



Fashion in Leather  
*For 50 Years...*



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DESA annual reports can be accessed by scanning the QR code.



**We would like to take this opportunity to wish God's mercy on the souls of our citizens who lost their lives in the earthquake, which struck our beautiful country around Kahramanmaraş on February 6, 2023, and we extend our condolences to their relatives and our nation, as well as a quick recovery to those who were injured.**

**We are deeply saddened by the destruction wrought by the earthquakes in our 11 provinces and as result of the painful consequences. We will heal our wounds together and we will overcome this tragedy together.**

**From the first moment of the earthquake, the DESA family mobilized to deliver the necessary aid, support, in-kind and cash donations by ensuring coordination with the state authorities in order to overcome the consequences of the disaster in all of our provinces affected by the earthquake.**

**We will continue to act in full solidarity in order to alleviate the suffering of our nation and to heal from our wounds together, and we will maintain our aid for our earthquake zone by working with all our strength.**

**DESA Deri Sanayi ve Ticaret A. Ş.**





In Leather Fashion  
with Giant Steps

# Leader



*Celebrating its 50<sup>th</sup> anniversary, DESA has achieved great success since its establishment and currently continues its activities as Turkey's leading leather and leather products manufacturer.*



## Chairman's Message

**“OUR 50 YEARS OF SUCCESS IS THE FRUIT OF THE PERFECT SYNERGY OF OUR STRONG MANAGEMENT AND OUR TALENTED TEAM.”**

### Esteemed Stakeholders

Before I begin my speech, I would like to wish God's mercy on the souls of our citizens who lost their lives in the earthquakes with their epicentre in Kahramanmaraş on February 6, 2023, which devastated our country and affected 11 provinces, and I send my condolences to their relatives and a speedy recovery to those who were injured. On behalf of the DESA family, we stand by our nation, as always, with a strong solidarity by using all our means to heal the wounds of the earthquake together.

The DESA family leaves behind half a century as the Republic approaches its centenary. We celebrate our 50<sup>th</sup> anniversary with the justified pride of being a global brand that grows by producing, training qualified personnel for our sector, adding value to the Turkish economy with our exports and

directing leather fashion. First of all, I would like to start by expressing my gratitude to our valuable employees who have worked with such devotion every day to realise DESA's success in the past 50 years.

We were aware that we were on the road to becoming a global company in the branded export of leather products by establishing sales and distribution offices from America to Germany and then to Singapore in the early 1980's. In every year up to our 50<sup>th</sup> anniversary, we have developed our strategies in line with our commitments and gained momentum in our growth. Despite global supply chain disruptions, geopolitical tensions, macroeconomic fluctuations and international conflicts, the year 2022, our 50<sup>th</sup> year in business, has been crowned with high revenue and profit growth. Our company continued to grow strongly in the

2022 fiscal year, advance and take radical steps in sales and production. As always, sustainable and profitable growth remains our primary goal in 2023, and the strong trust of all our stakeholders in DESA has encouraged us in this journey.

Our 50 years of production and sales experience has culminated in the production and R&D facility in Tuscany, a production hub for many luxury brands in Italy which we decided to invest in during 2022. This was the first time a Turkish company established a production facility in Italy, the heart of fashion, bringing considerable prestige for both our company and our country in the world of fashion. We aim to start producing of leather products for a range of distinguished brands in our Italian factory in 2023. We aim to expand the production at our Italian facility with new investments in the future.



*We celebrate our 50<sup>th</sup> anniversary by taking justified pride in being a global brand.*



## Chairman's Message

**“WE ARE INVIGORATED BY THE STRONG CONFIDENCE ALL OUR STAKEHOLDERS HAVE PLACED IN DESA**



DESA enjoyed an exceptionally good year in 2022, despite adverse global and local factors. We achieved growth of 214% in turnover and 289% in EBITDA. Our share price surged seven-fold in 2022, when the BIST100 index increased by 196.57%. In our 50<sup>th</sup> year of operation, we have reaped the fruits of being an international company through the increase in our export figures with our companies in Italy, the UK, Germany and Bulgaria. Other factors contributing to the strong earnings performance in 2022 were the vigorous growth we achieved in the retail channel, disciplined expense management and a flexible

operating model which we built in response to market and supply chain challenges throughout the year. We continued to instil confidence among our shareholders in 2022 with our healthy cash flow and strong balance sheet. We have full confidence in our ability to achieve such a strong performance in 2023 as well, the 100<sup>th</sup> anniversary of our Republic. Despite the challenges and uncertainties we face at the global level, we enter 2023 with renewed pride and confidence.

