Addressed In The Audit</p> <p>During our audit, the following audit procedures were applied in connection with the inventory valuation method:</p> <ul style="list-style-type: none"> - Analytical evaluations and detail tests related to the recording and valuation process of inventories have been carried out. -The Physical presence of inventories has been confirmed by the stocktaking carried out under supervision of experts employed within the Company. -The technical competence and capability of the expert utilized during the stocktaking have been evaluated. -The mathematical conformity of the data used in the valuation study has been tested. -Inventory valuation methods, technical data and components they contain have been evaluated and tested for their suitability. -The relevance of the significant estimates used in the valuation has been evaluated and it has been concluded that it is within an acceptable range. <p>Our studies on the inventory valuation method did not identify any significant findings.</p>

4. Responsibilities of the Management and Those Charged with Governance for the Financial Statement

The management is responsible for the preparation and fair presentation of the financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation thereof in a manner free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for supervision of the Company's financial reporting process.

5. Responsibilities of auditors in an independent audit

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report which includes our opinion. Reasonable assurance provided as a result of an independent audit conducted in accordance with the IASs is a high level of assurance, but is not a guarantee that an existing significant misstatement would be discovered in any case. Misstatements can arise from fraud or error. They 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 financial statements.

As a requirement of an independent audit conducted in accordance with the IASs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of "material misstatement" of the 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 mis-statement 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.)
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 the management's use of the going concern basis of accounting and, based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to provide an opinion other than a positive one. Our conclusions are based on the audit evidence obtained up to the date of the independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. In addition, we communicate with them all relationships and other matters that may reasonably be thought to bear on the 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 independent audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our independent auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B. Other Legal and Regulatory Requirements

1. Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 15.02.2022.
2. Pursuant to the fourth paragraph of Article 402 of the TCC no.6102; no significant matter has come to our attention that causes us to believe that for the period of January 1st and December 31st, 2021, the Company's bookkeeping activities and financial statements were not in compliance with the Law and provisions of the Company's articles of association in relation to financial reporting.
3. Pursuant to the fourth paragraph of Article 402 of the TCC, the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

The cap auditor who has conducted and concluded this independent audit is Ergun ŞENLİK.

BİRLEŞİM BAĞIMSIZ DENETİM VE YMM A.Ş.
Ergun ŞENLİK
Sorumlu Denetçi



DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ			
FINANCIAL POSITION STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD			
ENDING ON 31st DECEMBER 2021			
(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)			
	Independently Audited		Independently Audited
	Note References	Current Period 31.12.2021	Previous Period 31.12.2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	147.111.619	61.657.966
Trade Receivables	7	89.273.510	25.993.919
Trade Receivables from Related Parties	4	77.822.303	20.163.497
Trade Receivables from Non-Related Parties	7	11.451.207	5.830.422
Other Receivables	8	7.261.477	4.242.670
Other Receivables from Related Parties	4	6.709.879	3.911.796
Other Receivables from Non-Related Parties	8	551.598	330.874
Inventories	9	154.909.802	145.517.135
Prepaid Expenses	10	13.994.229	9.902.602
Prepaid Expenses to Related Parties	4	10.095	10.095
Prepaid Expenses to Non-Related Parties	10	13.984.134	9.892.507
Assets Related to Current Period Tax	26	2.375.472	572.394
Other Current Assets		385.133	548.465
Other Current Assets to Non-Related Parties	18	385.133	548.465
Fixed assets classified for sale	25	6.210.000	2.772.277
TOTAL CURRENT ASSETS		421.521.242	251.207.428
Fixed Assets			
Financial Investments	3	7.724.212	7.724.212
Financial Assets Measured with Amortised Cost		7.724.212	7.724.212
Other Receivables	8	336.337	381.811
Other Receivables from Non-Related Parties		336.337	381.811
Investments Valued by Equity Method	3	18.574.853	9.763.400
Right of use Assets	2	49.125.659	28.347.479
Tangible Fixed Assets	11	125.194.654	48.211.049
Intangible Fixed Assets	12	569.770	593.359
Deferred Tax Assets	26	12.388.319	7.637.981
TOTAL FIXED ASSETS		213.913.804	102.659.291
TOTAL ASSETS		635.435.046	353.866.719

The accompanying footnotes constitute an integral part of these financial statements.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
FINANCIAL POSITION STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD
ENDING ON 31ST DECEMBER 2021
 (All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Independently Audited		Independently Audited
	Notes References	Current Period 31.12.2021	Previous Period 31.12.2020
LIABILITIES			
Short Term Liabilities			
Short Term Financial Liabilities		29.800.860	46.088.055
Bank Loans	6	3.787.394	33.390.433
Short Term Contractual Lease Liabilities	6	25.977.243	12.676.122
Other Short Term Financial Liabilities	6	36.223	21.500
Short Term Parts of Long-Term Financial Liabilities		42.853.115	20.731.167
Bank Loans	6	42.853.115	20.731.167
Trade Payables	7	153.491.310	68.828.820
Trade Payables to Related Parties	4	27.004.683	23.562.056
Trade Payables to Non-Related Parties	7	126.486.627	45.266.764
Payables within the Scope of Benefits to Employees	16	7.493.781	2.879.229
Other Payables	8	7.525.921	8.055.506
Other Payables to Related Parties	4	-	2.506.262
Other Payables to Non-Related Parties	8	7.525.921	5.549.244
Deferred Income	10	7.641.714	4.239.439
Deferred Income from Related Parties	4	3.676.788	1.936.582
Deferred Income to Non-Related Parties	10	3.964.926	2.302.857
Tax liability on profit for the period	26	6.561.288	1.166.500
Short Term Provisions		5.599.549	5.192.975
Short Term Provisions for Benefits to Employees	15	3.766.744	3.577.862
Other Short-Term Provisions	15	1.832.805	1.615.113
TOTAL SHORT-TERM LIABILITIES		260.967.538	157.181.691
Long Term Liabilities		166.516.809	102.100.763
Long Term Financial Liabilities		138.428.458	88.659.574
Bank Loans	6	117.197.828	75.368.559
Short Term Contractual Lease Liabilities	6	21.230.630	13.291.015
Other Liabilities	8	133.731	-
Other Liabilities to Non-Related Parties	8	133.731	-
Long Term Provisions		5.322.268	5.482.097
Long-Term Provisions for Benefits to Employees	15	5.322.268	5.482.097
Deferred Tax Liability	26	22.632.352	7.959.092
TOTAL LONG-TERM LIABILITIES		166.516.809	102.100.763
SHAREHOLDER'S EQUITY			
Shareholder's Equity of Parent Company		207.950.699	94.584.265
Paid in capital	19	49.221.970	49.221.970
Capital Adjustment Distinction	19	5.500.255	5.500.255
Other Accumulated Comprehensive Incomes or Expenses not to be Reclassified as Profit or Loss		91.249.084	24.292.545
-Revaluation and Evaluation Earnings/Losses	19	94.384.117	26.853.380
-Defined Benefit Plans Recalculation Earnings (Losses)	19	(3.135.033)	(2.560.835)
Reserves on Retained Earnings	19	1.207.513	1.035.614
Accumulated Profits / (Losses)	19	14.420.002	12.886.947
Net profit / (loss) for the period	19	46.351.875	1.646.934
TOTAL SHAREHOLDER'S EQUITY		207.950.699	94.584.265
TOTAL EQUITY AND LIABILITIES		635.435.046	353.866.719

The accompanying footnotes constitute an integral part of these financial statements.



DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
PROFIT OR LOSS STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2021
 (All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Independently Audited		Independently Audited
	Notes References	Current Period 01.01.- 31.12.2021	Previous Period 01.01.- 31.12.2020
PROFIT OR LOSS PART			
Revenues	20	432.405.300	233.411.672
Cost of Sales (-)	20	(240.677.306)	(117.551.012)
GROSS PROFIT		191.727.994	115.860.660
GROSS PROFIT/LOSS		191.727.994	115.860.660
General Administrative Expenses (-)	21	(15.894.109)	(12.651.561)
Sales and Marketing Expenses (-)	21	(103.027.063)	(66.771.297)
Research and Development Expenses (-)	21	(2.086.778)	(1.363.212)
Other Incomes from Operating Activities	22	52.170.803	27.502.821
Other Expenses of Operating Activities (-)	22	(55.620.650)	(30.416.237)
OPERATING PROFIT		67.270.197	32.161.174
Incomes from Investing Activities	23	6.237.622	24.752
Expenses from Investing Activities (-)	23	-	-
Profit / (Loss) Share on Investments Valued by Equity Method	3	8.811.453	(2.172.538)
OPERATING PROFIT/LOSS BEFORE FINANCING INCOME (EXPENSE)		82.319.272	30.013.388
Financing Incomes	24	57.039.986	11.495.405
Financing Expenses (-)	24	(85.979.022)	(38.724.584)
CONTINUING OPERATIONS PROFIT/LOSS BEFORE TAX		53.380.236	2.784.209
Continuing Operations Tax Expense/Income		(7.028.361)	(1.137.275)
Tax Expense/Income for the period	26	(6.561.288)	(1.166.500)
Deferred Tax Expense/Income	26	(467.073)	29.225
CONTINUING OPERATIONS PROFIT/LOSS FOR THE PERIOD		46.351.875	1.646.934
PROFIT/LOSS FOR THE PERIOD		46.351.875	1.646.934
Distribution of profit / loss for the period		46.351.875	1.646.934
Non-controlling interests		-	-
Parent Company's shares		-	-
Earnings per Share		-	-
Earnings per Share from Continuing Operations		0,0094	0,00033

The accompanying footnotes constitute an integral part of these financial statement.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
OTHER COMPREHENSIVE INCOME STATEMENT PERTAINING TO THE ACCOUNTING
PERIOD ENDING ON 31ST DECEMBER 2021

(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Independently Audited		Independently Audited
	Note References	Current Period 01.01.- 31.12.2021	Previous Period 01.01.- 31.12.2020
PROFIT/LOSS FOR THE PERIOD		46.351.875	1.646.934
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified in Profit or Loss		66.956.539	(971.766)
Items not to be Reclassified in Profit or Loss		76.412.388	(1.135.582)
Revaluation Increase (Decrease) of Tangible Assets	19	77.177.985	(781.926)
Defined Benefit Plans Recalculation Gains / (Losses)	19	(765.597)	(353.656)
Taxes Relating to Other Comprehensive Income not to be Reclassified in Profit or Loss		(9.455.849)	163.816
-Revaluation Increase (Decrease) of Tangible Assets, Tax Effect	19	(9.647.248)	86.012
-Defined Benefit Plans Recalculation Gains / (Losses), Tax Effect	19	191.399	77.804
OTHER COMPREHENSIVE INCOME (AFTER TAX)		66.956.539	(971.766)
TOTAL COMPREHENSIVE INCOME		113.308.414	675.168

The accompanying footnotes constitute an integral part of these financial statement.

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENT OF CHANGES IN EQUITY PERTAINING TO THE ACCOUNTING PERIOD
ENDING ON 31ST DECEMBER 2021
 (All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Paid in Capital	Distinction from Share Capital Adjustment	Accumulated Other Comprehensive Incomes and Expenses not to be Reclassified in Profit or Loss		Restricted Profit Reserves	Retained Earnings		Total Shareholders' Equity
			Tangible Fixed Assets Revaluation Earnings / Losses	Defined Benefit Plans Recalculation Gains / Losses		Accumulated Profits Losses	Net Profit / Loss for the Period	
Balances of 1st JANUARY 2020	49.221.970	5.500.255	27.549.294	(2.284.983)	960.423	(5.463.098)	18.243.268	93.727.129
Transfers	-	-	-	-	75.191	18.168.077	(18.243.268)	-
Total Comprehensive Income (Expense)	-	-	(695.914)	(275.852)	-	-	-	(971.766)
Impact due to Other Changes	-	-	-	-	-	181.968	-	181.968
Net profit / (loss) for the period	-	-	-	-	-	-	1.646.934	1.646.934
Balance as of DECEMBER 31st 2020	49.221.970	5.500.255	26.853.380	(2.560.835)	1.035.614	12.886.947	1.646.934	94.584.265
Balances of 1st JANUARY 2021	49.221.970	5.500.255	26.853.380	(2.560.835)	1.035.614	12.886.947	1.646.934	94.584.265
Transfers	-	-	-	-	171.899	1.475.035	(1.646.934)	-
Total Comprehensive Income (Expense)	-	-	67.530.737	(574.198)	-	-	-	66.956.539
Impact due to Other Changes	-	-	-	-	-	58.020	-	58.020
Net profit / (loss) for the period	-	-	-	-	-	-	46.351.875	46.351.875
Balance as of DECEMBER 31st 2021	49.221.970	5.500.255	94.384.117	(3.135.033)	1.207.513	14.420.002	46.351.875	207.950.699

The accompanying footnotes constitute an integral part of these financial statement.



DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ CASH FLOW STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2021
(All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Independently Audited		Independently Audited
	Notes References	Current Period 01.01.-31.12.2021	Previous Period 01.01.31.12.2020
A) CASH FLOWS FROM OPERATING ACTIVITIES		98.813.216	(19.894.978)
PROFIT / (LOSS) FOR THE PERIOD		46.351.875	1.646.934
Profit / Loss for the Period from continuing operations		46.351.875	1.646.934
Adjustments relating to Profit/Loss Reconciliation for the Period:		36.275.363	24.071.622
Adjustments relating to Depreciation and Amortization Expenses	17	32.928.777	22.460.849
Adjustments Relating to Impairment (Cancellation)		(2.335.787)	(900.746)
- Adjustments Relating to Impairment (Cancellation) of Tangible Assets	19	-	(695.914)
- Adjustments Relating to Impairment (Cancellation) of Receivables	22	(2.335.787)	(204.832)
Adjustments relating to Provisions		4.593.303	1.816.814
- Adjustments relating to Provisions for Benefits to Employees	15	1.977.827	1.756.156
- Adjustments relating to case and/or punishment provisions (cancellation)	15	114.154	60.658
- Adjustments relating to Other Provisions (Cancellation)	7	2.501.322	-
Adjustments relating to Interest Incomes and Expenses		(11.887)	(1.284.589)
Deferred financing expenses from forward purchases	7	(772.827)	(1.025.697)
-Unearned financing incomes from forward sales	7	760.940	(258.892)
Adjustments Relating to Income from Governmental Incentives	22	(68.532)	(182.171)
Adjustments Relating to Retained Profits of Investments Made by Equity Method		(8.811.453)	2.172.538
- Adjustments relating to the Undistributed Earnings of Affiliates	3	(8.811.453)	2.172.538
Adjustments relating to Tax (Income)Expense	26	9.922.922	(193.041)
Other Adjustments relating to Profit (Loss) Reconciliation	19	58.020	181.968
Changes Realized in Operating Capital		12.594.268	(45.294.262)
Adjustments relating to Increase (Decrease) in Trade Receivables		(61.704.744)	10.181.804
- Decrease (Increase) in Trade Receivables from Related Parties	4	(57.150.716)	9.041.471
- Increase (Decrease) in Trade Payables to Non-Related Parties	7	(4.554.028)	1.140.333
Adjustments relating to Increase (Decrease) in Other Payables relating to Activities		(2.973.333)	(1.998.245)
-Increase (Decrease) in Other Payables to Related Parties relating to Activities	4	(2.798.083)	(1.799.739)
-Increase (Decrease) in Other Payables to Non-Related Parties relating to Activities	8	(175.250)	(198.506)
Adjustments Related to Decreases (Increases) in Inventories	9	(9.392.667)	15.659.526
Decrease (Increase) in Prepaid Expenses	10	(4.091.627)	(5.420.034)
Adjustments related with other increases (decreases) in Trade Payables		83.037.533	(55.724.722)
- Increase (Decrease) in Trade Payables to Related Parties	4	3.442.627	(6.715.257)
-Increase (Decrease) in Trade Payables to Non-Related Parties	7	79.594.906	(49.009.465)
Increase (Decrease) in Payables under Benefits to Employees	16	4.614.552	(3.410.736)
Adjustments relating to Increase (Decrease) in Other Payables relating to Activities		(529.585)	(1.871.738)
-Increase (Decrease) in Other Payables to Related Parties relating to Activities	4	(2.506.262)	(1.314.180)

DESA DERİ SANAYİ VE TİCARET ANONİM ŞİRKETİ CASH FLOW STATEMENTS PERTAINING TO THE ACCOUNTING PERIOD ENDING ON 31ST DECEMBER 2021 (All amounts expressed in Turkish Lira ("TL") unless otherwise stated.)			
	Independently Audited		Independently Audited
	Notes References	Current Period 01.01.-31.12.2021	Previous Period 01.01.31.12.2020
-Increase (Decrease) in Other Payables to Non-Related Parties relating to Activities	8	1.976.677	(557.558)
Increase (Decrease) in Deferred Income	10	3.402.275	(2.859.293)
Adjustments related with other increases (decreases) in working capital		231.864	149.176
-Decrease (Increase) in Other Assets relating to Activities	18	231.864	149.176
Cash Flows from Operations	18	-	-
Cash Flows from Operations		95.221.506	(19.575.706)
Tax Returns (Payments)	26	3.591.710	(319.272)
B) CASH FLOWS FROM INVESTMENT OPERATIONS		64.464.993	(1.767.680)
Cash Inflows from Sale of Tangible and Intangible Fixed Assets		67.546.887	10.932
- Cash Inflows from Sale of Tangible Fixed Assets	11	67.546.887	10.932
Cash Outflows from Purchase of Tangible and Intangible Fixed Assets		(3.081.894)	(1.778.612)
- Cash Outflows from Purchase of Tangible Fixed Assets	11	(3.004.156)	(1.702.237)
- Cash Outflows from Purchase of Intangible Fixed Assets	12	[77.738]	[76.375]
C) CASH FLOWS FROM FINANCIAL OPERATIONS		(77.824.556)	63.987.638
Cash Inflows from Borrowings		89.228.384	155.074.258
- Cash Inflows from Loans	6	89.228.384	155.074.258
Cash Outflows relating to payments of Debt		(137.538.561)	(71.938.430)
- Cash Outflows from Loan Repayments	6	(137.538.561)	(71.938.430)
Cash Outflows relating to payments of Debt from Lease Contracts	2	(22.855.606)	(14.153.615)
Interest paid	24	(6.658.773)	(4.994.575)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF FOREIGN CURRENCY CONVERSION ADJUSTMENTS		85.453.653	42.324.980
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5	85.453.653	42.324.980
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	5	61.657.966	19.332.986
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	5	147.111.619	61.657.966

The accompanying footnotes constitute an integral part of these financial statements.

1. ORGANIZATION AND THE SUBJECT OF ACTIVITY OF THE COMPANY

1.1. The Subject of Activity

DESA Deri Sanayi ve Ticaret A.Ş. ("the Company") was established on 29 January 1982, and it is engaged in the production, sales, export and import of leather garments, bags, shoes and all kinds of leather accessories and products.