As DESA, we declared 2023 as the year of sustainability. In line with our sustainability goals, we have

commissioned a range of projects and completed some of them. As a company that focuses on sustainability, which is of such importance for the future of the world, and determines its roadmap within the scope of the green agreement, we continue our efforts in this direction without interruption. In 2021, DESA successfully passed the Leather Working Group audit, which inspects leather manufacturers, international brands and suppliers that produce leather products or use leather in their products, and became the holder of the highest level Gold certificate. In 2022, we invested

TL 12.12 million to run our factory in Düzce with 100% green energy and installed a solar power plant on the roof area of our production facility. In 2022, we completed the feasibility studies of our solar power plant investment at our Çorlu facility, and we aim to commission our facility in the second half of 2023.

Paying attention to the importance of all environmental impacts in our activities and new investments forms the basis of our sustainability policy. Reducing the use of natural resources, preventing the generation of waste,

minimising waste where it cannot be prevented, referring waste to recycling facilities and limiting the use of non-recyclable products are just some of our activities to achieve the zero waste targets within the scope of our sustainability strategies.

We believe our 50-year success story is the fruit of the synergy provided by our strong management, talented team and flexible business model that focuses on vertical integration. Our main goal will be to provide value to our stakeholders with a strong, sustainable and unique business model

for the next 50 years. In line with this purpose, we will continue to diversify our production skills and invest in technology and our valuable human resources.

On behalf of the entire DESA family, I would like to thank you, our shareholders, for the continuous support you have provided to our company.

**Melih ÇELET**

**DESA Deri Sanayi ve Ticaret A. Ş.  
Chairman of the Board of Directors**

# The DESA Story

## 1972

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



## 1974

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



## 1982

DESA received the title of Corporation.



## 1983

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



## 1990

Opened the production facility in Sefaköy which has an indoor area of 15,500 square meters.



## 1999

Ranked 937<sup>th</sup> in the ISO 1000 list thanks to its business concept which always prioritizes quality, DESA opened the new tannery in Çorlu in the same year in order to further enhance its production force and improve its cost control to higher levels.

## 2001

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



## 2004

DESA shares were listed on Istanbul Stock Exchange, anticipating that DESA would uphold the values of transparency, reliability and accountability through its involvement in the capital markets. An incentive certificate was provided for its investment in the Düzce Organized Industrial Zone, and the TL 3.2 million investment was carried out. The Online Sales outlet was established under the www.desa.com.tr website and DESA became one of the leading brands to sell its products online.

## 2007

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

DESA entered collaboration with the British brand consultancy firm, Genex, to receive consultancy on branding and becoming a global brand. In line with this aim, the company's logo, corporate identity and on store concepts underwent important changes.



The DESA 50<sup>th</sup> anniversary film can be viewed by scanning the QR code.

## The DESA Story

### 2008

The company rose to 449<sup>th</sup> ranking in the Fortune 500 List. The company purchased the facilities in Çorlu, including all fixed assets.

### 2010

As the Turkey's leading fashion retailer, the company took its first steps to carry its operations abroad with two stores established in the UK. In addition, DESA became the leading exporter in the sector in Turkey according to figures provided by the Leather and Leather Products Exporters Association. DESA also ranked 210<sup>th</sup> in the Istanbul Chamber of Industry's list of the second 500 largest industrial enterprises.

### 2011

DESA was proud to become the sector's biggest exporter for a second time. In the same year, the London store located in Covent Garden was selected as one of the world's best 60 stores in the VMSD International Visual Store Design Competition where brands from all over the world compete. DESA was covered extensively in the book "Retail Spaces / Small Stores" published after the competition that covers the stores which ranked in the competition.

### 2012

DESA became the sector's biggest exporter for a third time and took concrete steps to furnish its brand on international platforms. In one such step in the preparation of the AW 12-13 Collection, Graeme Black was hired as DESA's Creative Director having worked with world-famous brands such as John Galliano, Giorgio Armani and Salvatore Ferragamo. Black made a difference in this regard and prepared a collection for DESA which would go on to compete with some of the world's giants on an international platform. DESA once again set itself apart in 2012 with its reversible designed products.