The headquarters of the Company is situated at Halkalı Cad. No: 208 Sefaköy - Küçükçekmece / İstanbul. The Company owns three factories, one of which is located at the same site as the headquarters, one in Ergene and the other in Düzce.

İstanbul Factory: İnönü Mahallesi Halkalı Cad.208 Sefaköy Küçükçekmece/İstanbul
Ergene Factory : Sağlık Mahallesi Kuzey Caddesi No: 14-24 Ergene / Tekirdağ
Düzce Factory : Organize Sanayi Bölgesi 9. Ada 4-5 Parsel Beyköy / Düzce

The contact information of the Company is as follows.

Telephone: 0090 212 473 18 00

Fax: 0090 212 698 98 12

Web: www.desa.com.tr

The shares of the company were offered to the public on 6 May 2004, and 34.92% of the shares were publicly traded on the Borsa Istanbul ("BIST") as of 31 December 2021.

The number of employees working in the company stood at 1,589 as of 31 December 2021. (31 December 2020 – 1,512).

1.2. Capital Structure

The Company switched to the registered capital system in 2007, and its registered capital ceiling is TL 150,000,000. The Company increased the existing registered capital ceiling of TL 150,000,000 to TL 200,000,000 on 13 April 2021 after registering the increase with the Capital Market Board (CMB).

As of 31 December 2021, its paid-in capital stood at TL 49,221,970 (31 December 2020: TL 49,221,970), divided into 4,922,196,986 shares (31 December 2020: 4,922,196,986), each of which having a nominal value of 1 Kr (TL 1/100).

The amounts of capital, which were issued and paid-in between 31 December 2020 and 31 December 2021, with their book values, are as follows:

Name Surname/ Title	31.12.2021		31.12.2020	
	Stake	Number of Shares	Stake	Number of shares
Çelet Holding A.Ş.	54,28%	26.717.682	54,28%	26.717.682
Melih Çelet	10,00%	4.922.197	10,00%	4.922.197
Publicly Traded Portion (*)	34,92%	17.188.312	34,92%	17.188.312
Other	0,80%	393.779	0,80%	393.779
TOPLAM	100%	49.221.970	100%	49.221.970

(*) As of 31.12.2021, 8.39% of the shares amounting to TL 4,129,566 in the publicly traded portion belong to Çelet Holding A.Ş., and 8.5197% of the shares amounting to TL 4,193,569 belong to Mr. Melih Çelet.

(*) As of 31.12.2020, 8.39% of the shares amounting to TL 4,129,566 in the publicly traded portion belong to Çelet Holding A.Ş., and 8.44% of the shares amounting to TL 4,153,569 belong to Mr. Melih Çelet.

1.3. AFFILIATES AND SUBSIDIARIES

The titles, subjects of activity and business centers of the affiliates and subsidiaries of the company are as follows:

			31.12.2021	31.12.2020
	Subject of Activity	Business Centre	Sharing Ratio %	Sharing Ratio %
Affiliate				
Marfar Deri San. ve Tic. Ltd. Şti.	Textile	İSTANBUL –TURKEY	50%	50%
Samsonite Seyahat Ür. A.Ş.	Textile	İSTANBUL –TURKEY	40%	40%
Subsidiary				
Leather Fashion Limited	Textile	MOSCOW-RUSSIA	100%	100%
DESA International	Textile	LONDON-ENGLAND	100%	100%
DESA SMS Ltd.	Textile	LONDON-ENGLAND	100%	100%
DESA International (UK) Ltd.	Textile	LONDON-ENGLAND	100%	100%
DESA Deutschland GmbH	Textile	DUSSELDORF-GERMANY	100%	100%
Leather Fashion Bulgaria EOOD	Textile	SOFIA-BULGARIA	100%	100%
DESA Nineteenseventytwo SRL Italy	Textile	MILAN-ITALY	100%	100%

The financial statements of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, dated 31 December 2021, were consolidated with the financial statements of the Company for the same period by using the equity method.

Other affiliates and subsidiaries are presented as financial assets over their cost values in the financial statements. (Note 3)

1.4. Approval of Financial Statements:

The Company's financial statements dated 31 December 2021 were approved by the Board of Directors on 15 February 2022. The General Assembly and certain regulatory bodies have the authority to change the financial statements.

2.PRINCIPLES REGARDING THE PRESENTATION OF FINANCIAL STATEMENTS

2.a. Principles regarding the Presentation of Financial Statements

The Applied Financial Reporting Standards

The attached financial statements for the accounting period of 1 January to 31 December 2021 were prepared in accordance with the provisions of the "Communiqué on the Principles of Financial Reporting in the Capital Markets", Series II, numbered 14.1, published in the Official Gazette by the CMB dated 13 June 2013 and numbered 28676. The Turkish Accounting Standards ("TAS"), which were put into effect by the Public Oversight Accounting and Auditing Standards Authority ("KGK"), pursuant to Article 5 of the Communiqué, the Turkish Financial Reporting Standards ("TFRS") and their annexes and comments were taken as a basis.

The financial statements were presented in accordance with the 2019 TAS Taxonomy, which was developed by the KGK based on subparagraph (b) of the 9th article of the Decree-Law No. 660

("KHK") and that was published on 15 April 2019.

With a decision taken on 17 March 2005, the CMB declared that the application of inflation accounting was not required for publicly traded companies operating in Turkey, with effect from 1 January 2005. The Company's financial statements were prepared within the framework of this decision.

The Company and its affiliates located in Turkey comply with the principles and stipulations issued by the CMB, the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping accounting records and preparing legal financial statements. The affiliate, which is operating in a foreign country, prepared its statutory financial statements in accordance with the laws and regulations applicable in the country in which it operates. Financial statements were prepared on the basis of historical cost except for tangible fixed assets, which include land, buildings, the underground and surface facilities, machinery, plant and equipment which are recorded at their fair values, and moveable live assets recorded at their fair values, and financial assets and liabilities recorded at their fair values. They were prepared by reflecting the necessary corrections and classifications in order to provide the correct presentation to the legal records in accordance with TFRS standards. They were measured and presented in Turkish Lira ("TL"), which is the functional currency of the Company.

The Currency Measurement Unit and the Currency of Reporting

The attached financial statements are presented in the functional currency of the primary economic environment, in which the company operates. The financial status and operating results of the Company are expressed in Turkish Lira ("TL"), which is the functional currency of the Company.

Netting / Offsetting

Financial assets and liabilities are shown with their net values in the financial statement tables if there is a legal right to set off, if they are paid or collected on a net basis if it is possible, or the acquisition of the asset and the fulfilment of the liability can occur simultaneously.

Continuity of the Business

Financial Statements were prepared on the basis of the continuity of the business, under the assumption that the Company will benefit from its assets and fulfil its obligations in the next year and in the natural course of its activities.

2.b. The Statement of Compliance with the TAS

The Company prepared its interim financial statements for the period ending on 31 December 2021 in accordance with the CMB's Communiqué Serial: II and numbered 14.1 and with the announcements explaining this communiqué. The financial statements and notes are presented in accordance with the formats recommended by the CMB and including the mandatory information.

2.c. Adjustment of Financial Statements in High Inflation Periods

The CMB declared in a decision dated 17 March 2005 that it was not necessary to apply inflation accounting, with effect from 1 January 2005, for the companies operating in Turkey and preparing financial statements in accordance with the CMB Accounting Standards. As of 1 January 2005, the CMB ended the practice of preparing and presenting financial statements according to the International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies".

2.d. Comparative Information and Adjustment of Financial Statements Dated with Previous Period

The financial statements of the Company are prepared comparatively with the previous period in order to enable the determination of the financial status and performance evaluations. When the presentation or classification of financial statement items changes, previous period financial statements are reclassified accordingly in order to ensure comparability.

The Company prepared its financial status statement dated 31 December 2021 comparatively with its financial status statement dated 31 December 2020. The Company prepared its profit or loss and other comprehensive income statement, cash flow statement and equity change statement for the period of 1 January - 31 December 2021 comparatively with the period of 1 January - 31 December 2020. The Company did not make any adjustments to its previous period financial statements in the current year.

2.e. Significant Accounting Evaluation Estimates and Assumptions

The preparation of financial statements in accordance with the TAS requires the management staff to make decisions, estimates and assumptions that affect the application of accounting policies and the reported assets, liabilities, the amounts of income

and expenses. Actual results may differ from these estimates. Estimates and the assumptions underlying these estimates are constantly reviewed. Updates in accounting estimates are recorded in the period, when the update is made, and in subsequent periods affected by these updates.

The assumptions, which were made by considering the interpretations that may have a significant impact on the amounts reflected in the financial statements and the main sources of the existing or future estimates at the date of the financial statement, are as follows:

a) Severance pay liability regarding the Benefits provided to Employees is determined by using actuarial assumptions such as discount ratios, future salary increases and employee turnover rates. (Footnote 15)

b) The company subjected its tangible and intangible assets to depreciation by a straight-line method of depreciation in accordance with the useful life principle. The expected useful life residual value and depreciation method are reviewed annually for the possible effects of changes that may emerge in estimates. If there is a change in estimates, they are accounted for prospectively. (Footnote 11,12)

2.f. Amendments and Errors in Accounting Policies and Estimates

New accounting policy amendments resulting from the first application of the TAS/IFRS are applied retrospectively or prospectively in accordance with the transition provisions of the said TAS/IFRS, if any. The amendments that do not include any transitional provisions, optional significant amendments made in accounting policy or determined accounting errors are applied retrospectively, and previous period financial statements are reprepared.

Amendments in accounting estimates are applied in the current period when the amendment is made, if it is related to only one period. They are applied both in the period when the amendment is made and prospectively if it is related to future periods.

The IFRS 9 Financial Instruments

The company implemented the IFRS 9 Financial Instruments Standard on 1 January 2018. IFRS 9 was applied retrospectively as of the effective date. The company applied this standard retrospectively but chose the simplified application in accordance with the application exception of this standard. Therefore, in accordance with TAS 8, the company chose the approach of presenting the previous period effect of the transition to the new application as an adjustment to accumulated profits, without the need to present a balance sheet for three periods, including the current period, the previous period and the opening balance sheet of the previous period.

The company evaluated the management models applicable to financial assets as of the first application date of the IFRS 9 (1 January 2018). It classified its financial instruments according to the appropriate IFRS 9 categories. The classification and measurement effect resulting from this re-classification was realized only by removing the measurement exception of the financial assets, which are not traded in the stock exchange and

In addition, the Company applied the changes in the "IFRS 7 Financial Instruments: Disclosures" in 2018 and for comparative periods. IFRS 9 introduced new requirements for:

- 1) Classification and measurement of financial assets and liabilities.
- 2) Impairment of financial assets.
- 3) General hedge accounting.

The details of these new conditions and their effects on the Company's Financial Statements are explained below. The company applied the IFRS 9 in accordance with the transitional provisions specified in IFRS 9.

IFRS 9 regulates the provisions regarding the accounting and measurement of financial assets and financial liabilities. This standard superseded the TAS 39 standard on Financial Instruments: Accounting and Measurement standard. The details of significant new accounting policies and the effect and nature of amendments in previous accounting policies are set out below.

i) Classification and Measurement of Financial Assets and Financial Liabilities

The IFRS 9 largely retains the existing provisions set out in TAS 39 regarding the classification and measurement of financial liabilities. However, the previous TAS 39 classification categories for the financial assets, which will be retained until maturity, loans and receivables and financial assets, which are available for sale, were removed.

The implementation of the IFRS 9 did not have a significant impact on the Company's accounting policies regarding its financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

According to IFRS 9, a financial asset is classified as one of the following on initial accounting in financial statements.

- Measured at amortized cost;
- Difference of fair value ("FV") measured by reflecting on other comprehensive income – debt instruments;
- Difference of fair value ("FV") measured by reflecting on other comprehensive income – equity instruments or
- Difference of fair value ("FV") measured by reflecting on profit or loss

The classification of financial assets under the IFRS 9 is generally based on the business model used by the business for the management of financial assets and the contractual cash flows characteristics of the financial asset.

Assets Measured at Amortized Cost

A financial asset is measured at amortized cost, if both the following conditions are met and if it is not classified as the difference of Fair Value measured by reflecting on profit or loss

1. The financial asset is retained within a business model, whose objective is to collect contractual cash flows and
2. The contractual terms of the financial asset give rise to cash

flows, which include only capital and interest payments arising from the capital amount outstanding at certain dates.

Assets whose Fair Value Difference is Measured by Reflecting on Other Comprehensive Income

If both of the following conditions are met and if a debt instrument is not classified as the Fair Value Difference, which is measured by reflecting on the Profit or Loss, the Fair Value Difference is Measured by Reflecting on Other Comprehensive Income:

1. The financial asset is retained within a business model, whose objective is to collect contractual cash flows and the sale of financial assets, and
2. The contractual terms of the financial asset give rise to cash flows, which include only capital and interest payments arising from the capital amount outstanding at certain dates

In the initial inclusion into the financial statements of investments which are undertaken in equity instruments which are not retained for trading, an irrevocable choice may be made in order to present subsequent changes to the fair value in other comprehensive income. The choice of this preference can be performed on the basis of each investment.

Assets whose Fair Value Difference is Measured by Reflecting on Profit or Loss

All financial assets, which are not measured at amortized cost or at fair value difference through other comprehensive income as mentioned above, are measured at the fair value difference through profit or loss. These also include all derivative financial assets. Upon initial inclusion of the financial assets in the financial statements, the fair value difference of a financial asset may be irrevocably designated as the fair value through profit or loss on the condition that it eliminates or significantly reduces an accounting mismatch which would result from a different measurement of financial assets and the different inclusion of gains or losses of the financial assets in the financial statements.

Upon initial measurement of financial assets other than those measured at fair value through profit or loss (except for trade receivables measured at the transaction cost and which do not have an important financing component at initial recognition thereof), the transaction costs directly attributable to the acquisition or issuance thereof are also measured by being added to the fair value.

The following accounting policies apply to subsequent measurement of financial assets.

Financial assets measured at fair value through profit/loss	These assets are measured at fair value in their subsequent measurements. Net gains or losses related thereof, including any interest or dividend income, are recognized in the profit or loss statement.
Financial assets measured at amortized cost	These assets are measured at amortized cost using the effective interest method in their subsequent measurements. Their amortized costs are reduced by the amount of impairment losses, if any. Interest incomes, foreign currency gains and losses and impairment losses are recognized in the profit or loss statement. Gains or losses arising from derecognition thereof from the statement of financial position are recognized in the profit or loss statement.
Debt instruments measured at fair value through other comprehensive income	These assets are measured at fair value in subsequent periods. Interest income, foreign currency gains and losses and impairment losses calculated using the effective interest method are recognized in the profit or loss statement. Other gains and losses are recognized in other comprehensive income. When financial assets are excluded from the statement of financial position, the gains or losses recognized in other comprehensive income previously are reclassified in the profit or loss statement.
Equity instruments measured at fair value through other comprehensive income	These assets are measured at fair value in subsequent periods. Dividends are recognized in the profit or loss statement unless it is expressly intended to recover part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and cannot be reclassified to the profit or loss statement.

The effect of the application of the TFRS 39 standard on the carrying values of financial assets as of 1 January 2018 stems only from the new provisions regarding impairment as explained below in more detail. The following table and accompanying notes describe the original measurement categories under TAS 39 and the categories of new measurement made according to TFRS 9 for each class of the Company's financial assets as of 1 January 2018.

Financial Assets	Original classification as per TFRS 39	New classification as per TFRS 9	Original carrying value as per TAS 39	New carrying value as per TFRS 9
Cash and Cash Equivalents	Loans and receivables	Amortized cost	147.111.619	147.108.123
Trade and Other Receivables	Loans and receivables	Amortized cost	96.989.437	96.871.324
Financial Assets	Held for sale	Assets measured at fair value through profit/loss mandatorily	26.299.065	26.299.065
Total Financial Assets			270.400.121	270.278.512

Financial Assets	Original classification as per TFRS 39	New classification as per TFRS 9	Original carrying value as per TAS 39	New carrying value as per TFRS 9
Loans	Loan and receivables	Amortized cost	211.082.433	211.082.433
Derivative Instruments	Loan and receivables	Assets measured at fair value through other comprehensive income	-	-
Total Financial Liabilities			211.082.433	211.082.433

ii. Impairment of Financial Assets

Upon implementation of TFRS 9, the "Expected Credit Loss" (ECL) model superseded the "Incurred Loss" model set out in TAS 39. The new impairment model is applicable to financial assets measured at amortized cost, contractual assets and debt instruments measured at fair value through other comprehensive income, but not applied for investments in equity instruments. Financial assets measured at amortized cost consist of trade receivables, cash and cash equivalents and private sector debt instruments.

Under the TFRS 9, provisions for loss are measured by any of the following:

- The 12-month ECLs: The part which represents the expected credit losses that result from possible default event within 12 months after the reporting date.
- The Lifetime ECLs: The expected credit losses that result from all possible default events over the expected life of the financial instrument

In determining whether the credit risk of a financial asset has increased substantially since the initial recognition thereof and in estimating its ECLs, the Company considers reasonable and supportable information that is relevant to the estimation of expected credit losses, including the effects of expected prepayments, and that may be obtained without incurring excessive costs or efforts. This information includes quantitative and qualitative information and analysis basing on the Company's past credit loss experience and containing prospective information. The Company assumes that the credit risk on a financial asset is significantly increased if it is 30 days overdue.

The Company considers a financial asset as being in default in the following situations:

If the debtor does not fully fulfil its loan obligation without resorting to any transactions such as the use of guarantee (if any) by the Company or
 -The financial instrument is 90 days overdue.

In order to determine whether a financial instrument has a low credit risk or not, the business may use internal credit risk ratings or other methodologies that are consistent with a globally accepted definition of low credit risk and that take into account the type and risks of the evaluated financial instruments. An external rating in the form of "Investment rating" may indicate that the financial instrument has a low credit risk.

Measurement of Expected Credit Losses (ECLs)

ECLs represent a weighted estimate of the probability of credit losses over the expected life of the financial instrument. In another words, ECLs are the credit losses that are measured at the present value of all cash deficits (for example, the difference between the cash inflows to the business and the cash flows that the business expects to deserve).

The cash deficit is the difference between the cash flows required to be made to and the cash flows expected to be received by the entity. Since the amount and the timing of the payments are considered in expected credit losses, a credit loss takes place, even if the entity expects to receive the full payment later than the maturity specified in the contract. The ECLs are discounted at the effective interest rate of the financial asset.

Financial Assets exposed to Credit Impairment

At the end of each reporting period, the Company evaluates whether the financial assets measured at amortized cost and the debt instruments measured at fair value through other comprehensive income are impaired or not. When one or more events adversely affecting the future cash flows of a financial asset take place, it means that the financial asset is impaired.

Presentation of Impairment

The provisions for losses regarding with the financial assets measured at amortized cost are deducted from the gross carrying value of the assets.