### 2013

The NINETEENSEVENTYTWO DESA collection, dedicated to 1972, the year to mark the launch of the first handbag collection, was offered for sale in nearly 40 luxury boutiques abroad. The collection was exhibited in the Milan Fashion Week between 21-23 September 2013 and in the exhibition hosted by Ecape Communes as part of Paris Fashion Week on 28 September - 4 October 2013. This special collection showcased how a Turkish brand had reached the highest echelons in terms of design and quality.

### 2014

DESA carried out 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 was enhanced on DESA's website at [www.desa.com.tr](http://www.desa.com.tr) where customers may buy leather garments, shoes, accessories, textiles and travel collections with just a click. DESA Deutschland GmbH located in Düsseldorf, Germany, was established in July.

### 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 155<sup>th</sup> on the basis of its investment in Research and Development, while the award of the ISO/IEC 2007:2013 quality certificate in 2017 confirmed DESA's dedication in quality.

### 2018

DESA stepped up its R&D investments in design and production by 27% compared to the previous year to TL 2.3 million, placing DESA as one of the biggest investors in the area of design and production in Turkey. DESA is the only Turkish brand to fully carry out its operations through its own facilities and its own team. DESA succeeded in boosting its turnover by 68% with its renewed online platform, [www.desa.com.tr](http://www.desa.com.tr) - a website which reflects a new generation in marketing and sales.

### 2019

Michele Cozzani Ditria, who had previously worked and directed the design teams of world-famous brands such as Max Mara, Larusmiani and Loro Piana, started to offer design consultancy to DESA to provide insight for the Italian market. Sales generated through [www.desa.com.tr](http://www.desa.com.tr) reached 5% of DESA's total retail sales turnover. DESA launched a mobile app for IOS and ANDROID platforms for its sales.





## The DESA Story

### 2020

DESA was ranked 91<sup>st</sup> in the list of “Turkey’s Most Valuable Brands-Turkey 100” for 2020 by Brand Finance, an international brand valuation organization. Thanks to its investments in R&D, DESA Leather maintained its leading position by ranking 484<sup>th</sup> in the list of “Companies with the highest spending on R&D in Turkey” prepared by Turkishtime. After the store opening in Albania, DESA’s operations outside of Turkey were enhanced with store openings in Cyprus. Internet sales increased by 200%, to reach 19% of total sales turnover.

### 2021

DESA successfully passed the audit conducted by the Leather Working Group, an organization which inspects leather manufacturers, international brands and suppliers that produce leather products or use leather in their products, and was awarded with the Gold certificate - the highest award. By focusing on digital marketing, DESA organized the Live Shopping Event in December 2021, recognized as the new trend in e-commerce around the world, and became one of Turkey’s leading brands to organize a live shopping event. DESA collaborated with the Foundation for the Support of Women’s Work (KEDV) and initiated the project ‘Every Knot is

a show of Support for a woman’ to support the contribution of women to production and to contribute to their social and economic empowerment. DESA increased its sales by 85% and recorded an 18-fold increase in its pre-tax profit. DESA became the 96<sup>th</sup> most valuable brand in Turkey according to a study conducted by the Brand Finance Magazine.



50 years  
**DESA**



### 2022

Leading the leather fashion of Turkish leather retailers, DESA took a step towards producing “Made in Italy” products. The R&D center and production facility established in Italy’s province of Tuscany will start operating at full capacity in the first quarter of 2023. The leather material used in leather bags to be produced in Italy will be supplied from the tannery in Çorlu, which has an enclosed area of 20,000 m<sup>2</sup>. Production at the facility in Italy, where 60,000 women’s bags will be produced, will be stepped up with capacity increasing investment. Within the scope of our work to comply with the Declaration of Global Goals for Sustainable Development,

within the framework of accessible and clean energy usage, we took the decision to establish a solar power plant on the roof of the Düzce production facility to support our country’s generation of clean energy, to protect nature and to enhance our cost savings and efficiency. During the first month of test production, the solar power plant generated a total of 106,207 kWh of electricity, 93% more than the 55,093 kWh of electricity consumed in the factory. In the coming period, the excess electricity will be deducted from the electricity consumption at the Çorlu and Sefaköy factories. These investments reduce the

foreign dependence of our country’s energy needs while contributing to the environment and nature by producing green energy with renewable energy sources and by reducing the carbon footprint.