The provisions for losses regarding the debt instruments measured at fair value through other comprehensive income are reflected in the other comprehensive income, instead of decreasing the carrying value of the financial asset in the statement of financial position.

Impairment losses related to trade and other receivables, including the contractual assets, are presented separately in the statement of profit or loss.

Impairment losses on other financial assets are presented under "the

financing costs" in a manner similar to the presentation in the TAS 39 and are not shown separately in the statement of profit or loss by taking into account their significance.

Effect of new impairment model

Impairment losses are expected to increase and become more variable for the assets under the TFRS 9 impairment model. The Transition to the TFRS 9 has no material impact on retained earnings/losses. As of 31 December 2021 expected credit loss amounted to TL 3,496 (Footnote 5).

The TFRS 16 Leasing

The Company – As a Lessee

While entering an agreement, the Company evaluates whether the agreement is a leasing transaction or involves a leasing transaction. In case the agreement transfers the right of control of the use of a defined asset against a fee for a specific period of time, this agreement is defined as being a leasing transaction or involving a leasing transaction.

While evaluating whether an agreement transfers the right of control of the use of a defined asset for a specific period of time, the Company takes the following conditions into consideration:

- 1) An agreement involving a defined asset; an asset is generally defined explicitly or implicitly in an agreement.
- 2) A functional part of an asset being physically separate or representing almost the whole capacity of the asset. In case the supplier has a principal right to substitute an asset and achieves economic benefit from this, then the asset is not defined.
- 3) Holding the right to obtain almost all of the economic benefit to be provided from the use of the defined asset
- 4) Holding the right to manage the use of a defined asset. The Company evaluates the right of use of the asset it has in case decisions on how and what the asset shall be used for are determined beforehand. The Company reserves the right of manage the use of an asset in the following conditions:
 - i. Where the Company holds the operating right of the asset during the usage period (or directing the asset to others to operate as it has determined) and the supplier does not have the right to change these operating instructions, or
 - ii. Where the Company holds the asset (or specific properties of the asset) designed in a way to determine beforehand how the asset will be used and what the asset shall be used for during the usage period.

The Company reflects a right-of-use asset and a lease liability in its financial statements at the commencement date of the lease.

Right-of-Use Asset

Right of use asset is first accounted by cost method and includes the following:

- a) The first measurement amount of the lease liability,
- b) The amount obtained by deducting all leasing incentives received from all lease payments made on the date the leasing has commenced or before,
- c) All direct costs in the beginning borne by the Company

When applying the cost method, the company measures the right-of-use asset:

- a) as the accumulated depreciation and accumulated impairment losses are deducted and

b) at its adjusted cost for the remeasurement of the lease liability.

The Company applies the provisions of depreciation in Turkish Accounting Standard (TAS) 16 on Tangible Fixed Assets while subjecting the right of use of an asset to depreciation. In case the Supplier transfers ownership of the underlying asset to the Company at the end of the leasing period or that the cost of the right-of-use asset indicates that the Company shall use the option to purchase, the Company subjects the right of use asset to depreciation from the date that the leasing was initiated until the end of the underlying asset's useful life. In other situations, the Company subjects its right of use asset to depreciation, from the date leasing is initiated until the end of the subject asset's useful life or the end of leasing period, whichever is shorter.

The Company applies the provisions of depreciation in Turkish Accounting Standard (TAS) 16 on Tangible Fixed Assets while subjecting the right of use of an asset to depreciation. In case the Supplier transfers ownership of the underlying asset to the Company at the end of the leasing period or that the cost of the right-of-use asset indicates that the Company shall use the option to purchase, the Company subjects the right of use asset to depreciation from the actual date when the leasing was initiated to the end of the underlying asset's useful life. In other situations, the Company subjects its right of use asset to depreciation, from the date leasing is initiated until the end of the subject asset's useful life or the end of leasing period, whichever is shorter.

The Company applies the TAS 36 - Impairment in Assets standard in order to determine whether the right of use asset has been exposed to impairment and to account for any determined impairment loss.

Lease Liability

On the date leasing has commenced, the Company calculates its lease liability on the current value of the lease payments which have not yet been paid as of that date. Lease payments are discounted by using the implicit interest rate in leasing if this rate is easily determined. Unless this rate is determined easily, the Company shall apply the Company's incremental borrowing rate of interest.

Lease payments, which are included in calculation of lease liability, on the date the leasing is commenced are composed of the following payments to be made for the right of use of the underlying asset during the leasing period and which are unpaid on the date the leasing has actually commenced:

- a) The amount obtained by deducting all kinds of leasing incentive receivables from the fixed payments,
- b) Variable lease payments which are based on an index or ratio and whose first evaluation is carried out on the date the leasing has commenced, by using an index or ratio,
- c) In case the Company is has a high level of confidence that it shall use the option to purchase, the price of use of this option and
- d) In case the leasing period demonstrates that the Company shall use an option to end the leasing, the penalty payments incurred by ending the leasing.

After the date leasing has commenced, the Company measures the lease liability by taking the following action:

- a) Increasing the Book value to reflect the interest in lease liability,
- b) Reducing the Book value to reflect the lease payments made and
- c) Recalculating the Book value in a manner to reflect reassessments and restructurings, or in a manner which reflects fixed lease payments in their revised definition.

The interest on the lease liability for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liability. If it can be easily determined, the periodic rate of interest is the implicit rate of interest on a lease. If this rate cannot be easily determined, the Company applies the Company's alternative borrowing interest rate. After the lease has commenced, the Company measures the lease liability again to reflect changes in the lease payments. The Company reflects the remeasurement amount of the lease liability as an adjustment to the right-of-use asset in its financial statements.

The Company remeasures the lease liability by discounting the revised lease payments at a revised discount rate if one of the following conditions is met:

- a) There is a change in the rental period. The company determines the revised lease payments based on the revised lease term.
- b) There is a change in the evaluation of the option to purchase the underlying asset. The company determines the revised lease payments in a way to reflect the change in the amounts payable under the option to buy.

The Company may use the revised discount rate for the remainder of the lease term as this rate, if the implicit interest rate in the lease can be easily determined. If it cannot be determined easily, it is determined as the alternative borrowing interest rate of the Company at the date of reassessment.

The Company remeasures the lease liability by discounting the revised lease payments if one of the following situations occurs:

- A change in the amounts expected to be paid under a residual value commitment. The company determines the revised lease payments in a way to reflect the change in the amounts expected to be paid under the residual value commitment.
- - A change in these payments as a result of a change in an index or rate used to determine future lease payments. The company remeasures the lease liability only when there is a change in cash flows to reflect the revised lease payments.

The Company determines the revised lease payments for the remaining lease term based on the revised contractual payments. The company applies an unmodified discount rate in this case.

The Company accounts for the restructuring of the leasing as a separate leasing transaction in case both of the conditions below are met:

- a) There is a restructuring to extend the scope of leasing by adding the right of use for one or more of the underlying assets and
- b) The leasing fee increases to the extent of the proper corrections applied to the sole price to reflect the sole price of the increase in this scope and the conditions of the relevant agreement.

The Company – As a Lessor

All of the leases of the Company as a lessor are operational leases. In operational leases, leased assets are classified under investment properties, tangible fixed assets or other current assets in the consolidated balance sheet and rental incomes obtained are reflected in the consolidated income statement in equal amounts during leasing period. Rental income is reflected in the consolidated income statement during the lease period using a straight-line method. In contracts, which include a component with one or more additional leasing quality or which do bear a leasing quality along with a leasing component, the Company distributes the fee stated

in the agreement by applying TFRS 15, "Revenue from Contracts with Customers".

The First Transition to the TFRS 16 Leases Standard

The Company applied the TFRS 16 "Leases" standard superseding the TAS 17 "Leasing Transactions" standard as of 1 January 2019, which was the first application date of the TFRS 16. The Company did not revise the comparable amounts for the previous year through the simplified transition application.

Through this method, all right-of-use assets are measured over the amount of leasing debts at the transition to the application (corrected

according to leasing costs, of which advance payment is made or accrued).

During the first application, the Company recorded leasing liability relevant to leases classified as operational leasing previously in compliance with TAS 17. These liabilities are assessed over the current value discounted by applying the alternative borrowing rate of interest on the remaining lease payments.

The right to use assets and liabilities belonging to leases which had been previously classified as financial leases are measured at their carrying value before the transition, if the assets exist.

	Stores	Vehicles	Office	Total
In-period Increase	76.744.964	2.025.758	-	78.770.722
In-period Depreciation	(29.040.152)	(604.911)	-	(29.645.063)
	47.704.812	1.420.847	-	49.125.659

The Company's interest expenses on lease liabilities stood at TL 13,540,685.

Extension and termination options

Leasing liability is determined by considering extension and termination options in contracts. The majority of the extension and early termination options in contracts are composed of options which may be applied jointly by the lessor. The lessor determines the leasing period by including the subject extension and early termination options if they are under the initiative of the Lessor according to the contract and the use of options is reasonably definite.

TFRS 15 Revenue from Customers with Contracts

The TFRS 15 standard on Revenue from Customers with Contracts provides a single and comprehensive model and guide for the recognition of revenue. It superseded the the TAS 18 standard on Revenue. The standard entered force on 1 January 2018 and has no material impact on the financial statements of the Company.

2.h. New and Revised Standards and Comments

The accounting policies taken as basis in the preparation of the financial statements for the accounting period ending 31 December 2021 were applied consistently with those used in the previous year, with the exception of the new and revised standards and the TFRS comments valid as of 31 December 2021, which are summarized below. The effects of these standards and comments on the financial status and performance of the Company are explained in the relevant paragraphs.

The company implemented the new and revised standards and comments published by the KGK, which were effective as of 1 January 2021, and those related to its field of activity.

a) The new standards in force as of 31 December 2021 and the revisions and comments to the existing previous standards:

The TFRS 16 "Leases" - COVID 19 Lease concessions, amendments regarding the extension of facilitating practice;

As of March 2021, this amendment was extended until June 2022 and has been effective from 1 April 2021. Due to the COVID-19 pandemic, some concessions have been provided to tenants in rent payments. These concessions may take various forms, including suspending or deferring rental payments. With the amendment published in the IFRS 16 Leases standard on 28 May 2020, the IASB introduced an optional facilitating practice for the lessees to evaluate whether the privileges granted due to COVID-19 in the lease payments represented a change in the lease. Lessees may choose to account for such lease concessions in accordance with the provisions that would apply in the absence of a change made in the lease. This ease of practice often causes the lease concession to be recognized (accounted for) as a variable lease payment during periods, when the event or condition that triggers the reduction in lease payments occurs.

Amendments to TAS 7, TFRS 4 and TFRS 16 – "Indicator interest rate reform Phase 2";

The amendments are effective for the annual reporting periods beginning on or after January 2021. This Phase 2 amendment addresses issues arising from the implementation of reforms, including replacing a benchmark interest rate with an alternative.

TFRS 17 and TFRS 4 "Amendments to Insurance Contracts"; Postponement of the application of the TFRS 9 is effective for annual reporting periods beginning on or after 1 January 2023. These amendments have been postponed to 1 January 2023, the fixed date of the temporary exemption in the TFRS 4 for the implementation date of the TFRS 9 Financial Instruments.

b) Standards and amendments published but not yet effective as of 31 December 2021:

TFRS 17 "Insurance Contracts"

This standard is effective for annual reporting periods beginning on or after 1 January 2023. This standard supersedes TFRS 4, which currently allows for a wide variety of applications. The TFRS 17 standard will fundamentally change the accounting of all businesses which issue insurance contracts and investment contracts with optional participation features.

TAS 1, "Amendment to the presentation of financial statements standard on classification of liabilities";

This amendment is effective for annual reporting periods beginning on or after 1 January 2022. These narrow changes made to TAS 1- "Presentation of financial statements" explain that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The classification is not affected by events following the reporting date or the expectations of the business (for example, the receipt of a concession or the breach of a contract). The amendment also clarifies what TAS 1 refers to in "payment" of an obligation.

Amendments with a narrow scope made to TFRS 3, TAS 16, TAS 37 and some annual improvements made to TFRS 1, TFRS 9, TAS 41 and TFRS 16;

These amendments are effective for annual reporting periods beginning on or after 1 January 2022.

TFRS 3 "Amendments made to Business Combinations";

This amendment updates a reference made to the Conceptual Framework for Financial Reporting in the TFRS 3 without changing the accounting requirements for business combinations.

TAS 16, "Amendments made to Tangible Fixed Assets";

This prohibits a company from deducting revenue obtained from the sale of manufactured products from the amount of tangible assets until the asset is ready for use. Instead, the company will recognize such sales revenues and the associated cost in profit or loss.

Amendments made to TAS 37 "Provisions, Contingent Liabilities and Contingent Assets";

This amendment specifies what costs a company includes when deciding whether to incur a loss on a contract.

The annual improvements involve minor amendments to the illustrative examples of TFRS 1, "First-time Adoption of International Financial Reporting Standards", TFRS 9 "Financial Instruments", TAS 41 "Agricultural Activities" and TFRS 16.

- TFRS 1- First-time Adoption of International Financial Reporting Standards – The affiliate as a First-time Adopter: The amendment allows a subsidiary to measure accumulated foreign currency conversion differences by using amounts reported by the parent company. The amendment also applies to the affiliate or joint venture.

- TFRS 9 Financial Instruments - Fees taken into account in the '10% test' for de-recognition of financial liabilities: The amendment clarifies the fees that a business considers when assessing whether the terms of a new or modified financial liability differ materially from the terms of the original financial liability. These fees only include fees paid or

received between the borrower and the lender, including fees paid by the parties on behalf of each other.

- TAS 41 Agricultural Activities – Taxes in determining fair value: with the amendment, the provision in the IAS 41, paragraph 22 is removed, which stated that consideration of cash flows for taxation were not taken into account in determining the fair value of companies' assets within the scope of the TAS 41.

All of the improvements made will be applied for the annual accounting periods beginning on or after 1 January 2022. Early application is permitted.

The effects of these amendments/improvements on the financial status and performance of the Company are evaluated.

Amendments with a narrow scope made to TAS 1 "Application Statement 2 and TAS 8;

These amendments are effective for annual reporting periods beginning on or after 1 January 2023. These amendments are intended to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.

TAS 12, "Amendment made to deferred tax on assets and liabilities arising from a single transaction";

The amendment is effective for annual reporting periods beginning on or after 1 January 2023. These amendments require deferred tax recognition on transactions that cause equal amounts when taxable and deductible temporary differences are first recognized by companies.

2.i. Summary of Significant Accounting Policies

Material accounting policies applied during the preparation of the attached financial statements are as follows:

Cash and Cash Equivalents

Cash and cash equivalents include cash assets in the cash safe, cash in banks and term deposits with a maturity of less than three months. Cash and cash equivalents are assets with high liquidity, which can be easily converted into cash, and that are short-term with a maturity of not more than three months and with no risk of losing value. Cash and cash equivalents are recorded with the sum of acquisition costs and accrued interests. Bank balances denominated in foreign currencies are translated at year-end exchange rates. (Note: 5).

Related Parties

Within the scope of this report, the shareholders of the Company or the affiliates and subsidiaries with which the Company has a direct capital and management relationship, and the organizations other than subsidiaries are considered as related parties. Executive personnel such as the members of the Company's board of directors and the general manager, who are authorised and responsible for the planning, execution and supervision of the Company's activities, their close family members and the companies that are under direct or indirect control of these persons are considered as related parties.

As of 31 December 2020, the related parties were as follows;

Related Party Name/Surname-Title	Relation
Çelet Holding A.Ş.	Shareholder
Leather Fashion Limited	Subsidiary
DESA International Ltd.	Subsidiary
DESA SMS Ltd.	Subsidiary
DESA International (UK) Ltd.	Subsidiary
DESA Deutschland GMBH	Subsidiary
Leather Fashion Bulgaria EOOD	Subsidiary
DESA Nineteenseventytwo SRL Italy	Subsidiary
GSD Holding A.Ş.	Affiliate
Marfar Deri San. ve Tic. Ltd. Şti.	Affiliate
Samsonite Seyahat Ürünleri A.Ş.	Affiliate
Adesa Mağ. Tekst. ve Der. San. Tic.A.Ş.	Associated Company
Serga Deri Mam.San.ve Tic. A.Ş.	Associated Company
Yapı Enerji Ürt. Sat. İnş.San.ve Tic. A.Ş.	Associated Company

Financial Instruments

The TFRS 9 "Financial Instruments" standard arranges provisions relevant to accounting and measuring of financial assets and financial liabilities. This standard superseded the TAS 39 standard on Financial Instruments: Accounting and Measuring standard. The details of important new accounting policies and effects and nature of the amendments in the previous accounting policies are provided below.

Classification and Measurement of Financial Assets and Liabilities

TFRS 9 substantially protects existing provisions set out in TAS 39 for classification and measuring of financial liabilities. However, previous TAS 39 classification categories were removed for financial assets, credits and receivables to be held until maturity and financial assets ready to be sold. The application of TFRS 9 has not had a significant effect on the accounting policies relevant to financial debts of the Company. Detailed information on how the Company classifies and measures financial assets and how it accounts for relevant income and expenses according to TFRS 9 are provided below.

(i) Financial Assets

According to the TFRS 9, in the initial recognition of a financial asset, it is classified as follows: a) it is measured over amortized cost; b) the fair value ("FV") difference is measured by reflecting on other comprehensive income – debt instruments; c) the FV difference is measured by reflecting on other comprehensive income – equity instruments, or d) the FV difference is measured by reflecting on profit or loss.

Classification of financial assets within the scope of the TFRS 9 depends generally on the business model the business uses for management of financial assets and features of contractual cash flows of financial asset. Under the standard, the obligation to separate embedded derivatives from a financial asset was eliminated, and how to classify a hybrid contract as a whole should be considered.

A financial asset is measured over amortized cost if both conditions below are met and the FV difference is not classified as measured by reflecting on the profit or loss:

- The financial asset is held within the scope of a business model aiming for collection of contractual cash flows and
- The contractual terms of the financial asset result in cash flows which include interest payments on only the principal and the principal balance at certain dates.

A debt instrument is measured by reflecting the FV difference on other comprehensive income if both conditions below are met and it is not classified as FV difference measured by reflecting on profit or loss:

- The financial asset is held within the scope of a business model with the aim of collection of contractual cash flows and with the aim of the financial assets to be sold and
- The contractual terms of the financial asset result in cash flows which include interest payments on only principal and principal balance at certain dates.

All financial assets, which are not measured on the basis of the above mentioned amortized cost or the FV difference by reflecting on other comprehensive income, are measured by reflecting the FV difference on profit or loss. These also include all derivative financial assets. During the initial recognition of financial assets, a financial asset can be defined as being measured irreversibly at fair value through profit or loss, provided that it eliminates or significantly reduces an accounting mismatch that would result from measuring financial assets differently and recognizing gains or losses on them differently.

In the initial measurement of financial assets other than those, whose fair value changes are measured through profit or loss (except for trade receivables, which are measured at the transaction price at initial recognition and that do not have a significant financing component), the transaction costs, which can be directly attributable to their acquisition or issuance, are added to the fair value and are measured.

The following accounting policies are valid for the subsequent measurements of financial assets,

Financial assets measured by reflecting the fair value difference on profit/loss:

These assets are measured over their fair values in the subsequent measurements. The net profit and losses relevant to these, including any interest or dividend income, are accounted in the profit or loss statement.

Financial assets measured over amortized cost:

These assets are measured on the basis of their amortized cost by using effective interest method in their subsequent measuring. If there are amortized costs, they are reduced to the amount equal

to impairment losses. Interest income, gains or losses on changes in exchange rates and impairments are accounted in the profit or loss. Profits or losses arising from leaving these out of the financial statements are accounted in the profit or loss.

The Company's financial assets consist of trade receivables, other receivables and cash and cash equivalents. While these financial assets are classified as credits and receivables according to TAS 39, they are classified as financial assets measured on the basis of the amortized cost according to the TFRS 9.

Impairment in Financial Assets

TFRS 9 replaces the "loss occurred" model as set out in TAS 39 with the "expected credit losses" model. The new impairment model is applied to financial assets, which are measured on the basis of their amortized cost, and contractual assets. However, it is not applied to investments made on equity instruments. The financial assets, measured on the basis of their amortized cost, consist of trade receivables, other receivables and cash and cash equivalents.

The Company records the expected credit loss provision for the items stated below within the scope of the TFRS 9:

- Financial assets measured on the basis of their amortized cost; the Company calculates a loss provision at an amount equal to lifetime expected credit losses, except for the following items, whose loss provision is measured from 12-month expected credit losses.
- Bank balances whose credit risk has not increased significantly since their initial recognition.

Loss provisions are always measured on the basis of an amount equal to lifelong expected credit losses for trade receivables, other receivables, other assets and contractual assets. While determining whether credit risk in a financial asset has increased significantly since its initial recognition and in estimating expected credit losses, reasonable and supportable information, which may be obtained without enduring undue cost or effort, is taken into consideration.

This includes qualitative and quantitative information and analysis based on previous experiences of the Company and conscious credit evaluations by the Company and prospective information. The Company accepts that there is a significant increase in credit risk of financial assets which are 30 days overdue.

The Company accepts that financial assets are in default in the following cases:

If it is not possible for the Debtor to fulfil their liabilities to the Company entirely before the Company attempts for actions such as liquidating guarantees (if any), or if the financial asset is overdue for more than 90 days. The Company accepts that in case the risk rating of the bank balances are equal to "investment grade" under the international definition, they are of low credit risk.

Lifetime expected credit losses are the result of possible default events during the expected lifetime of a financial instrument. The 12-month expected credit losses refer to the portion that represents expected credit losses arising from possible defaults within 12 months of the reporting date. The maximum period for which the expected credit losses will be measured is the maximum contract period for which the Company is exposed to credit risk.

In each reporting period, the Company evaluates whether financial assets measured at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events occur which adversely affect the estimated future cash flows of a financial asset.

Observable data for the following events would constitute evidence that the financial asset is credit-impaired:

- The debtor is in significant financial distress;
- The occurrence of a breach of contract due to default;
- Due to the debtor's financial distress for economic or contractual reasons, the creditor grants the debtor a concession that the debtor would not normally consider;
- It is probable that the debtor will enter bankruptcy or other forms of financial restructuring, or
- The disappearance of an active market for this financial asset due to financial difficulties.

(ii) Financial Liabilities

A financial liability is measured at fair value at the initial recognition. During the initial recognition of financial liabilities whose fair value difference is not recognized in the profit or loss, the transaction costs directly attributable to the underwriting of the related financial liability are added to the said fair value.

Financial liabilities are accounted for at amortized cost using the effective interest method, together with the interest expense calculated over the effective interest rate in the following periods. Financial liabilities are classified as financial liabilities at fair value difference through profit or loss or other financial liabilities.

Financial Liabilities of which the Fair Value Difference is Reflected as a Profit or Loss

Financial liabilities, whose fair value difference is reflected as a profit or loss are recorded at their fair value. In each reporting period, they are re-evaluated at the fair value on the reporting date. Any change in fair values is accounted for in the income statement. The net profits or losses accounted for in the income statement includes the interest amount paid for the financial liability in question.

(iii) Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognized at their fair value at the date the related derivative contract enters force and are also valued at their fair value for the following periods. Derivative financial instruments are classified as assets if their fair values are positive and as liabilities, if their fair values are negative. The method of recognizing gains and losses related to derivative financial instruments varies depending on whether or not the derivative financial instrument is hedged and on the type of hedged instrument. At the transaction date, the Company associates the relationship between the hedging instrument and the hedged item together with the Company's risk management objectives and strategies for hedging transactions. In addition, the Company also regularly evaluates whether the derivative transactions used for hedging are able to effectively offset the changes in the fair value or cash flows of the hedged item.

Derivative Financial Instruments for Trading

The Company's derivative financial instruments for trading consist of forward foreign currency purchase and sale contracts. While these derivative financial instruments provide effective protection against economic risks which the Company faces, they are generally recognized as derivative financial instruments for trading in financial statements, since they do not meet the requirements for risk accounting. All gains and losses arising from changes in the fair value of such derivative financial instruments are recognized as financial income or expense in the income statement.

Cash Flow Hedging:

The effective portion of the changes in the fair value of derivatives designated as cash flow hedges are recognized within the hedging fund in equity. Income and expenses related to the ineffective portion are immediately classified as financial income / expense and recognized in the statement of comprehensive income. The amounts accumulated in the hedging fund are associated with the income statement in the periods when the hedged items affect the income statement (e.g. realization of estimated cash flows that are hedged).

In the event that cash flow hedge accounting cannot be continued due to the expiry, realization or sale of the hedging instrument, or if the effectiveness test related thereto fails, the amounts recognized under equity are transferred to the profit or loss accounts when the cash flows for the hedged item are realized. Some derivative contracts made by the Company based on this have been evaluated and recognized as hedging derivative instruments since they meet the necessary conditions for risk accounting stipulated in the TFRS 9.

Trade Receivables

Trade receivables instigated by the Company, which result by providing goods or services directly to a debtor, are valued at the discounted cost using the effective interest method. Short term trade receivables with no stated interest rate are valued at the original invoice amount, if the effect of interest accrual is insignificant. (Note: 7)

In the event of a situation which indicates that the Company will be unable to collect the amounts due, a credit risk provision is established for trade receivables. The amount of this provision is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows, including the amounts which can be collected from guarantees and warranties based on the original effective interest rate of the trade receivable. (Note: 7)

If the amount of impairment decreases due to a situation which occurs after the writing down as damage, the mentioned amount is reflected as other income in the current period.

Trade Payables

Trade and other payables are presented in records at the discounted cost value representing the fair value of the invoiced or uninvoiced amount to be incurred in the future regarding the purchase of goods and services.

Inventories

Inventories are valued at the cost or net realizable value, whichever is the lower. Costs, which include some of the fixed and variable production overheads, are valued in accordance with the method to which the inventories are based. The Company uses the weighted moving average method in cost calculations. The net realizable value is calculated by deducting the total of the estimated costs of completion and the estimated costs required to conduct the sale from the estimated selling price in the ordinary course of business.

When the net realizable value of the inventories falls to below their cost, the inventories are reduced to their net realizable value and reflected to the income statement as an expense in the year in which the impairment occurred. Where the conditions which had previously caused the inventories to be reduced to the net realizable value are no longer valid, or it has been proven that there is an increase in the net realizable value due to changing economic conditions, the provision for impairment is canceled. The amount canceled is limited to the amount of the impairment reserved previously. (Note 9)

Tangible Fixed Assets

Tangible assets are reflected in the financial statements for items acquired before 1 January 2005 based on the adjusted acquisition costs expressed on the basis of the TL's purchasing power as of 31 December 2004. Tangible assets are reflected in the financial statements for items acquired after 1 January 2005 on the basis of their acquisition costs, after deducting accumulated depreciation and permanent impairment, if any. Depreciation is calculated at inflation-adjusted amounts in accordance with the straight-line depreciation method which reflects the economically useful lives of the tangible assets mentioned hereunder. Land is not depreciated, since its economically useful life is considered infinite.

The estimated useful lives of such assets are as follows:

	Depreciation Duration
Buildings	40 years
Machinery - Equipment	5-10 years
Fixed Items	5-10 years
Vehicles	5-10 years
Special Costs	5-10 years

If the carrying value of an asset is higher than the recoverable amount thereof, its carrying value is reduced to its recoverable amount. The recoverable amount is the higher of the asset's net selling price or its value in use. The net selling price is determined by deducting the costs to be incurred in order to realize the sale from the fair value of the asset. The value in use is determined by adding residual values to estimated amounts of cash flows expected to be obtained in the future as of the balance sheet date by continuing to use the related asset.

Profit or loss on the disposal of tangible assets is determined by comparing the adjusted amounts and the amounts collected and they are reflected to the related income and expense accounts in

the current period. Maintenance and repair expenses of tangible assets are normally recognized as an expense. However, in exceptional cases, if maintenance and repair results in expansion or a substantial improvement in assets, such costs can be capitalized and depreciated over the remaining useful life of the related asset. (Note:11)

Intangible Assets

Intangible assets comprise acquired information systems, concession rights, computer software and development costs. Intangible assets are recognized at their acquisition costs and depreciated by using the straight-line method over their estimated useful lives for a period not exceeding 15 years from the date of acquisition. There is no depreciation for the brands due to their unlimited lives. In case of impairment, the carrying value of the intangible assets is reduced to their recoverable amount. (Note: 12)

a) Research and Development Expenses

Research expenses are recognized as expense in the period in which they are incurred. Development costs are recognized as intangible assets resulting from development (or from the development phase of a project carried out within the business), in case that all of the following conditions are met;

- Completion of the intangible asset as technically feasible in order to be ready for use or sale;
- The business intends to complete the intangible asset and use or sell such asset;
- There is a possibility for using or selling intangible asset;
- How the intangible asset is likely to generate future economic benefit is certain;
- Sufficient technical, financial and other resources are available to complete the development phase and to use or sell the intangible asset; and
- Expenses on intangible assets in the development process can be measured reliably.

In cases other than those mentioned above, development expenses are recognized as an expense as they are incurred. In the projects, where it is difficult to separate the research and development phases, the relevant project is considered at the research phase and recognized as expense as incurred.

b) Rights and Other Intangible Assets

Rights and other intangible assets comprise acquired information systems, information system development costs, purchased technology and other identifiable rights. Rights and other intangible assets are recognized at their acquisition costs and amortized on a straight-line basis over their estimated useful lives not exceeding five years.

The depreciation durations of the assets determined according to their estimated useful lives are as follows:

Depreciation Duration	
Rights	3-5-13 years
Other Intangible Fixed Assets	3-5-13-24 years

Fixed Assets Held for Sale and Discontinued Operations

Fixed assets held for sale are classified as fixed assets held for sale and amortization is discontinued, if their carrying values are recovered as a result of a sales transaction, rather than by use and the depreciation is halted. Fixed assets held for sale are valued at the value obtained by deducting their selling costs from their carrying value or their fair value, whichever is the lower.

Income and expenses arising from discontinued operations are classified separately in the comprehensive income statement.

Investment Properties

Land or buildings which are held (by the owner or by the lessee under a finance lease) for the purpose of generating rental income or capital appreciation or both, rather than being used in the production or supply of goods and services or for administrative purposes or being sold in the ordinary course of business, or part or both of the building is classified as investment property.

An investment property is recognized as an asset, if it is probable that the future economic benefits associated with the property will be provided for the business and the cost of the investment property can be reliably measured.

The Company changed its accounting policy related with its buildings held for investment and adopted the fair value method. Differences arising from the fair value method have been recognized in the profit / (loss) statement under investment properties appreciation adjustment under the income from investment activities account group.

Borrowing Costs

The Company reflects borrowing costs to the profit / loss statement as a financing cost over the loan period. Financing costs arising from loans are recognized in the profit/loss statement when they occur. Borrowing costs, which are directly attributable to acquisition, construction or production of a qualifying asset, are included at the cost of that asset. Such borrowing costs are capitalized as part of the cost of the qualifying asset, if they can be measured reliably and are likely to provide future economic benefit to the business. Borrowing costs, which are directly attributable to acquisition, construction or production of a qualifying asset, are the borrowing costs that would not have arisen if the expenses associated with the qualifying asset were not incurred.

If a business is borrowed particularly for the purpose of acquiring a qualifying asset, then the borrowing cost to be capitalized is determined by deducting the incomes from temporary accretion of these funds from the borrowing costs incurred for such borrowing

during the relevant period. In cases, where some of the funds borrowed by a business as a general purpose, are used for the financing of a qualifying asset, the amount of borrowing costs that can be capitalized is determined with the help of an activation ratio to be applied to the expenses related to the asset. This capitalization rate is the weighted average of the borrowing costs of all current liabilities of the business during the relevant period, excluding borrowings made for the purchase of qualifying assets. The amount of borrowing costs capitalized over a period may not exceed the amount of borrowing costs incurred during the relevant period.

In cases where the construction of a qualifying asset is completed in parts and each part can be used while the construction of other parts is in progress, capitalization of borrowing costs for that part ceases to exist when all the processes necessary to make a particular part ready for its intended use or sale have been substantially completed.

Bank Loans

Loans are recorded at their values after the transaction costs are deducted from the loan amount on the date they are received. If the difference between the discounted value and the first recorded value is significant, the loans are stated over the discounted cost value using the effective interest method. The difference between the amount remaining after deducting the transaction costs and the discounted cost value is reflected in the income statement as the financing cost during the loan period. Financing costs arising from loans are recorded in the income statement when incurred.

Impairment in Assets

In case of events or changes which indicate that the carrying values of the assets cannot be realized, work is carried out to assess if there is any impairment. Assets are reduced to their realizable values in the event of such warnings or if the carried values exceed the realizable value. When the value of the assets exceeds the realizable value, the impairment provision expense is recognized in the income statement.

The redeemable amount is the asset's net selling price or its net book value in use, whichever is the higher. The redeemable amount is estimated for each asset, if it can be determined, and for the cash-generating unit to which the asset is included, if it cannot be determined. However, the increase in the carrying value of the asset as a result of the reversal of the provision for impairment is recognized on the condition that it does not exceed the value that would be determined if no impairment was recognized in the previous years.

Leasing Transactions

Financial Leasing Transactions

The tangible asset acquired through financial leasing is capitalized at the fair value after deducting tax advantages or incentives at the beginning of the lease period, or the discounted value of the minimum lease payments at that date, whichever is the lower. Principal lease payments are shown as liabilities and are deducted as they are paid.

Interest payments are recognized in the income statement as an expense during the financial leasing period. The tangible assets acquired under a financial leasing contract are depreciated over the useful life of the asset.

Operational Leasing Transactions

Lease contracts where the lessor owns all the risks and benefits of the property are referred to as operational leases. The Company is a party to the operational leasing transactions both as a lessor and as a lessee. The lease amounts paid as a result of the operational leases are recognized as an expense in accordance with ordinary method during the lease term. The lease income collected as a lessor is recognized as income during the lease term.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

In cases where the Company has an existing liability arising from past events, where an outflow of resources containing economic benefits from the business in order to meet such a liability is probable and the amount of the liability can be estimated reliably, the related liability is recognized in the financial statements as a provision.

Contingent liabilities are continuously valued in order to determine whether the possibility of an outflow of resources containing economic benefits is probable. If an outflow of resources containing economic benefits in future becomes probable for the items subject to transaction as a contingent liability, such contingent liability is recognized in the financial statements of the period, in which the change in the probability arises, except for the cases where no reliable estimate is provided.

Contingent Liabilities and Assets

Transactions giving rise to commitments and contingent liabilities refer to cases in which the occurrence is dependent on the results of one or more events in the future. Therefore, some transactions are recognized as off-balance sheet items in terms of possible losses, risks or uncertainties. If an estimate is made for possible liabilities or losses that may occur in the future, these liabilities are considered as an expense and debt for the Company. However, the incomes and the profits, which are likely to occur in the future, are reflected in the financial statements.

In cases where all or part of the economic benefits used for the payment of the provision are expected to be covered by third parties, the amount to be collected is recognized as an asset, if the repayment of this amount is certain and the amount is calculated reliably.

Employee Benefits

Defined Benefit Plan

Provision for severance pay and termination indemnities is recognized based on actuarial work in accordance with the TAS 19 "Employee Benefits". Severance pay and termination indemnity liability represents the value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees in accordance with the Turkish Labour Law or the termination of the employment contract due to reasons specified by the relevant law, on the date of statement of financial position.

The Company calculates and recognizes severance pay and termination indemnities based on information arising from Company's own experience regarding the resignation of personnel or termination of their employment as well as estimating recognition of

entitled benefits at reduced net value.

Defined Contribution Plans

The Company pays social security premiums to the Social Security Institution on a mandatory basis. The Company has no other liability as long as it pays these premiums. These premiums are reflected to personnel expenses in the period they accrue.

Employee Benefits/ Severance Pay

Severance Pay and Termination Indemnity

The Company is obliged to pay a certain amount of severance pay or termination indemnity to personnel who have left due to retirement or have been dismissed due to reasons other than resignation and misconduct after servicing for a minimum period of one year, pursuant to the applicable labour law. Such payments are calculated on the basis of 30 days' total gross pay and other benefits limited to a maximum of TL8,284.51 (31 December 2020:TL 7,117.17) for each year of employment, as of 31 December 2021.

The Company calculated the provisions for Severance Pay and Termination Indemnity in the attached financial statements by using "Projection Method" and based on the Company's experiences gained in previous years in terms of personnel's completion of service period and entitlement to retirement pay. It has discounted the same by earning ratio of government bonds at the balance sheet date. All calculated gains and losses are reflected in the income statement.

The ratios of the underlying assumptions used in the balance sheet date are as follows:

	31.12.2021	31.12.2020
Interest rate	24,85%	13,13%
Inflation rate	19,39%	9,30%
Discount rate	4,57%	3,50%

Social Security Premiums

The Company pays social security premiums to the Social Security Institution on a mandatory basis. The Company has no other liability as long as it pays these premiums. These premiums are reported as personnel expenses in the period they are incurred.

Other Balance Sheet Items

Other Balance Sheet Items are basically reflected with their registered values.

Capital and Dividends

Ordinary shares are classified as capital. Dividends distributed on the basis of ordinary shares are recorded by deducting from the profits accumulated in the period they are declared. The received dividends are recorded as revenue on the date when the right of collection occurs (Note 19).

Earnings Per Share

Earnings per share disclosed in the income statement are calculated by dividing the net profit by the weighted average number of shares that have been outstanding during the year. In case of capital increase from internal sources within the period, when calculating the weighted average of the number of shares, the new value is assumed to be valid at the beginning of the share period.

The matter is discussed in the TAS 33 as follows:

Ordinary shares can be issued or the number of ordinary shares outstanding can be reduced without any change in the resources.