Within the scope of our work to comply with the Declaration of Global Goals for Sustainable Development, in order to reach our goal for clean energy, the decision was taken to establish a Solar Power Plant in our Leather Production Factory, which has an enclosed area of 20,000 square meters, located at the address of Marmaracık OSB Mahallesi Kuzey

2. Sokak No 5/1 Ergene Tekirdağ. The Solar Power Plant, carried out with an investment of approximately TL 8,750,000, is planned to meet 90% of the factory’s electricity needs for the realization of clean energy generation with a power of 641.25 kWp in the roof area covering 3,300 m<sup>2</sup> at our Tekirdağ Leather Production Factory.

In August 2022, we signed a contract with Zalando, the world’s e-commerce giant in Germany. Work on the sale of DESA products through the Zalando platform in five European countries has been completed. As the leading brand in the Turkish leather industry, DESA started to offer its products

on the leading fashion e-export/e-commerce platforms in Europe in January 2023; first in Zalando Germany and then in France, the Netherlands, Belgium and Austria. By offering a wide range of products from shoes to apparel, bags and small leather products to a wide consumer base in Europe through Zalando, DESA continues to promote its brand on an international scale with its products which blend Turkish design with high quality.

In 2022, we entered collaboration with Esas Sosyal to contribute to the education of a student and to provide mentorship.

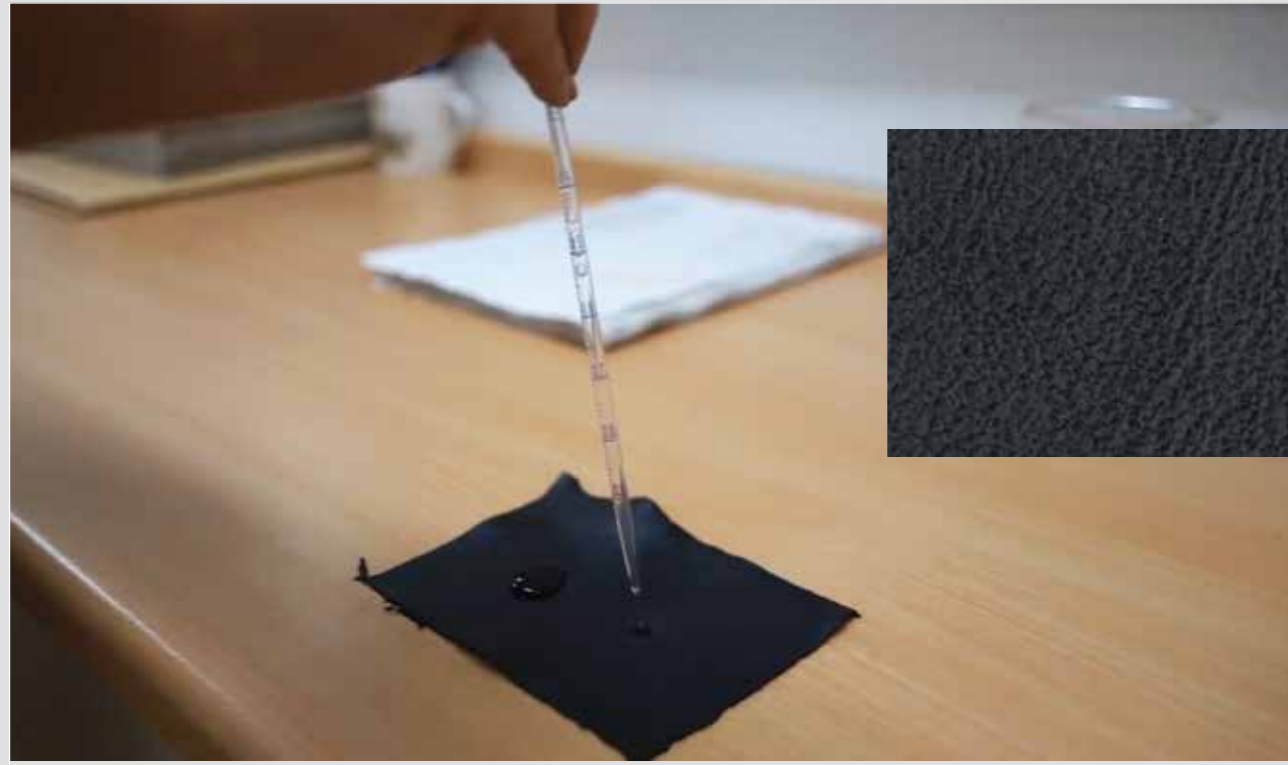
With the Women’s Association membership in the Board of Directors, which started in 2021, the mentor-mentee relationship is actively maintained.