For example:

- Capitalization or issuance of bonus shares (sometimes referred to as share dividends)
- The existence of a bonus element in any other issue; for example, a bonus element in an issuance transaction, which includes new rights to existing shareholders
- Split of shares and
- Consolidation of shares by increasing the nominal value (consolidation of shares).

In case of a capitalization or issuance of bonus shares or share split, ordinary shares are issued to existing shareholders without requiring an additional payment. Therefore, the number of ordinary shares outstanding increases without an increase in resources. The number of ordinary shares outstanding prior to the said transaction shall be adjusted in accordance with the proportional change in the number of ordinary shares outstanding, if the transaction would have been realized at the beginning of the earliest period.

Main Operating Income / (Expenses), Revenue

In recognition of revenue, the Company has begun to use the following five-step model in accordance with the TFRS 15 "Revenue from contracts with customers".

- Identification of contracts entered into with customers
- Identification of performance obligations in contracts
- Determination of the transaction price in contracts
- Allocation of transaction price to performance obligations
- Recognition of revenue

The Company recognizes a contract entered into with the customer as revenue only if all of the following conditions are met:

- The parties to the contract have approved the contract (in accordance with written, oral or other commercial customs) and undertakes to fulfil their own obligations,
- The Company can identify the rights of each party related to the goods or services to be transferred,
- The Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is probable that the Company will collect the consideration, to which it is entitled for the goods or services to be transferred to the customer. When assessing whether the collectability of a consideration is probable or not, the Company considers only the customer's ability and intention to carry out the payment at the due date. The consideration, which the Company will be entitled to collect, may be lower than the price specified in the contract, as it offers a price advantage to its customer.

Revenues are recognized on an accrual basis at the fair value of the consideration received or can be received on account of the reliable determination of the revenue amount and the probable economic benefits associated with the transaction. Net sales have been calculated by deducting the returns and the sales discounts from the sales of goods.

Sale of Goods:

Revenue obtained from the sale of goods is recognized when the following conditions are met:

- The Company transfers all significant risks and rewards in connection with the ownership to the buyer,
- The Company does not have an ongoing administrative involvement associated with the property and does not have an effective control over the goods sold,
- The amount of revenues is measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the business,
- The costs resulting from the transaction are measured reliably.

Sale of Service:

In cases where the outcome of a transaction in connection with the provision of services can be estimated reliably, the revenue related to the transaction is reflected in the financial statements by taking the level of completion as of the balance sheet date into consideration.

In the case of the existence of all of the following conditions, the results of the transaction can be estimated reliably:

- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will be acquired by the business,
- The level of completion of the transaction as of the balance sheet date can be measured reliably,
- Costs incurred for the transaction and the costs required to complete the transaction can be measured reliably.

Dividend and Interest Income:

Interest income is accrued in the related period at the effective interest rate, which reduces the remaining principal amount and the estimated cash inflows from the respective financial asset during the expected life to the carrying value of the said asset.

Dividend income, which is earned from stock investments, is recognized when the shareholders' right to receive dividends arises. Other incomes are recognized on an accrual basis at the fair value of the consideration received or receivable upon service delivery or revenue realization, transfer of risks and benefits, reliable determination of the amount of revenue and the probable economic benefits to be transferred to the Company.

Foreign Currency Assets and Liabilities

Foreign currency transactions are recognized at current exchange rates applicable on transaction date. The assets and liabilities recorded in foreign currency are subject to valuation on the basis of exchange rates applicable at the end of the period. Exchange differences arising from the valuation process are recognized in the income statement as foreign exchange gain or loss.

For USD and EURO, the exchange rates used for active (debit balance) accounts at the end of the period are as follows:

	31.12.2021	31.12.2020
USD	13,3197	7,3405
EUR	15,0761	9,0079
GBP	17,9541	9,9438
CHF	14,5384	8,2841
JPY	0,1150	0,0709

For USD and EURO, the exchange rates used for passive (credit balance) accounts at the end of the period are as follows:

	31.12.2021	31.12.2020
USD	13,3731	7,3405
EUR	15,1365	9,0079
GBP	18,0874	9,9438
CHF	14,6757	8,2841
JPY	0,1167	0,0709

Taxes Calculated over Corporate Earnings

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

Corporation Tax

Corporate tax is calculated over the taxable portion of the period's profit. Taxable profit differs from profit reported in the income statement, since it excludes items that are taxable or deductible in following years and items that are not taxable or deductible. The Company's corporate tax liability has been calculated using tax rates that have been legalized as of the balance sheet date.

Deferred Tax

Deferred tax liability or assets are determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of legal tax base, according to the balance sheet method, taking into account the legalized tax rates.

When calculating the deferred tax liabilities for all taxable temporary differences, the deferred tax assets consisting of deductible temporary differences are recognized on condition that it is highly probable that the said differences will be benefited from by means of earning taxable profit in the future. The mentioned assets and liabilities are not recognized if they arise from the first recognition of the temporary difference (other than business combinations), goodwill or other assets and liabilities related to the transaction that does not affect the commercial or financial profit/loss.

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in joint ventures, except when the Company is able to control the elimination of temporary differences and it is unlikely that this difference will disappear in the near future.

Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

The carrying value of the deferred tax asset is reviewed at each balance sheet date. The carrying value of a deferred tax asset is reduced to the extent that it is no longer probable to earn a financial profit at a level which allows to get benefit of part or all of it. Deferred tax assets and liabilities are calculated over the tax rates (tax regulations), which have been legalized or substantially legalized as of the balance

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in joint ventures, except when the Company is able to control the elimination of temporary differences and it is unlikely that this difference will disappear in the near future.

Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable that the said differences will be benefited from by earning sufficient taxable profit in the near future and it is probable that the related differences will disappear in the future.

The carrying value of the deferred tax asset is reviewed at each balance sheet date. The carrying value of a deferred tax asset is reduced to the extent that it is no longer probable to earn a financial profit at a level which allows to get benefit of part or all of it. Deferred tax assets and liabilities are calculated over the tax rates (tax regulations), which have been legalized or substantially legalized as of the balance sheet date and which are expected to be valid during the period in which the assets will be realized or the liabilities will be fulfilled.

During the calculation of deferred tax assets and liabilities, the tax consequences of the methods that the Company forecasts to recover the carrying value of its assets or fulfil its liabilities as of the balance sheet date are taken into consideration.

Deferred tax assets and liabilities are set off when there is a legal right to offset current tax assets and current tax liabilities, or if the assets and liabilities are associated with the income tax collected by the same tax authority, or if the Company intends to pay off the current tax assets and liabilities by means of netting.

Corporate taxation other than that associated with the items recognized directly in equity as receivable or liability (in which case deferred tax associated with these items is also recognized directly in equity) or those resulting from initial recognition of business combinations as well as deferred tax pertaining to the respective period is recognized in the statement of income as income or an expense. In business combinations, the tax effect is taken into consideration in the calculation of goodwill or in determining the part of the acquirer's share in fair value of identifiable assets,

liabilities and contingent liabilities of the acquired subsidiary which exceeds the cost of acquisition.

Events After the Balance Sheet Date

Events after the balance sheet date cover all events between the balance sheet date and the date of authorization for issuance of the balance sheet, even if they have occurred after any announcement or other selected financial information related to the period profit has been disclosed to the public. If events requiring an adjustment to the financial statements occur after balance sheet date, the Company adjusts amounts included in its financial statements accordingly.

Government Incentives and Aids

All government incentives, including non-monetary government incentives monitored at fair value, are recognized in the financial statements when there is a reasonable assurance that the conditions for obtaining the incentive will be met by the business and that the incentive can be obtained by the business.

Research and development incentives are reported in the financial statements when the Company's incentive requests are approved by the competent authorities. The Company has not received any governmental incentive or aid in the current or previous periods.

The governmental incentives utilized by the Company in the current and previous periods are disclosed in Note 14.

Statement of Cash Flow

Cash flows of the period are classified and reported in the statement of cash flows on the basis of operating, investment and financing activities. Cash flows from operating activities represent cash flows from the Company's operations.

Cash flows related to investment activities represent cash flows used in and obtained from investment activities (fixed asset investments and financial investments) by the Company.

Cash flows related to financing activities represent the resources used by the Company in financing activities and the repayments of these resources. Cash and cash equivalents include cash and bank deposits as well as short-term highly liquid investments with a maturity of 3 months or less that can easily be converted into cash.

3. SHARES IN OTHER BUSINESSES

a) Financial Investments

All of the financial investments are available for sale financial assets and consist of unlisted shares.

DESA International Limited and Leather Fashion Limited are subsidiaries as of 31 December 2020 and that are not consolidated due to their low turnover. the impairment value of the amount (TL 3,107,074), which is in assets, was calculated and reported in Financial Investments account, due to the fact that the aforementioned companies had lost their equity.

	31.12.2021	31.12.2020
GSD Holding A.Ş.	38	38
Affiliated Securities	38	38
Marfar Deri San. ve Tic. LTD. Şti. Affiliates Capital Commitment (-)	40.000 (30.000)	40.000 (30.000)
Affiliate	10.000	10.000
Leather Fashion Limited	6.871	6.871
Leather Fashion Limited Provision for Impairment (-)	(6.871)	(6.871)
DESA International Ltd.	3.100.203	3.100.203
DESA International Ltd. Desa International Ltd. Provision for Impairment (-)	(3.100.203)	(3.100.203)
DESA SMS Ltd.	4.689.823	4.689.823
DESA International (UK) Ltd.	2.891.695	2.891.695
DESA Deutschland GMBH	72.760	72.760
Leather Fashion Bulgaria EOOD	20.421	20.421
DESA Nineteenseventytwo SRL Italy	39.475	39.475
Subsidiary	7.714.174	7.714.174
	7.724.212	7.724.212

The financial statements of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, dated 31 December 2021 are consolidated with the financial statements of the Company for the same period by using the equity method.

Other affiliates and subsidiaries are presented as financial assets over their cost in the financial statements.

b) Investments valued by equity method are as follows:

It is stated below as of 31 December 2021

	Location	Share Ratio	Cost Value	Profit / Loss Share of the Parent Company	Profit / Loss Share of the Parent Company for the Retained Years	Net
Samsonite Sey. Ürünleri A.Ş.	Türkiye	39,99%	1.539.980	8.811.453	9.763.400	18.574.853

As of 31 December 2020, it is shown below:

	Location	Share Ratio	Cost Value	Profit / Loss Share of the Parent Company	Profit / Loss Share of the Parent Company	Net
Samsonite Sey. Ürünleri A.Ş.	Türkiye	39,99%	1.539.980	(2.172.538)	10.395.958	9.763.400

The Capital amount of Samsonite Seyahat Ürünleri San. ve Tic. A.Ş., the financial statements of which are consolidated by the Company through the equity method, is TL 3,850,000. The

participation value of the Company is TL 1,539,980. The balance sheet value of the affiliate valued by the equity method is TL 18,574,853 (31.12.2020: TL 9,763,400)

The financial information pertaining Samsonite Seyahat Ürünleri San. ve Tic. A.Ş. are as follows:

Samsonite Seyahat Ürünleri A.Ş.	31.12.2021	31.12.2020
Total assets	61.428.413	35.183.936
Total liabilities	(14.990.677)	(10.775.119)
Net assets	46.437.736	24.408.817
Net profit / loss	29.028.918	(5.431.415)
Amount of share received from the net profit / loss of the affiliate (39.99%)	8.811.453	(2.172.538)
Share in Profit/Loss of Investment Valued by Equity Method	8.811.453	(2.172.538)

4. RELATED PARTY DISCLOSURES

4.1. As of 31 December 2021 and 31 December 2020, receivables from related parties were as follows:

As of 31 December 2021 and 31 December 2020, trade receivables from related parties were as follows:

	31.12.2021	31.12.2020
Trade Receivables	77.822.303	20.163.497
Other Receivables	6.709.879	3.911.796
	84.532.182	24.075.293

As of 31 December 2021 and 31 December 2020, trade receivables from related parties were as follows:

Related Companies and Shareholders	31.12.2021	31.12.2020
Adesa Deri	76.276.691	18.863.155
Serga Deri	544.098	435.330
DESA Deutschland GmbH	437.556	181.684
Çelet Holding	414.388	340.847
DESA Nineteenseventytwo SRL Italy	84.082	28.523
Yapı Enerji	26.690	22.220
Marfar Deri	25.485	24.762
Leather Fashion Bulgaria	13.313	-
DESA International Ltd	-	47.917
DESA SMS	-	212.358
DESA International UK	-	6.701
	77.822.303	20.163.497

As of 31 December 2021 and 31 December 2020, other receivables from related parties were as follows:

	31.12.2021	31.12.2020
DESİ Deutschland GmbH	4.879.928	2.881.954
Leather Fashion Bulgaria	795.321	403.340
DESİ Nineteenseventytwo SRL Italy	640.734	387.340
Burcu Çelet	221.991	84.922
Serga Deri	131.200	129.919
DESİ International UK	33.167	19.817
DESİ SMS	7.538	4.504
	6.709.879	3.911.796

4.2 Payables to related parties as of 31 December 2021 and 31 December 2020 were as follows:

	31.12.2021	31.12.2020
Trade Receivables	27.004.683	23.562.056
Other Receivables	-	2.506.262
Deferred Revenues from other parties	3.676.788	1.936.582
	30.681.471	28.004.900

As of 31 December 2021 and 31 December 2020, trade payables to related parties were as follows:

	31.12.2021	31.12.2020
Samsonite Seyahat Ürünleri	17.300.819	18.616.689
DESİ SMS	3.903.943	2.203.982
DESİ International UK	2.915.977	1.493.189
DESİ Int Ltd	2.650.635	1.120.077
Serga Deri	233.309	128.119
Trade Payables	27.004.683	23.562.056

As of 31 December 2021 and 31 December 2020, other payables from related parties were as follows:

Related Companies and Shareholders	31.12.2021	31.12.2020
Adesa Deri	-	2.506.262
	-	2.506.262

As of 31 December 2021 and 31 December 2020, the deferred income from related parties was as follows:

	31.12.2021	31.12.2020
Adesa	3.676.788	1.930.121
Leather Fashion Bulgaria	-	6.461
	3.676.788	1.936.582

4.3 Prepaid expenses from related parties as of 31 December 2021 and 31 December 2020:

Related Companies and Shareholders	31.12.2021	31.12.2020
Marfar Deri	10.095	10.095
	10.095	10.095

DESA

DESA DERİ SANAYİ VE TİCARET A.Ş

FOOTNOTES REGARDING THE FINANCIAL STATEMENTS FOR THE ACCOUNT PERIOD ENDED ON 31 DECEMBER 2021

(Amounts are stated in Turkish Lira ("TL") unless otherwise stated.)

The details of the purchase and sale transactions with related parties are as follows:

Group Company	31.12.2021		31.12.2020	
	Purchases	Sales	Purchases	Sales
Adesa Deri	-	167.073.172	-	97.919.523
Samsonite Seyahat Ürünleri	47.375.323	-	14.762.052	-
DESA Deutschland	-	-	-	5.218
Leather Fashion Limited	74.487	-	57.643	-
	47.449.810	167.073.172	14.819.695	97.924.741

Interest, rent and similar payments received from and paid to related parties are as follows:

	31.12.2021	31.12.2020
Service fees paid to related parties	2.119.064	2.357.337
Rental fees paid to related parties	1.388.735	1.237.401
TOTAL PAID	3.507.799	3.594.738
	31.12.2021	31.12.2020
Rental fees received from related parties	4.463.521	3.648.369
Service charges invoiced to related parties	9.509.388	4.967.417
Other income collected from related parties	134.037	74.903
Interest income received from related parties	84.169	39.188
TOTAL COLLECTED	14.191.115	8.729.877



Wages and similar benefits provided to Top Executives are stated below:

The total of wages and similar benefits provided to top executives stood at TL 1,647,791 as of 31 December 2021 (31 December 2020:TL 1,238,039).

5.CASH AND CASH EQUIVALENTS

As of 31 December 2021 and 31 December 2020, the details of cash and cash equivalents are as follows:

	31.12.2021	31.12.2020
Cash	314.920	65.297
- TL	296.713	53.160
- USD	11.987	7.335
- EUR	2.929	2.783
- BGN	3.274	2.010
- CNY	17	9
Banks	146.565.464	61.357.693
Term Deposit	132.912.641	57.396.911
- EUR	83.069.498	27.101.047
- USD	48.043.143	20.266.564
- TL	1.800.000	10.029.300
Demand Deposit	13.652.823	3.960.782
- TL	3.672.724	281.848
- USD	3.302.724	114.138
- EUR	4.316.712	3.561.484
- GBP	2.360.521	3.251
- CHF	142	61
Other Liquid Assets	234.731	238.472
Barter Checks	234.731	238.472
Expected Credit Loss	(3.496)	(3.496)
TOTAL	147.111.619	61.657.966
Interest rediscount on cash and cash equivalents	(101.690)	(44.582)
TOTAL	147.009.929	61.613.384

As of 31 December 2021, there were no blocked accounts in the company's bank deposits.
(31 December 2020-None).

6. FINANCIAL LIABILITIES

As of 31 December 2021 and 31 December 2020, the details of financial instruments were as follows:

	31.12.2021	31.12.2020
Short Term Financial Liabilities	29.800.860	46.088.055
- Bank Loans	3.787.394	33.390.433
- Credit Card Liabilities	36.223	21.500
- Liabilities from Lease Transactions	25.977.243	12.676.122
Short Term Parts of Long Term Financial Liabilities	42.853.115	20.731.167
- Bank Loans	42.853.115	20.731.167
Total Short Term Liabilities	72.653.975	66.819.222
Long Term Financial Liabilities	138.428.458	88.659.574
- Bank Loans	117.197.828	75.368.559
- Liabilities from Lease Transactions	21.230.630	13.291.015
Total Long Term Liabilities	138.428.458	88.659.574
End of period	211.082.433	155.478.796

Details of bank loans included in short term liabilities are as follows:

Currency	31.12.2021			31.12.2020		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	-	-	0,00%	647.359	5.831.345	8,50-10,00%
TL	3.787.394	3.787.394	9,00%	27.559.088	27.559.088	8,50-10,00%
Total		3.787.394			33.390.433	

Details of short term parts of long term financial liabilities are as follows:

Currency	31.12.2021			31.12.2020		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	2.831.111	42.853.115	2,75-4,00%	2.301.443	20.731.167	1,25-4,00%
TL	-	-	-	-	-	-
Total		42.853.115			20.731.167	

Details of long term financial liabilities are as follows:

Currency	31.12.2021			31.12.2020		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	7.742.730	117.197.828	2,75-4,00%	6.146.667	55.368.559	1,25-4,00%
TL	-	-	-	20.000.000	20.000.000	9,00%
Total		117.197.828			75.368.559	

7. TRADE RECEIVABLES AND PAYABLES

Short Term Trade Receivables

As of 31 December 2021 and 31 December 2020, the details of short-term trade receivables are as follows:

	31.12.2021	31.12.2020
Trade Receivables From Related Parties	77.822.303	20.163.497
Trade Receivables From Related Parties	77.822.303	20.163.497
Recipient	4.973.986	4.564.532
Credit Card Receivables	7.198.322	1.405.441
Impairment of Credit Card Receivables (-)	(721.101)	(139.551)
Doubtful trade receivables	266.031	266.031
Provision for doubtful trade receivables (-)	(266.031)	(266.031)
Other Trade Receivables	11.451.207	5.830.422
	89.273.510	25.993.919

Statement of provision for doubtful trade receivables are as follows:

Doubtful Trade Receivables	31.12.2021	31.12.2020
Beginning of Period	(266.031)	(266.031)
Provision allocated in the period / adjustment (+)	-	-
Provision collected in the period (-)	-	-
Uncollectible Receivables	-	-
End of Period	(266.031)	(266.031)

The maturity breakdown of doubtful trade receivables, for which provision was allocated, is as follows:

	31.12.2021	31.12.2020
Receivables overdue up to 90 days	-	-
Receivables overdue more than 90 days	-	-
Receivables overdue more than 180 days	(266.031)	(266.031)
END OF PERIOD	(266.031)	(266.031)

Long Term Trade Receivables

None. (31.12.2020 None.)

Short-Term Trade Payables

As of 31 December 2021 and 31 December 2020, the details of short-term trade payables are as follows:

	31.12.2021	31.12.2020
Trade Payables to Related Parties	27.004.683	23.562.056
Trade Payables to Related Parties	27.004.683	23.562.056
Vendors	83.444.694	23.950.238
Checks and Notes Given	46.278.054	23.779.820
Deferred Financing Income (-)	(3.236.121)	(2.463.294)
Other Trade Payables	126.486.627	45.266.764
	153.491.310	68.828.820

Long-Term Trade Payables

None. (31.12.2020 None.)

8. OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables

Details of other short-term receivables as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Other Receivables from Related Parties	6.709.879	3.911.796
Other Receivables from Related Parties	6.709.879	3.911.796
Receivables from Tax Office	295.188	277.413
Other Receivables	170.160	50.211
Receivables from Debt Collection Office	3.250	3.250
Deposits and Guarantees Given	83.000	-
Other Receivables from Non-Related Parties	551.598	330.874
	7.261.477	4.242.670

Long Term Other Receivables

As of 31 December 2021 and 31 December 2020, the details of other long-term receivables are as follows:

	31.12.2021	31.12.2020
Deposits and Guarantees Given	336.337	381.811
Other Receivables from Non-Related Parties	336.337	381.811

Other Short-Term Payables

As of 31 December 2021 and 31 December 2020, the details of other short-term payables are as follows:

	31.12.2021	31.12.2020
Other Payables From Related Parties	-	2.506.262
Other Payables From Related Parties	-	2.506.262
SSI Premium Payable (*)	2.275.157	707.863
Taxes and Funds Payable	3.176.808	853.975
Other Payables	1.922.707	3.969.245
Individual Pension System Deductions	68.298	18.161
Overdue, Deferred or Installed Taxes and Other Liabilities	82.951	-
Other Payables From Non-Related Parties	7.525.921	5.549.244
	7.525.921	8.055.506

(*) It consists of SSI (Social Security Institution) premiums payable for the period of December 2021. Total SSI premiums were paid in full on 31 January 2022 that is the legal payment date.

Long Term Other Payables

As of 31 December 2021 and 31 December 2020, the details of other long-term payables are as follows:

	31.12.2021	31.12.2020
Deposits and Guarantees Received	133.731	-
	133.731	-

9. INVENTORIES

As of 31 December 2021 and 31 December 2020, the details of inventories are as follows:

	31.12.2021	31.12.2020
Raw Materials and Supplies	23.772.973	26.840.573
Semi-Finished Goods	48.497.830	45.865.986
Finished Goods	46.849.507	40.702.744
Trade Goods	35.789.492	29.431.728
Other Inventories	-	2.676.104
	154.909.802	145.517.135

As of 31 December 2021, the total insurance amount on the inventories was TL 322,958,406 (31 December 2020: TL 197,225,758).

10. PREPAID EXPENSES AND DEFERRED INCOMES

Short Term Prepaid Expenses

As of 31 December 2021 and 31 December 2020, the details of short-term prepaid expenses are as follows:

	31.12.2021	31.12.2020
Order Advances Given to Related Parties	10.095	10.095
Prepaid Expenses of Related Parties	10.095	10.095
Order Advances (*)	9.414.814	6.648.564
Expenses for Future Months	1.311.315	1.064.870
Work Advances	125.434	98.431
Work Advances Provision for Doubtful Receivables (-)	-	-
Order Advances Provision for Doubtful Receivables (-)	-	-
Personnel Advances	3.132.571	2.080.642
Prepaid Expenses of Non-Related Parties	13.984.134	9.892.507
	13.994.229	9.902.602

Long Term Prepaid Expenses

None (31 December 2020: None).

Short Term Deferred Incomes

As of 31 December 2021 and 31 December 2020, the details of short-term deferred incomes are as follows:

	31.12.2021	31.12.2020
Order Advances Received From Related Parties	3.676.788	1.936.582
Order Advances Received From Related Parties	3.676.788	1.936.582
Order Advances Received	3.964.926	2.302.857
Other Payables to Non-Related Parties	3.964.926	2.302.857
	7.641.714	4.239.439

11. TANGIBLE FIXED ASSETS

As of 31 December 2021, the movements of property, plant and equipment are as follows:

Cost	01.01.2021	Entry	Transfer	Exit	Valuation	31.12.2021
Lands and Plots	11.025.000	-	-	-	20.005.000	31.030.000
Underground - Surface Works	12.703	-	-	-	-	12.703
Buildings	31.172.285	-	-	-	57.172.985	88.345.270
Machinery, Equipment	12.464.614	918.725	-	-	-	13.383.339
Vehicles	1.605.823	28.662	-	-	-	1.634.485
Fixtures	22.976.355	1.008.000	-	(16.150)	-	23.968.205
Other Tangible Fixed Assets	30.551.517	971.532	-	-	-	31.523.049
Investments Being Made	-	77.237	-	-	-	77.237
Closing Balance	109.808.297	3.004.156	-	(16.150)	77.177.985	189.974.288

ACCUMULATED DEPRECIATION (-)						
Underground - Surface Works	10.272	370	-	-	-	10.642
Buildings	5.831.253	972.853	-	-	-	6.804.106
Machinery, Equipment	9.130.674	616.740	-	-	-	9.747.414
Vehicles	1.425.860	36.633	-	-	-	1.462.493
Fixtures	18.077.125	795.210	-	(12.059)	-	18.860.276
Other Tangible Fixed Assets	27.122.064	772.639	-	-	-	27.894.703
Closing Balance	61.597.248	3.194.445	-	(12.059)	-	64.779.634
Tangible Fixed Assets, net	48.211.049					125.194.654

As of 31 December 2021, the total insurance amount on fixed assets was TL 795,362,826.

The appraisal values of the company's fixed assets were determined by expert valuation institutions approved by the Capital Markets Board. They were reflected in the accompanying financial statements with their revalued amounts.

As of 31 December 2020, the movements of tangible fixed assets are as follows:

Cost	01.01.2020	Entry	Transfer	Exit	Valuation	31.12.2020
Lands and Plots	11.025.000	-	-	-	-	11.025.000
Underground - Surface Works	12.703	-	-	-	-	12.703
Buildings	31.172.285	-	-	-	-	31.172.285
Machinery, Equipment	11.912.322	552.292	-	-	-	12.464.614
Vehicles	1.616.755	-	-	(10.932)	-	1.605.823
Fixtures	22.590.927	385.428	-	-	-	22.976.355
Other Tangible Fixed Assets	29.787.000	764.517	-	-	-	30.551.517
Closing Balance	108.116.992	1.702.237	-	(10.932)	-	109.808.297

ACCUMULATED DEPRECIATION (-)

Underground - Surface Works	9.901	371	-	-	-	10.272
Buildings	4.858.401	190.926	-	-	781.926	5.831.253
Machinery, Equipment	7.892.528	1.238.146	-	-	-	9.130.674
Vehicles	1.389.567	46.679	-	(10.386)	-	1.425.860
Fixtures	16.698.322	1.378.803	-	-	-	18.077.125
Other Tangible Fixed Assets	25.618.644	1.503.420	-	-	-	27.122.064
Closing Balance	56.467.363	4.358.345	-	(10.386)	781.926	61.597.248
Tangible Fixed Assets, net	51.649.629					48.211.049

As of 31 December 2020, the total insurance amount on fixed assets was TL 439,150,459.

12. INTANGIBLE FIXED ASSETS

As of 31 December 2021, the movements of intangible fixed assets were as follows:

	01.01.2021	Entry	Exit	31.12.2021
Cost				
Claims	2.046.044	77.738	-	2.123.782
Total	2.046.044	77.738	-	2.123.782
Accumulated Depreciation (-)	01.01.2021	Entry	Exit	31.12.2021
Claims	1.452.685	101.327	-	1.554.012
Total	1.452.685	101.327	-	1.554.012
Net Value	593.359			569.770

As of 31 December 2020, the movements of intangible fixed assets were as follows:

	01.01.2020	Entry	Exit	31.12.2020
Cost				
Claims	1.969.669	76.375	-	2.046.044
Total	1.969.669	76.375	-	2.046.044
Accumulated Depreciation (-)				
Claims	1.325.778	126.907	-	1.452.685
Total	1.325.778	126.907	-	1.452.685
Net Value	643.891			593.359

13. LEASING TRANSACTIONS

13.1 Financial Leasing Transactions

None. (31 December 2020 None.)

13.2 Operational Leasing Transactions

Leases Made by the Company as a Tenant	31.12.2021	31.12.2020
Vehicle Rental Expenses (*)	796.779	663.240
Store Rental Expenses (*)	41.926.413	27.559.610
Administrative Buildings and Warehouses Rental Expenses (**)	1.553.430	1.398.798
Total	44.276.622	29.621.648

(*) On 1 January 2019 or in the annual reporting periods starting after this date, pursuant to TFRS 16, leasing liabilities to be paid in the future for all leasing agreements and asset usage rights against this are included in the balance sheet. (Note:2).

(**) The term of contracts for leasing relating to administrative buildings is one year or less.

Leases Made by the Company as a Lessor

The total lease income collected and reflected in the income statement in the current period due to the operational leases undertaken by the company as a lessor is TL 4,440,302. (31 December 2020: TL 3,634,148)

14. GOVERNMENT INCENTIVES AND AIDS

a) The Company holds Inward Processing Licence documents. The Company carried out imports amounting to USD 10,568,944 as of 31 December 2021 under these licence documents. It benefited from the VAT incentive related to these purchases. (31 December 2020: USD 4,390,007).

b) Within the scope of the communiqué No. 2006/4 on Branding of

Turkish Products Abroad, Establishing the Image of Turkish Goods and Supporting Turquality, the Company obtained the right to benefit from incentives amounting to TL 68,532 during the period. (As of 31 December 2020, a right to benefit from the incentive amounting to TL 182,171 was obtained.)

c) Income tax of employees working on the minimum wage at the Düzce factory in the Organized Industrial Zone provide a 5% exemption from the payment of the SSI premiums under Law No. 5084 on Amendments to Certain Laws and the Law on Encouragement of Investments and Employment. The Company has been entitled to benefit from an additional incentive of 6% as of 1 January 2013 in accordance with the decree no.2013/4966 of the Council of Ministers. The Company was entitled to an incentive in the amount of TL 888,043 as of 31 December 2021 and registered the same as revenue. (31 December 2020: TL 789,842)

d) The amount corresponding to the five-point part of employer's share from the disability, old-age and death insurance premiums of insured employers are paid by the Treasury under subparagraph l of Article 81 of the Social Securities and General Health Insurance Law No. 5510. In this context, the five-point part of the Company's employer's share, which was recorded as revenue, was TL 3,480,667 as of 31 December 2021. (31 December 2020: 1,729,830 TL).

e) The subsidy for the employer's contribution to the minimum wage provided in order to lessen the burden of additional cost incurring as a result of the 30% increase in the minimum wage is covered by the Treasury pursuant to Article 17 of Law No.6661 on Amendment of Military Service Law and Some Other Laws. In this context, the five-point part of the Company's employer's share recognized as revenue was TL 1,093,643 as of 31 December 2021 (31 December 2020: TL 1,142,689)

15. PROVISIONS, CONTINGENT ASSETS AND PAYABLES

Provisions for Leave

Details of the unused leave (vacation) pay of the employees of the company as of 31 December 2021 and 31 December 2020 are as follows:

As of 31 December 2021, the movements of intangible fixed assets were as follows:

	31.12.2021	31.12.2020
Provision for Leave	3.766.744	3.577.862
	3.766.744	3.577.862

Movements of the provision for leave pay during the period are as follows:

	31.12.2021	31.12.2020
Beginning of Period	3.577.862	2.953.257
Increase within the Period (+)	188.882	624.605
Provisions cancelled within the Period (-)	-	-
	3.766.744	3.577.862

Provisions for Short Term Payables

The details of short-term payable provisions as of 31 December 2021 and 31 December 2020 are as follows.

	31.12.2021	31.12.2020
Provision for Legal Cases	1.653.094	1.538.940
Provision for Other Costs	179.711	76.173
	1.832.805	1.615.113

Provisions for Severance Pay

The details of the provisions for severance pay as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Provision for Severance Pay	5.322.268	5.482.097
	5.322.268	5.482.097

According to the laws of Republic of Turkey, the Company is obliged to pay severance pay and a termination indemnity to all employees, who have retired after a 25-year period of service by completing a minimum service period of one year in the Company I (at the age of 60 for men and 58 for women) or whose employment relationship has been terminated, or who have been called for military service, or have died. The indemnity payable equals an amount equal to one months' pay for each

year of service and such an amount was limited to a maximum of TL 7,117.17 as of 31 December 2021 (31 December 2020: TL 7,117.17)

The liability for severance pay and termination indemnity is not subject to any funding legally. The provision for severance pay and termination indemnity is calculated by estimating the present value of the future probable obligation of the Company arising

from the retirement of the employees.

The IAS 19 ("Employee Benefits") requires development of the company's liabilities by using actuarial valuation methods under defined benefit plans. Accordingly, the actuarial assumptions that are used in the calculation of total liabilities are as follows:

The main assumption is that the amount of the maximum liability for each year of service will increase in line with inflation. Therefore, the discount rate applied represents the expected real rate after adjusting for the future effects of inflation. Consequently, as of 31 December 2021, provisions in the attached financial statements are calculated by estimating the present

value of the future probable liability of the Company arising from the retirement of the employees.

Provisions on the balance sheet date have been calculated by using the real discount rate, which is found to be approximately 4.57% (31 December 2020: 3.50%) based on the assumptions of an annual rate of inflation of 19.39% (31 December 2020: 9.30%) and of a discount rate of 24.85% (31 December 2020: 13.13%).

The estimated rate of severance pay that will not be paid by the Company as a result of voluntary leave has also been taken into account. The severance pay ceiling is revised every six months.

	31.12.2021	31.12.2020
Beginning of Period	5.482.097	4.152.893
Service Cost	5.274.712	5.025.384
Interest Cost	192.099	84.509
Indemnities Paid	(6.392.237)	(4.134.345)
Actuarial (Gain)	765.597	353.656
	5.322.268	5.482.097

Guarantees Received and Given

Details of the mortgages, guarantees and sureties received by the Company as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Letters of Guarantee	800.000	800.000
Surety Bonds	2.370.985	2.072.025
	3.170.985	2.872.025

Details of off-balance sheet liabilities, which were not included in the liabilities, as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Letters of Guarantee		
TL	14.162.468	14.262.043
USD	3.076.549	323.386
EURO (*)	149.748.331	76.631.953
Surety Bonds		
EURO	12.109.200	12.160.665
	179.096.548	103.378.047

(*) A letter of guarantee amounting to EUR 9,498,610 (TL 143,775,710) was provided to Eximbank for the use of loan.

The statements of the Company's guarantee/pledge/mortgage position as of 31 December 2021 and 31 December 2020, are as follows:

Guarantee/Pledge/Mortgage given by the Company	31.12.2021	31.12.2020
A.Total Amount of the GPMs given on behalf of its own Legal Entity	179.096.548	103.378.047
B. Total Amount of the GPMs Given in Favour of Partnerships included in Full Consolidation	-	-
C. Total Amount of the GPMs given by Other Third Parties to Guarantee their Liability in order to carry out Ordinary Commercial Activities	-	-
D. Total Amount of Other GPMs Given	-	-
1) Total Amount of the GPMs given in favour of the Parent Company	-	-
2) Total Amount of the GPMs given in favor of Other Group Companies not included in the Items B and C	-	-
3) Total Amount of the GPMs given in favour of third Parties not included in the Item C	-	-
Total	179.096.548	103.378.047

16. BENEFITS PROVIDED TO EMPLOYEES

The details of the benefits provided to the employees as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Employee Wage Accruals	7.493.781	2.879.229
	7.493.781	2.879.229

17. BREAKDOWN OF EXPENSES

The breakdown of significant expense items by their nature as of 31 December 2021 and 31 December 2020 are as follows:

	31.12.2021	31.12.2020
Production Costs	33.307.352	21.633.438
General Administration	9.848.231	7.708.176
Marketing, Sales and Distribution	42.888.500	27.773.142
Research and Development	715.670	236.741
Payroll Expenses	86.759.753	57.351.497
Marketing, Sales and Distribution	30.810.884	20.476.396
Production Costs	1.682.581	1.540.183
General Administration	435.006	443.966
Research and Development	306	306
Depreciation Expenses Production	32.928.777	22.460.851
	119.688.530	79.812.348

18. OTHER ASSETS AND LIABILITIES

As of 31 December 2021 and 31 December 2020, the details of other current assets are as follows:

	31.12.2021	31.12.2020
Accrued Turquality Incentive Income	68.532	182.171
Other VAT	316.601	366.294
	385.133	548.465

19. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

19.1 Shareholder's Equity

As of 31 December 2021, the equity of the Company was TL 207,950,699 (31 December 2020 – TL 94,584,265) the details of which are as follows:

	31.12.2021	31.12.2020
Paid-in capital	49.221.970	49.221.970
Capital Adjustment Difference	5.500.255	5.500.255
Revaluation and Measurement Gains/Losses	94.384.117	26.853.380
Actuarial (Loss)/Gain on Employee Benefits	(3.135.033)	(2.560.835)
Restricted Reserves Allocated from Profit	1.207.513	1.035.614
Previous Period Profit/Loss	14.420.002	12.886.947
Net Profit/Loss for the Period	46.351.875	1.646.934
	207.950.699	94.584.265

19.2 Paid-in Capital

The Company switched to the registered capital system in 2007, and the registered capital ceiling amounts to TL 150,000,000. The current registered capital ceiling of TL 150,000,000, which is in the Company's registered capital system, was registered on 13 April 2021 and was increased to TL 200,000,000.TL)

The Company's paid-in capital amounts to TL 49,221,970 (31 December 2020: TL 49,221,970), and it was divided to 4,922,196,986 (31 December 2020: 4,922,196,986) shares, each of which with Kr 1 nominal value. 4 (four) members of the Board of Directors and auditors are elected amongst the candidates

to be nominated by Group (A) shareholders. In the Annual and Extraordinary General Meetings, Group (A) shareholders hold 15 voting rights for each one share, while other shareholders have one voting right for each one share. There are no shares which carry financial preference.