The cooperation with KEDV and “Every Knot is a Support for a Woman”, launched in 2021, continues.





**Strength with R&D and  
Production Capacity**



# Strong



*DESA crowned its 50<sup>th</sup> anniversary with a production and R&D facility in Tuscany, which is the production hub for many luxury brands in Italy.*



## Our Vision - Our Mission



### Our Mission

**To be a fashion brand which elates and excites its customers with the range of products and services it offers through its expertise in design and leather, inspired by Istanbul but a company of the world.**

### Our Vision

To be a leading global fashion brand that derives its strength from its investment in design and its expertise in leather. Having a place in the fashion sector in Turkey and in the world with its high quality, stylish and top value products, providing its customers with a pleasant shopping environment, maximizing its shareholders' profitability, respecting society, the environment and its employees as well as remaining a leading fashion brand of leather in the minds of consumers.

*A Visionary Outlook*



## Our Value Chain



*DESA has a supply chain that adapts quickly to change and implements innovations rapidly.*

### OUR STORES

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

### A GLOBAL PRESENCE

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

Our Marketing and Communication Activities

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

### A FLEXIBLE SUPPLY CHAIN

We have a supply chain that adapts quickly to change and implements innovations rapidly.

### FLEXIBLE PRODUCTION CAPACITY

Our production capacity is able to meet the increasing demand and the growth expected in the coming period.

### INTEGRATED BUSINESS MODEL

We economize our expenditure through vertical integration in our production.

### EXTENSIVE EXPERIENCE

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

### TECHNOLOGY

We possess high-tech infrastructure which supports our growth. We maintain our investments in integration software which enable us to obtain data and communication permissions from our customers through stores, online and through the DESA Mobile Application. We have also established digital platforms to meet the demands of our customers and to receive feedback in regard to their shopping experiences.

### DESIGN

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

### HUMAN RESOURCES

We ensure the fusion of contemporary design and 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 were awarded the Gold level certificate in the audit conducted by Leather Working Group, in recognition of our sustainability activities which focus on both people and the environment. We contribute to the well-being of the world with our finest quality leather products produced sensitively with our conscious production policies.



## Our Goals

“DESA AIMS TO ACHIEVE A LEADING POSITION IN EVERY AREA OF ITS OPERATIONS WHILE GROWING WITHOUT COMPROMISING ITS EFFICIENCY”



### Customer Satisfaction

DESA operates both in production and in the retail sector through its business model. DESA aims to ensure the highest level of customer satisfaction with its high-quality products and excellence in its customer service approach, both for pre-sale and after sale processes.

### Quality

Our product quality, our traditional craftsmanship, our modern and functional designs and our brand are our most important sources of capital. We strive to go beyond just offering clothing products and leather accessories, and offer our customers a different style, a different understanding and a different lifestyle without compromising our quality.