The statements of the Company's guarantee/pledge/mortgage position as of 31 December 2021 and 31 December 2020, are as follows:

Name Surname/Title	31.12.2021		31.12.2020	
	Share Ratio	Number of Shares	Share Ratio	Number of Shares
Çelet Holding A.Ş.	54,28%	26.717.682	54,28%	26.717.682
Melih Çelet	10,00%	4.922.197	10,00%	4.922.197
Free Float (*)	34,92%	17.188.312	34,92%	17.188.312
Other	0,80%	393.779	0,80%	393.779
TOTAL	100%	49.221.970	100%	49.221.970

(*) As of 31.12.2021, 8.39% of the shares amounting to TL 4,129,566 in the publicly traded portion belonged to Çelet Holding A.Ş., and 8.5197% of the shares amounting to TL 4,193,569 belonged to Mr. Melih Çelet.

(*) As of 31.12.2020, 8.39% of the shares amounting to TL 4,129,566 in the publicly traded portion belonged to Çelet Holding A.Ş., and 8.44% of the shares amounting to TL 4,153,569 belonged to Mr. Melih Çelet.

19.3 Capital Adjustment Difference

As of 31.12.2021, the capital inflation adjustment difference stood at TL 5,500,255. (31 December 2020: 5.500.255 TL)

excess. As of 31 December 2021, the 'fixed assets' of the Company had been valued at their appraisal values in accordance with the valuation report prepared by TSKB Gayrimenkul Değerleme A.Ş., approved by the Capital Markets Board.

19.4 Revaluation and Measurement Gains/Losses

The revaluation funds consist of the excess of the indexed value of tangible fixed assets and the deferred tax calculated on this

As of 31 December 2021, the tangible fixed asset value increase fund amounting to TL 94,384,117 resulted from the revaluation of factory and office buildings in 2012, 2017 and 2021, and the details of which are as follows. (Note 11)

	Total Increase in Value	Deferred Tax Effect	Value Increase Fund (Net)
Factory Land	20.005.000	(2.500.625)	17.504.375
Factory and Office Building	57.172.985	(7.146.623)	50.026.362
Accumulated Depreciation Effect as of 01 January 2021	-	-	-
Period Depreciation Effect as of 31 December 2021	-	-	-
TOTAL	77.177.985	(9.647.248)	67.530.737
01.01.2021 Opening			26.853.380
31 December 2021 Net			94.384.117

	Total Value Increase	Deferred Tax Effect	Value Increase Fund (Net)
Factory Land	-	-	-
Factory and Office Building	-	-	-
Accumulated Depreciation Effect as of 01 January 2021	-	-	-
Period Depreciation Effect as of 31 December 2021	(781.926)	86.012	(695.914)
TOTAL	(781.926)	86.012	(695.914)
01.01.2020 Opening			27.549.294
31 December 2020 Net			26.853.380

19.5 Actuarial (Loss)/Gain relating to Employee Benefits

	31.12.2021	31.12.2020
Opening Balance (Net)	(2.560.835)	(2.284.983)
Current Period Defined Benefit Plans	-	-
Remeasurement Losses (Net)	(574.198)	(275.852)
Current Period Actuarial Difference	(765.597)	(353.656)
Deferred Tax of Current Period Actuarial Difference	191.399	77.804
	(3.135.033)	(2.560.835)

19.6 Restricted Reserves Allocated from Profit

	31.12.2021	31.12.2020
First Order Legal Reserves	1.207.513	1.035.614
	1.207.513	1.035.614

19.7 Previous Year Profit/Loss

	31.12.2021	31.12.2020
Accumulated Profit / Loss Opening	12.886.947	(5.463.098)
Transfer from Previous Period Net Profit/Loss	1.475.035	18.168.077
Increase (Decrease) Due to Other Changes	58.020	181.968
	14.420.002	12.886.947

20. COST OF REVENUE AND SALES

As of 31 December 2021 and 31 December 2020, the details of sales were as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Domestic sales	497.298.809	282.521.527
Exports	158.721.209	95.284.285
Other sales	684.925	391.980
	656.704.943	378.197.792
Returns from Sales	(22.088.354)	(15.419.600)
Sales Discounts	(201.134.153)	(128.700.175)
Discounts	(1.077.136)	(666.345)
Sales Revenues, (net)	432.405.300	233.411.672
Cost of Sales (-)	240.677.306	117.551.012
Gross Profit / (Loss)	191.727.994	115.860.660

As of 31 December 2021 and 31 December 2020, details of the cost of sales were as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Raw Materials and Supplies	88.756.164	29.583.852
Personnel expenses	33.307.352	21.633.438
General production expenses	23.002.583	14.581.624
Change in inventories of semi-finished products	(356.160)	(2.114.984)
Change in product inventories	(4.853.346)	9.480.209
Cost of products sold	139.856.593	73.164.139
Cost of merchandise sold	81.929.103	40.875.106
Cost of service sold	829.295	603.264
Cost of other sales	18.062.315	2.908.503
Cost of sales	240.677.306	117.551.012

21. GENERAL ADMINISTRATION EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	01.01.- 31.12.2021	01.01.- 31.12.2020
General administration expenses	15.894.109	12.651.561
Marketing, Sales and Distribution Expenses	103.027.063	66.771.297
Research and Development Expenses	2.086.778	1.363.212
Operating expenses	121.007.950	80.786.070

21.1 GENERAL ADMINISTRATION EXPENSES (-)

The details of general administration expenses for the periods 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Personnel Expenses	9.848.231	7.708.176
Consultancy Expenses	1.548.452	1.261.822
Rental Expenses	1.388.735	1.237.401
Other	1.165.757	852.578
Depreciation Expenses	435.006	443.966
Utility and Fuel Oil Expenses	384.325	260.469
Insurance, Repair & Maintenance Expenses	368.171	275.921
Travel and Transport Expenses	366.445	244.776
Communication Expenses	163.691	200.962
Donation and Aid	132.000	-
Tax Duties and Fees Expenses	93.296	165.490
	15.894.109	12.651.561

21.2 MARKETING, SALES AND DISTRIBUTION EXPENSES (-)

The details of marketing, sales and distribution expenses for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Personnel Expenses	42.888.500	27.773.142
Depreciation Expenses	30.810.884	20.476.394
Commercial and Advertisement Expenses	10.744.877	6.206.561
Other	5.524.419	3.731.022
Bank Commission Expenses	5.070.479	2.733.551
Shipping Expenses	3.521.927	2.559.492
Utility and Fuel Oil Expenses	2.791.829	2.128.667
Product, Repair and Export Customs Expenses	831.267	453.535
Insurance Expenses	365.402	372.394
Repair & Maintenance Expenses	477.479	336.539
	103.027.063	66.771.297

21.3 RESEARCH AND DEVELOPMENT EXPENSES (-)

The details of research and development expenses for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Design and Modeling Expenses	1.196.746	1.010.981
Personnel Expenses	715.670	236.741
Travel Expenses	92.070	53.265
Representation and Hospitality Expenses	51.433	25.626
Other	30.553	36.293
Depreciation Expenses	306	306
	2.086.778	1.363.212

22. OTHER INCOME AND EXPENSES FROM MAIN ACTIVITIES

22.1 Other Income from Main Operations

The details of other income from main operations for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Exchange Profits	19.025.131	7.043.678
Financing Incomes Due to Forward Sales	8.668.742	4.564.075
Cargo - Logistics Service Revenues	6.029.488	3.339.641
Subsidy (SSI and Withholding)	5.462.353	3.662.361
Rental Expenses	4.440.302	3.634.148
Impairment of Trade Payables	3.509.387	2.995.453
Other	1.993.850	642.310
Income from Damage Indemnity	1.872.881	565.422
Subsidy (Turquality and ITKIB)	542.769	405.957
Other Provisions That are Not Required	493.219	301.119
Provisions for Legal Cases That are Not Required	132.681	348.657
	52.170.803	27.502.821

22.2 Other Incomes from Main Operations (-)

The details of other expenses from main operations for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Exchange Rate Losses	32.660.403	11.554.126
Financial Expenses Incurred Due to Forward Purchases	16.719.692	16.224.756
Impairment of Trade Receivables	3.497.501	1.710.864
Insurance Claims Expenses	1.381.814	-
Provision Expenses	1.060.116	902.535
Tax Base Increase Under the Law No. 7326	251.809	-
Other	49.315	23.956
	55.620.650	30.416.237

23. INCOME AND EXPENSES DUE TO INVESTING ACTIVITIES

23.1 Income From Investment Activities

Details of income from investment activities for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Valuation Difference of Real Estate which is for Sale (*)	3.437.723	-
Dividend Income (*)	2.797.200	-
Fixed Asset Sales Revenue	2.699	24.752
	6.237.622	24.752

(*) As of 31 December 2021, the Company's fixed assets held for sale were valued at their appraisal values according to the valuation report prepared by TSKB Gayrimenkul Değerleme A.Ş. approved by the Capital Markets Board.

(**) In the Samsonite Seyahat Ürünleri San. ve Tic. A.Ş.'s Annual General Meeting in 2020, the decision was taken to distribute the distributable profit amounting to TL 7,000,000 from the accumulated profit, after deducting the stamp tax at the shareholders at the ratio of their shareholdings. The said payment was made to the Company as TL 2,797,200 based on the 40% shareholding ratio.

23.2 Expenses due to Investment Activities (-)

None.(31.12.2020: None)

24.FINANCING EXPENSES AND INCOME

24.1 Financing Expenses (-)

The details of financing expenses for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Foreign Exchange Expenses	63.718.917	22.495.477
Interest on Rental Transactions	13.540.685	10.048.388
Loan Interest Expense	6.658.773	4.994.575
Bank Commission on Letters of Guarantee	777.628	388.056
Other Financing Expenses	682.749	439.375
Credit Card Commission	600.270	358.713
	85.979.022	38.724.584

24.2 Financing Income

The details of financing income for the periods of 31 December 2021 and 31 December 2020 are as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Income from Exchange Rate Differences	55.605.117	9.552.993
Interest Income	1.434.869	1.942.412
	57.039.986	11.495.405

25. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

	01.01.- 31.12.2021	01.01.- 31.12.2020
Fixed Assets held for Sale (*)	6.210.000	2.772.277
	6.210.000	2.772.277

(*)The appraisal values of the Company's fixed assets held for sale were determined by expert appraisers approved by the Capital Markets Board. They were reflected in the accompanying financial statements at their revalued amounts.

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

Current Tax Liability	31.12.2021	31.12.2020
Provision for Current Corporate Tax (-)	(6.561.288)	(1.166.500)
Taxes and Funds Prepaid within the Period	2.375.472	572.394
Net Tax Asset/(Liability) of Current Period	(4.185.816)	(594.106)
	01.01.- 31.12.2021	01.01.- 31.12.2020
Current Tax Expense/Income	(6.561.288)	(1.166.500)
Deferred Tax Expense/Income	(467.073)	29.225
Total Tax Income / (Expense)	(7.028.361)	(1.137.275)

The company is subject to the corporate tax in effect in Turkey. Necessary provisions were allocated in the accompanying financial statements for the estimated tax liabilities of the company regarding the operating results in the current period.

The corporate tax rate to be accrued on taxable corporate income is calculated on the remaining tax base with the addition of non-deductible expenses from the tax base, which are written as expense in the determination of commercial income, and after

deduction of tax-exempt gains, non-taxable income and other deductions such as investment discounts used in previous years' losses and the R&D center deduction, if any.

The corporate tax rate applicable in Turkey is 25%. (2020: 22%). In Turkey, advance tax is calculated and accrued on a quarterly basis. Advance tax at a rate of 25% over the corporate income has been calculated at the stage of taxing the corporate incomes for 2021 as of advance tax periods. (2020: 22%)

The deferred tax movement table is as follows:

	01.01.- 31.12.2021	01.01.- 31.12.2020
Opening Balance as of 1st January	(321.111)	(514.152)
Deferred Tax Income / (Expense)	(467.073)	29.225
Actuarial (Gain) / Loss	191.399	77.804
Deferred tax of Tangible Fixed Asset value increase fund	(9.647.248)	86.012
End of Period	(10.244.033)	(321.111)

	31.12.2021		31.12.2020	
	Total Temporary Differences	Deferred Tax Asset / Liability	Total Temporary Differences	Deferred Tax Asset / Liability
Impairment of Trade Receivables	1.034.208	258.552	273.267	60.119
Expense Accruals	2.482.726	565.610	2.516.944	553.728
Provision for Doubtful Receivables	136.240	29.973	136.240	29.973
Currency Valuation Differences	1.424.300	355.986	2.950	649
Provision for Leaves	3.766.744	834.351	3.577.862	787.130
Provision for Severance Pay and Termination Indemnity	9.774.982	2.220.870	7.429.218	1.634.428
Provisions for Liabilities/Expenses	752.451	173.716	479.917	105.582
Impairment of Financial Investments	3.107.074	170.889	3.107.074	170.889
Operating Lease Transactions	29.645.063	7.411.266	17.985.982	3.956.916
Legal Case Provisions	1.653.094	367.106	1.538.940	338.567
Deferred Tax Asset	53.776.882	12.388.319	37.048.394	7.637.981
Impairment of Trade Payables	(3.236.121)	(743.330)	(2.463.294)	(541.925)
Operating Lease Transactions	(31.562.849)	(7.819.301)	(20.366.324)	(4.480.591)
Fixed Asset Depreciations	118.063	31.066	(51.659)	(11.365)
Fixed Asset Value Increases	(97.609.813)	(11.894.749)	(20.431.828)	(2.247.501)
Financial Investments Value Increases	(17.034.873)	(1.003.004)	(8.223.420)	(452.288)
Income Accruals	(1.414.102)	(322.937)	(1.019.651)	(224.323)
Valuation Difference of Real Estate for Sale	(3.437.723)	(859.431)	-	-
Other	(83.264)	(20.666)	(4.995)	(1.099)
Deferred Tax Liability	(154.260.682)	(22.632.352)	(52.561.171)	(7.959.092)
Deferred Tax Asset (Net)		(10.244.033)		(321.111)

27. EARNINGS PER SHARE

The Earnings per share disclosed in the income statement have been calculated by dividing the net profit of the current period by the weighted average number of shares that have been outstanding during the respective period. Companies in Turkey may increase their capital through the distribution of "bonus shares" to their existing shareholders from accumulated earnings and revaluation funds. Such "bonus share" distributions are considered as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in such calculations

has been determined by calculating retrospective effects of share distributions.

Calculations of earnings per share have been carried out by dividing net profit by the weighted average number of shares outstanding. There are no shares containing financial preference. Accordingly, the earnings/loss per share on the basis of shares is as follows.

	01.01.- 31.12.2021	01.01.- 31.12.2020
Net Profit / (Loss) for the Period	46.351.875	1.646.934
Weighted average number of shares in circulation (corresponding to shares with a nominal value of 1 kuruş)	4.922.197.000	4.922.197.000
Profit / (loss) per share with a nominal value of 1 kuruş	0,0094	0,00033

28. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The main risks arising from financial instruments are credit risk, liquidity risk and market risk as well as interest rate and exchange risk.

Credit Risk: Credit risk consists of deposits kept in banks and the customers, who are exposed to credit risk including outstanding

receivables and guaranteed transactions. Risk control evaluates credit quality of the customer considering the financial position and past experiences of the customer and other factors. The Company management responds to such risks by limiting average risk for the counterparty in each agreement and obtaining guarantee, when necessary. The management is not expecting any loss due to nonperformance of the parties.



As of 31 December 2021 and 31 December 2020, the credit risks, to which the Company is exposed by financial instrument types, were as follows:

31.12.2021	Trade Receivables		Other Receivables		Cash and Cash equivalents		
	Related party	Other party	Related party	Other party	Deposits in Banks	Repo and Funds	Other
Maximum credit risk incurred as of reporting date (A+B+C+D+E)	77.822.303	11.451.207	6.709.879	887.935	146.565.464	-	234.731
The portion of the maximum risk secured by security, etc.	-	-	-	-	-	-	-
A. Net carrying value of financial assets undue or not impaired	77.822.303	11.451.207	6.709.879	887.935	146.565.464	-	234.731
B. Carrying value of financial assets, the conditions of which have been re-discussed, or otherwise which would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of overdue	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-	-
Overdue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	266.031	-	-	-	-	-
Guaranteed part of net value through security etc.	-	(266.031)	-	-	-	-	-
Undue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Guaranteed part of net value through security etc.	-	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-	-

31.12.2020	Trade Receivables		Other Receivables		Cash and Cash equivalents		
	Related party	Other party	Related party	Other party	Deposits in Banks	Repo and Funds	Other
Maximum credit risk incurred as of reporting date (A+B+C+D+E)	20.163.497	5.830.422	3.911.796	712.685	61.357.693	-	238.472
The portion of the maximum risk secured by security, etc.	20.163.497	5.830.422	3.911.796	712.685	61.357.693	-	238.472
A. Net carrying value of financial assets undue or not impaired	-	-	-	-	-	-	-
B. Carrying value of financial assets, the conditions of which have been re-discussed, or otherwise which would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of overdue but not impaired assets	-	-	-	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-	-	-	-
Overdue (gross carrying value)	-	266.031	-	-	-	-	-
Impairment (-)	-	(266.031)	-	-	-	-	-
Guaranteed part of net value through security etc.	-	-	-	-	-	-	-
Undue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Guaranteed part of net value through security etc.	-	-	-	-	-	-	-

Liquidity risk: This refers to the risk that a company will not be able to meet its funding needs. Liquidity risk is reduced by balancing cash inflows and outflows with the support of loans given by reliable credit institutions. The breakdown of financial assets and

liabilities according to their maturities is shown by considering the period from the balance sheet date to the due date.