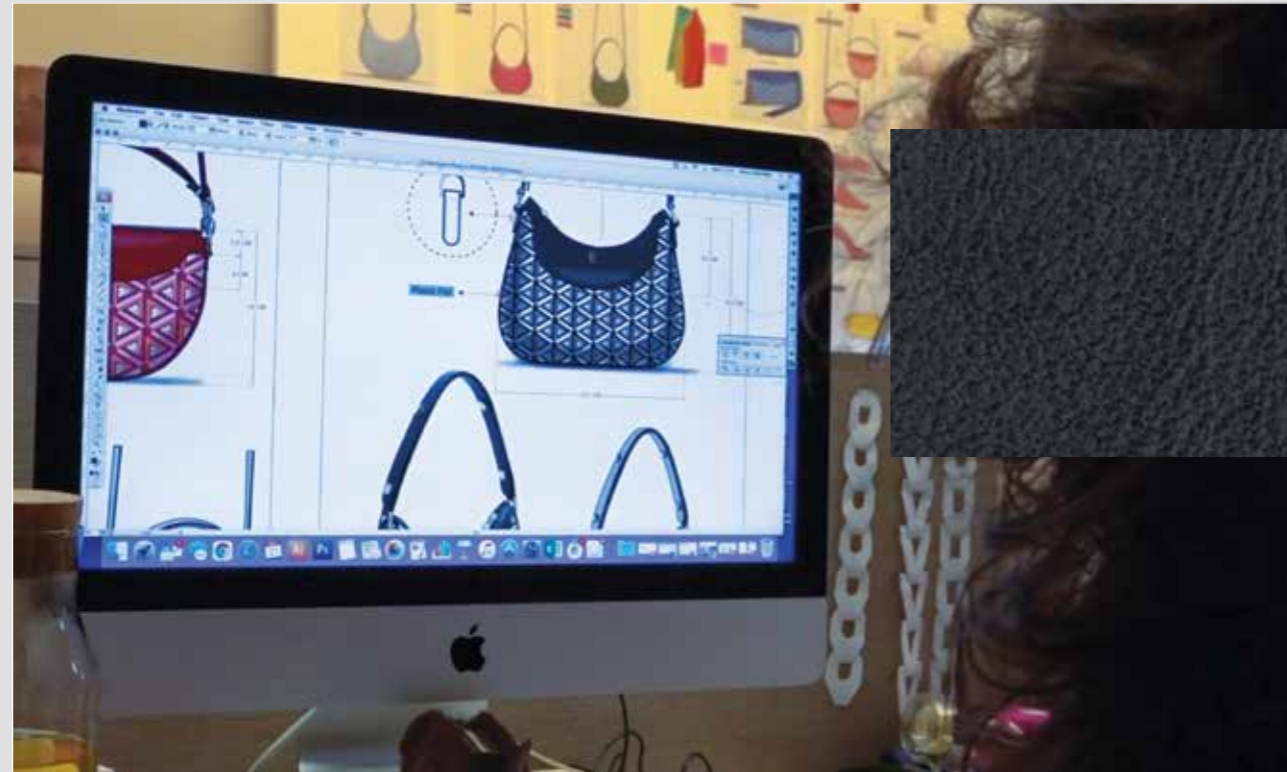
### Profitability

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 our company's performance. Therefore, we target long-term profitable growth and aim to command a leading position in every area we operate.



*An  
impeccable  
customer  
service  
approach*





Flawless service with  
its high quality and design



# Unique

*Our product quality,  
handcraft tradition,  
modern functional  
designs and our  
brand are our most  
important capital.*



## Members of the Board of Directors



**Melih ÇELET**  
Chairman of the Board of Directors

Mr. Melih Çelet founded DESA in 1972. He graduated from Ankara College in 1968 and studied in the Faculty of Pharmacy at Istanbul University. Sn. Melih ÇELET speaks English.



**Burak ÇELET**  
Member of the Board of Directors -  
General Manager

Mr. Burak ÇELET graduated from the Bosphorus University in 1999 with a degree in Mechanical Engineering. He then completed a Master's Degree in finance and investment in 2001 at Wisconsin-Madison University. He went on to complete a second Master's degree in Leather Technology from Northampton College 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 Board of Directors

Mrs. 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 Board of Directors. She speaks Italian, English, Spanish and French. Mrs. Burçak ÇELET is a member of Association of Women in the Board of Directors.



**Bahar Deniz Egemen**  
Independent Member of the Board of  
Directors

Mrs. 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. She started her professional life in 2001 in the USA and worked as a Credit Analyst at Unisource Worldwide Inc. and Staples Inc. 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 worked as the Investment Director at SEAL Management Inc between 2016-2018. She was elected as an independent member for two years at DESA's 2021 Annual General Meeting held on 31 March, 2022.



**Numan Emre Bilge**  
Independent Member of the Board of  
Directors

Mr. Numan Emre Bilge graduated from Istanbul University with a degree in Finance in 1987. He completed a Masters Degree in Business Management at the City of London Polytechnic in London in 1990. He started his professional life in 1992 with Goodyear Tires. After working as a Product Manager and then as a Regional Sales Manager, he worked as the Marketing Manager for Goodyear Great Britain Limited between 1998 and 2000. Between 2000-2004, he served as the Assistant General Manager in charge of Sales and Marketing at Axa Oyak Hayat Sigorta A.Ş. Since 2007, he has been working for Zin D Investment and Management Inc. as the Deputy Chairman of the Board of Directors. Mr. BİLGE was elected as an independent member for a period of two years during DESA's 2021 Annual General Meeting held on 31 March, 2022.



## 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 Muğla 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 an Internal Auditor at Oger Holding between 1996 and 1998 and as 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.



**Hilmi 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 and 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.

\* Mr. Ayhan DİRİBAŞ resigned from his position on 3 March, 2023. Mr. Cem TOK started working as Deputy General Manager for Financial Affairs on 6 March 2023.







A Rising Brand  
in World markets



# Assertive



*NINETEENSEVENTYTWO  
DESA reaches its global  
customers with 101 sales  
points abroad.*



## DESA at a Glance

FOUNDED IN 1972 AS A FAMILY-OWNED COMPANY, DESA HAS REALISED GREAT ACCOMPLISHMENTS OVER THE LAST 50 YEARS AND CONTINUES ITS OPERATIONS AS TURKEY'S LEADING PRODUCER OF LEATHER AND LEATHER PRODUCTS.



# 61%

*DESA realized 61% of Turkey's saddlery segment exports to the Italian market in 2022.*



production plants manufacturing leatherwear for men and women, handbags and accessories. DESA is also responsible for the distribution of these products through wholesale and retail channels. The Company carries out its retail activities through a total of 107 stores in Turkey, including 52 DESA stores, 35 DESA Samsonite stores, two DESA Franchise stores, 14 Samsonite JV stores, two Tumi stores, one 1972 DESA store and one virtual store. In the retail field, the number of stores belonging to the DESA group, including its subsidiaries, stood at 107 as of 31 December, 2022 with the opening of two stores in 2022, with a total retail area of 14,346.7 m<sup>2</sup>. Of these stores, 91 belonged to DESA, along with 14 Samsonite and 2 Tumi stores.

In 2022, an online sales agreement was signed with Zalando, an e-commerce marketplace platform based in Berlin, Germany. Zalando had started its sales in Germany before branching out to France, then the Netherlands, Belgium and later Austria.

Meanwhile, NINETEENSEVENTYTWO DESA enjoys a global reach through its 72 sales points abroad. DESA has production facilities in Istanbul and Düzce with a total area of 25,500 m<sup>2</sup> and a tannery in Çorlu located an area of 20,000 m<sup>2</sup>. The Company serves as an integrated solution provider to a wide array of international luxurious brands such as Prada, Miu Miu, Furla, Marks & Spencer and Ecco. DESA has

DESA is justifiably proud to have been Turkey's biggest exporter in its sector in 2010, 2011, 2012 and 2014, with its unique business model based on vertical integration. DESA achieved yet another success in the sector in 2021 by single-handedly realizing 16.5% of the exports to the Italian market while DESA realized 61% of Turkey's exports in the saddlery segment to the Italian market in 2022. DESA continues to strengthen its current profile with high-quality products and continues to move forward on its path towards becoming a prestigious brand in international markets. DESA's operations include a tannery, two



## DESA at a Glance

been the distributor for Samsonite, one of world's biggest brands of travel products, for the last 24 years and entered a 40%-60% partnership with Samsonite in 2007, further strengthening DESA's profile as an international company.

DESA showcases its high quality and durability with its products and places tremendous importance on materials which meet high standards and professional workmanship. The Company has achieved significant success in the e-commerce operation

which it conducts through its website, [www.desa.com.tr](http://www.desa.com.tr). Online sales accounted for 10.3% of DESA's total retail turnover in 2022.

Adopting an understanding of excellence in its service quality, DESA continuously invests in design, research and development operations as well as human resources with a long-term strategic goal of increasing DESA-branded product sales both domestically and internationally.

DESA is publicly listed 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 1,283,019,945 as of 31 December 2022 with total revenues reaching TL 1,358,955,850. Çelet Holding holds a 54.3% stake in the company, Melih Çelet holds a 10.0% stake in the company and the other partners own 0.8% of the shares in the company, while 34.9% of the shares in the company are free float.

## DESA's unique vertically integrated business model

### A Vertically Integrated Business Model

DESA sets itself apart from its competitors by having a control mechanism present in all operations, including in its tanneries, the production of leatherwear, bags and

accessories and in all phases of the service process which it offers to its customers through retail outlets.

Commanding a leading position in its sector in terms of production, exports and retail activities, DESA undertakes significant investments in design,

R&D, human resources, education, technology and digital transformation in order to raise customer satisfaction with its high-quality products and flawless service in line with today's fashion trends.