As of 31 December 2021 and 31 December 2020, the table showing the liquidity risk arising from the Company's financial assets and liabilities was as follows:

31.12.2021

Maturities as per Agreement	Carrying Value	Total cash outflows as per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities	372.233.395	375.469.516	31.699.716	205.341.342	138.428.458	-
Financial Payables	211.082.433	211.082.433	3.823.617	68.830.358	138.428.458	-
Trade Payables	153.491.310	156.727.431	20.216.447	136.510.984		-
Other Payables	7.659.652	7.659.652	7.659.652	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-

31.12.2020

Maturities as per Agreement	Carrying Value	Total cash outflows as per agreement (=I+II+III+IV)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)	More than 5 years (IV)
Non-Derivative Financial Liabilities	232.363.122	234.826.416	40.915.674	105.251.168	88.659.574	-
Financial Payables	155.478.796	155.478.796	23.457.588	43.361.634	88.659.574	-
Trade Payables	68.828.820	71.292.114	9.402.580	61.889.534	-	-
Other Payables	8.055.506	8.055.506	8.055.506	-	-	-
Derivative Financial Liabilities	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-

Exchange Rate Risk: The effects resulting from exchange rate movements, in case of having assets, liabilities and off-balance sheet liabilities in foreign currency, are referred to as exchange rate risk.

As of 31 December 2021 and 31 December 2020, the Company's foreign currency position in original currency was as follows:

31 Aralık 2021

	Functional Currency, Equivalent in TL	USD	EURO	CHF	JPY	GBP	BGN	CNY
1. Trade Receivables	75.885.656	42.989	4.778.185	26	-	182.481	-	-
2a. Monetary Financial Assets (including Cash and Bank Accounts)	141.686.294	3.870.528	5.811.311	1.998	22	138.563	427	8
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	217.571.950	3.913.517	10.589.496	2.024	22	321.044	427	8
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	217.571.950	3.913.517	10.589.496	2.024	22	321.044	427	8
10. Trade Payables	69.116.515	536.825	4.040.706	-	2.650	42.850	-	-
11. Financial Liabilities	43.691.087	-	2.886.472	-	-	-	-	-
12a. Other Monetary liabilities	16.729.791	311.011	165.663	-	-	556.357	-	-
12b. Other Non-Monetary liabilities	-	-	-	-	-	-	-	-
13. Derivative Financial Instruments	-	-	-	-	-	-	-	-
14. Short term liabilities (10+11+12)	129.537.393	847.836	7.092.841	-	2.650	599.207	-	-
15. Trade Payables	-	-	-	-	-	-	-	-
16. Financial Liabilities	117.197.833	-	7.742.730	-	-	-	-	-
17a. Other Monetary liabilities	-	-	-	-	-	-	-	-
17b. Other Non-Monetary liabilities	133.731	10.000	-	-	-	-	-	-
18. Long term liabilities (14+15+16)	117.331.564	10.000	7.742.730	-	-	-	-	-
19. Total liabilities	246.868.957	857.836	14.835.571	-	2.650	599.207	-	-
20. Net asset / liability position of off-balance sheet derivatives (19a- 19b)	-	-	-	-	-	-	-	-
20a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-
20b. Hedged total liability amount	-	-	-	-	-	-	-	-
21. Net asset/liability position in Foreign Currency (9-18+19)	(29.297.007)	3.055.681	(4.246.075)	2.024	(2.628)	(278.163)	427	8
22. Parasal Kalemler Net yabancı para varlık/yükümlülük pozisyonu (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(29.297.007)	3.055.681	(4.246.075)	2.024	(2.628)	(278.163)	427	8
23. Import*	140.592.823	559.750	9.066.053	10.255	-	4.202	-	-
24. Export*	206.313.611	199.881	13.364.738	-	-	429.414	-	-

(*) The Turkish Lira equivalents of the relevant export and import amounts are expressed at the CBRT's foreign exchange buying rate as of 31 December 2021.

31 Aralık 2020	Functional Currency, Equivalent in TL	USD	EURO	CHF	JPY	GBP	BGN	CNY
1. Trade Receivables	25.081.994	62.355	2.644.599	26	-	80.631	-	-
2a. Monetary Financial Assets (including Cash and Bank Accounts)	54.807.974	2.796.612	3.796.466	1.813	22	6.458	439	8
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	79.889.968	2.858.967	6.441.065	1.839	22	87.089	439	8
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Fixed Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	79.889.968	2.858.967	6.441.065	1.839	22	87.089	439	8
10. Trade Payables	14.967.797	404.161	1.251.727	681	2.650	72.386	-	-
11. Financial Liabilities	26.562.512	-	2.948.802	-	-	-	-	-
12a. Monetary other liabilities	8.282.664	212.029	188.899	-	-	505.308	-	-
12b. Parasal olmayan diğer yükümlülükler	-	-	-	-	-	-	-	-
13. Derivative Financial Instruments	-	-	-	-	-	-	-	-
14. Short term liabilities (10+11+12)	49.812.973	616.190	4.389.428	681	2.650	577.694	-	-
15. Trade Payables	-	-	-	-	-	-	-	-
16. Financial Liabilities	75.368.559	-	8.366.940	-	-	-	-	-
17a. Other Monetary liabilities	-	-	-	-	-	-	-	-
17b. Other Non-Monetary liabilities	-	-	-	-	-	-	-	-
18. Long term liabilities (14+15+16)	75.368.559	-	8.366.940	-	-	-	-	-
19. Total liabilities	125.181.532	616.190	12.756.368	681	2.650	577.694	-	-
20. Net asset / liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-	-	-
20a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-
20b. Hedged total liability amount	-	-	-	-	-	-	-	-
21. Net asset/liability position in Foreign Currency (9-18+19)	(45.291.564)	2.242.777	(6.315.303)	1.158	(2.628)	(490.605)	439	8
22. Monetary Items Net asset / liability position in Foreign Currency	(45.291.564)	2.242.777	(6.315.303)	1.158	2.628	490.605	439	8
23. Import*	38.059.847	377.104	3.883.712	22.243	-	12.406	-	-
24. Export*	109.119.639	339.863	10.664.459	-	-	1.062.018	-	-

(*) İlgili ihracat ve ithalat tutarlarının Türk Lirası karşılıkları 31 Aralık 2020 TCMB döviz alış kurundan ifade edilmiştir.

Currency Risk Sensitivity Analysis

As of 31 December 2021, if the value of the TL changes by 20% against the following foreign currencies, the income statement will

be affected as follows. During the analysis, it is assumed that all other variables, especially interest rates, remain constant.

The exchange rate sensitivity analysis table, as of 31 December 2021 and 31 December 2020, is presented below:

Exchange Rate Sensitivity Analysis Table as of 31 December 2021

	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If the value of the US Dollar changes by 20% against the TL;	of Foreign			
1- Net asset/liability in USD	Currency	(8.130.989)	8.130.989	(8.130.989)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	8.130.989	(8.130.989)	8.130.989	(8.130.989)
If the value of the Euro changes by 20% against the TL;	-	-	-	-
4- Net asset/liability in Euro	(12.982.064)	12.982.064	(12.982.064)	12.982.064
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	(12.982.064)	12.982.064	(12.982.064)	12.982.064
If the value of the GBP changes by 20% against the TL;				
7- Net asset/liability in GBP	(1.014.808)	1.014.808	(1.014.808)	1.014.808
8- Portion protected from GBP risk (-)	-	-	-	-
9- GBP Net Effect (7+8)	(1.014.808)	1.014.808	(1.014.808)	1.014.808
If the value of the Bulgarian Lev changes by 20% against the TL;				
10- Net asset/liability in Bulgarian Lev	655	(655)	655	(655)
11- Portion protected from Bulgarian Lev risk (-)	-	-	-	-
12- Bulgarian Lev Net Effect (10+11)	655	(655)	655	(655)
If the value of the Chinese Yuan changes by 20% against the TL;				
13- Net asset/liability in	3	(3)	3	(3)
14- Portion protected from Chinese Yuan risk (-)	-	-	-	-
15- Chinese Yuan Net Effect (13+14)	3	(3)	3	(3)
If the value of the Swiss Franc changes by 20% against the TL;				
16- Net asset/liability in Swiss Franc	5.885	(5.885)	5.885	(5.885)
17- Portion protected from Swiss Franc risk (-)	-	-	-	-
18- Swiss Franc Net Effect (16+17)	5.885	(5.885)	5.885	(5.885)
If the value of the Japanese Yen changes by 20% against the TL;				
19- Net asset/liability in Japanese Yen	(61)	61	(61)	61
20- Portion protected from Japanese Yen risk (-)				
21- Japanese Yen Net Effect (19+20)	(61)	61	(61)	61
TOTAL (3+6+9+12+15+18+21)	(5.859.401)	5.859.401	(5.859.401)	5.859.401

The exchange rate sensitivity analysis table, as of 31 December 2021 and 31 December 2020, is presented below:

Exchange Rate Sensitivity Analysis Table as of 31 December 2020

	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If the value of the US Dollar changes by 20% against the TL;				
1- Net asset/liability in USD	3.292.621	(3.292.621)	3.292.621	(3.292.621)
2- Portion protected from USD risk (-)	-	-	-	-
3- USD Net Effect (1+2)	3.292.621	(3.292.621)	3.292.621	(3.292.621)
If the value of the Euro changes by 20% against the TL;				
4- Net asset/liability in Euro	(11.377.524)	11.377.524	(11.377.524)	11.377.524
5- Portion protected from Euro risk (-)	-	-	-	-
6- Euro Net Effect (4+5)	(11.377.524)	11.377.524	(11.377.524)	11.377.524
If the value of the GBP changes by 20% against the TL;				
7- Net asset/liability in GBP	(975.696)	975.696	(975.696)	975.696
8- Portion protected from GBP risk (-)	-	-	-	-
9- GBP Net Effect (7+8)	(975.696)	975.696	(975.696)	975.696
If the value of the Bulgarian Lev changes by 20% against the TL;				
10- Net asset/liability in Bulgarian Lev	402	(402)	402	(402)
11- Portion protected from Bulgarian Lev risk (-)	-	-	-	-
12- Bulgarian Lev Net Effect (10+11)	402	(402)	402	(402)
If the value of the Chinese Yuan changes by 20% against the TL;				
13- Net asset/liability in	2	(2)	2	(2)
14- Portion protected from Chinese Yuan risk (-)	-	-	-	-
15- Chinese Yuan Net Effect (13+14)	2	(2)	2	(2)
If the value of the Swiss Franc changes by 20% against the TL;				
16- Net asset/liability in Swiss Franc	1.919	(1.919)	1.919	(1.919)
17- Portion protected from Swiss Franc risk (-)	-	-	-	-
18- Swiss Franc Net Effect (16+17)	1.919	(1.919)	1.919	(1.919)
If the Japanese Yen changes 20% against TL;				
19- Net asset/liability in Japanese Yen	(37)	37	(37)	37
20- Portion protected from Japanese Yen risk (-)				
21- Japanese Yen Net Effect (19+20)	(37)	37	(37)	37
TOTAL (3+6+9+12+15+18+21)	(9.058.313)	9.058.313	(9.058.313)	9.058.313

Price Risk: To prevent exposure to price risk, the company performs sales, cost and profitability analyses and takes the price risk under control by taking into account the changing market conditions.

fluctuations to the prices of financial instruments, requiring the Company to cope with interest rate risk. The Company's sensitivity to interest rate risk is related to the mismatch in maturity of asset and liability accounts. This risk is managed by covering the assets affected by interest rate changes with liabilities of the same type.

Interest Rate Risk: Changes in market interest rates cause

Fixed Rate Financial Instruments		31.12.2021	31.12.2020
Financial Liabilities	Bank Loans	56.133.730	53.390.433
Financial Liabilities	Credit Cards	36.223	21.500
Banks	Time Deposits	132.912.641	57.396.911
Variable Rate Financial Instruments			
Financial Liabilities	Bank Loans	107.704.607	76.099.726

Capital risk management

The primary purpose of the Company's capital management is to ensure the continuity of its strong credit rating and healthy capital ratios in order to maximize share prices and support its businesses. The company manages its capital structure and performs adjustments in the light of changes in economic conditions.

The company monitors capital by using the liability/total capital ratio. This ratio is found by dividing net liability by total capital. Net liability is calculated by deducting cash and cash equivalents from the total liability amount. Total capital is calculated as equity plus net liability as shown in the statement of financial status.

As of 31 December 2021 and 31 December 2020, the consolidated net liability /equity ratios were as follows:

	31.12.2021	31.12.2020
Total liabilities	427.484.347	259.282.454
Minus: Available values	(147.111.619)	(61.657.966)
Net liability	280.372.728	197.624.488
Total equity	207.950.699	94.584.265
Equity + Net liability	488.323.427	292.208.753
Net liability/ (Equity + Net liability)	%57	%68

29. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE FRAMEWORK OF ACCOUNTING OF HEDGING AGAINST FINANCIAL RISK)

Fair value refers to the price of a financial instrument that is traded between willing parties in a current transaction, except in cases such as forced sales or liquidation. The quoted market price, if any, is the value that best reflects the fair value of a financial instrument. The fair values of the Company's financial instruments have been estimated to the extent that relevant and reliable information can be obtained from the financial markets in Turkey. The estimates presented here may not reflect the amounts that the Company could acquire in a market transaction. The following methods and assumptions are used in estimating

the fair values of the Company's financial instruments:

The following methods and assumptions are used to estimate the fair values of financial instruments whose fair values can be practically calculated:

Financial Assets

Monetary assets, whose fair value approximates the carrying value:

- Foreign currency balances are converted at the exchange rate at the end of the period.
- It is assumed that the fair values of some financial assets (cash, bank) shown at cost in the financial status table are

approximate to their carrying values.

-The fair value of trade receivables is estimated to be close to their carrying value after provisions have been set.

-Ticari alacakların makul değerinin, karşılıklar ayrıldıktan sonra, taşındıkları değere yakın olduğu tahmin edilmektedir.

Financial Liabilities

Monetary liabilities, whose fair value approximates the carrying value:

-The fair values of short-term loans and other monetary liabilities are assumed to approximate their carrying values due to their short-term nature.

- It is assumed that the fair value of long-term liabilities denominated in foreign currency and converted at the end of period exchange rate is equal to their carrying value.

- It is assumed that the carrying values of trade payables and accrued expenses, which represent estimated amounts to be paid to third parties, approximates their market value.

Fair value measurements hierarchy table

The Company classifies the fair value measurements of financial instruments reflected at fair value in the financial statements according to the source of the inputs of each financial instrument class, using a three-level hierarchy, as follows.

First level: Financial assets and liabilities are valued at stock exchange prices traded in active markets for identical assets and liabilities.

Second level: Financial assets and liabilities are valued from the inputs used to find the directly or indirectly observable market price of the related asset or liability other than the market price specified in the first level.

Third level: Financial assets and liabilities are valued from inputs that are not based on market observable data used to determine the fair value of the asset or liability.

As of 31 December 2021 and 31 December 2020, the assets and liabilities of the Company, measured at fair value, were as follows:

31 Aralık 2021				
Assets	Level 1	Level 2	Level 3	Total
Financial Investments	-	-	26.299.065	26.299.065
Total Assets	-	-	26.299.065	26.299.065
Liabilities	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging	-	-	-	-
Total Liabilities	-	-	-	-

31 Aralık 2020				
Assets	Level 1	Level 2	Level 3	Total
Financial Investments	-	-	17.487.612	17.487.612
Total Assets	-	-	17.487.612	17.487.612
Liabilities	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging	-	-	-	-
Total Liabilities	-	-	-	-

30. OTHER ISSUES SIGNIFICANTLY AFFECTING THE FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None. (31 December 2020: None.)

31. FEES FOR THE SERVICES RECEIVED FROM INDEPENDENT AUDITING ORGANIZATION

The explanation regarding the fees for the services rendered by the independent auditing organization, which the Company has prepared pursuant to the KGK's Board Decision published in the

Official Gazette on 30 March 2021, and the preparation principles of which are based on the KGK's letter dated 19 August 2021, is given below.

The independent audit fee for the reporting period is TL 94,500. (31 December 2020: TL 94,500.)

No service other than auditing was received from the independent audit organization.

32. EVENTS AFTER THE REPORTING PERIOD

None.

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Merkez - Düzce
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DESA Communication Line

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www.desa.com.tr - desa@desa.com.tr



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DESA Migros
DESA Deepo
DESA Terracity
DESA Land Of Legends
DESA Antalya Havalimanı

AYDIN

DESA Soke
DESA Kuşadası

AFYON

DESA İkbal

BİLECİK

DESA Bozuyuk

BURSA

DESA Korupark

DENİZLİ

DESA Forum

EDİRNE

DESA Edirne Erasta

ESKİŞEHİR

ESPARK

GAZİANTEP

DESA Sankopark

İSTANBUL

DESA Beyoğlu
DESA Capitol

DESA Nişantaşı Abdiipekci

DESA Suadiye
DESA Fabrika
DESA Carousel
DESA Palladium
DESA İstinyepark
DESA Viaport
DESA Atakoy Konakları
DESA Göztepe
DESA Cevahir
DESA Akbati
DESA Akasya
DESA Mall Of
DESA Perlavista
DESA Marmarapark
DESA Aquaflyorya
DESA Vadi İstanbul
DESA Akmerkez
DESA Maltepe Piazza

İZMİR

DESA Mavibahçe
DESA Agora
DESA Forum
DESA Novada
DESA Bornova
DESA Optimum
DESA İzmir İstinyepark

MERSİN

DESA Forum

MUĞLA

DESA Midtown Bodrum

SAMSUN

DESA Piazza

TEKİRDAĞ

DESA Avantaj
DESA Orion

Franchise

Desa Go Alanya

DESA SAMSONİTE

Adana, Optimum Samsonite
Ankara, Ankamall Samsonite
Ankara, Kentpark Samsonite

Ankara, Esenboğa Samsonite
Ankara, 365 Ankara Samsonite
Antalya, Havalimanı Samsonite
Antalya, 2DışHatlar
Havalimanı Samsonite
Antalya, Terra City Samsonite
Antalya, Migros Samsonite
Antalya, Markaantalya Samsonite
Antalya, Deepo Samsonite
Antalya, Havalimanı Samsonite
Gaziantep, Sankopark Samsonite
Gaziantep, Primemall Kiosk
İstanbul, Göztepe samsonite
İstanbul, City's Samsonite
İstanbul, Palladium Samsonite
İstanbul, İstinyepark Samsonite
İstanbul, Ataköy Samsonite
İstanbul, Marmarapark Samsonite
İstanbul, Aqua Florya Samsonite
İstanbul, Akbatı Samsonite
İstanbul, Optimum Samsonite
İstanbul, İGA samsonite
İstanbul, venezia samsonite
İstanbul, Forum Samsonite
İstanbul, Akmerkez Samsonite
İstanbul, Vadi İstanbul Samsonite
İstanbul, Capacity Samsonite
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İzmir, Hiltown Samsonite
Muğla, Midtown Samsonite
Muğla, Fethiye Erasta Samsonite

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İstanbul, Cevahir
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İHL ZONE-9
İHL ZONE-1
İHL Pier-5
İHL ZONE-6
İstanbul, Viaport
İstanbul, Buyaka
İzmir, Adnan Menderes
Havalimanı İç Hatlar
Ankara, Acity Outlet
Ankara, Armada
Bursa, Carrefour
Muğla, Bodrum Havalimanı

Akmerkez Tumi
Galataport

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Arnavutluk Toptani
Shopping Center
Kuzey Kıbrıs City Mall Avm
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