### Raw Material Production

#### Çorlu Production Facility

20,000 m<sup>2</sup> indoor tannery leather production with weekly capacity  
28,850 kg cattle raw leather processing  
170,200 kg small cattle raw leather processing  
Suede, Napa, Fur, Calf leather processing

### Production

- Production of leatherwear, bags and accessories
- International design team
- **İstanbul Facility**
  - . 15,500 m<sup>2</sup> indoor production area
  - . Weekly capacity
  - . 1,786 leather garments
  - . 819 textile items
  - . 7,355 bags and saddleries
- **Düzce Facility**
  - . 10,000 m<sup>2</sup> indoor production area
  - . Weekly capacity
  - . 14,480 bags
- **Italy Production Facility and R&D Center**
  - . 2,000 m<sup>2</sup> indoor production area over an area of 5,000 m<sup>2</sup>
  - . Weekly capacity
  - . 1,153 women's bags

### Retail Sales Points

- **107** Stores in Total
- **52** DESA Mono Brand Stores
- **35** DESA Samsonite
- **1** DESA Franchise
- **1** International Franchise - KKTC
- **1** Virtual Store
- [desa.com.tr](http://desa.com.tr)
- **101** International Sales Points
- **14** Samsonite JV Stores
- **2** Tumi Stores
- **14,346.7** m<sup>2</sup> Retail Space
- **1** Digital showroom
- **1 1972** DESA International Airport Store

#### DATE OF ESTABLISHMENT (REGISTRATION)

29 January 1982 - DESA becomes an Incorporated Company

#### ISSUED CAPITAL

TL 49,221,969.86

#### REGISTERED CAPITAL CEILING

TL 245,000,000

#### COMPANY HEAD OFFICE ADDRESS

İnönü Mah. Halkalı Cad. No: 208 Sefaköy / Küçükçekmece / İstanbul

#### TRADE REGISTRY OFFICE AND NUMBER

İstanbul / 185047/132561

#### TAX OFFICE AND NUMBER

Large Taxpayers Tax Office / 293 004 8627

#### BİST STOCK TICKER

DESA

#### WEBSITE

[www.desa.com.tr](http://www.desa.com.tr)

#### E-MAIL ADDRESS

[desa@desa.com.tr](mailto:desa@desa.com.tr)

[yatirimci.iliskileri@desa.com.tr](mailto:yatirimci.iliskileri@desa.com.tr)

[investor.relations@desa.com.tr](mailto:investor.relations@desa.com.tr)



## Main Information

**15,500 m<sup>2</sup>**

Enclosed area at the Sefaköy Factory and Head Office Building

**20,000 m<sup>2</sup>**

Indoor area at the Çorlu Leather Factory and Tannery Facilities

**10,000 m<sup>2</sup>**

Indoor area at the Düzce Factory

The Production Facility and R&D Center in Italy have an indoor area of 2,000 m<sup>2</sup> over an area of 5,000 m<sup>2</sup>

**14,347 m<sup>2</sup>**

Retail Space

**4 Years**

The Export Leader for

**107**

Total Stores

**101**

International Sales Points

**1**

International Franchise - North Cyprus



**Online Sales**

desa.com.tr  
1972desa.com  
Samsonite.com.tr  
Tumi.com.tr

**10.3%**

Share of e-commerce sales in DESA branded retail turnover

**24 Years**

Samsonite Distributorship

**15<sup>th</sup> Year**

Samsonite Partnership (40% DESA - 60% SAMSONITE)

**49**

Samsonite Stores

**2**

Tumi Stores

**1,692**

Employees

**574**

TL million EQUITY

**390**

TL million EBITDA

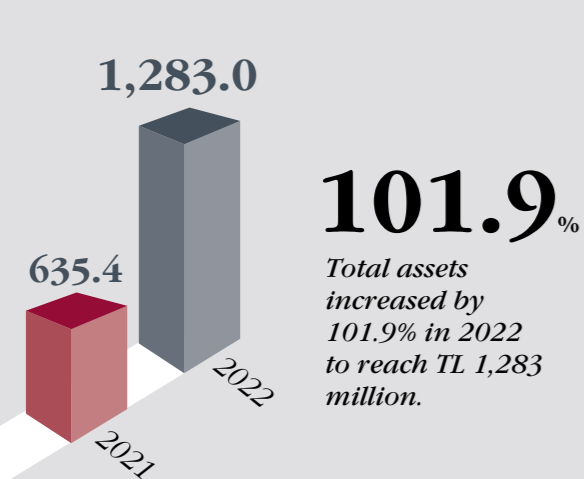
*with a sense of excellence*



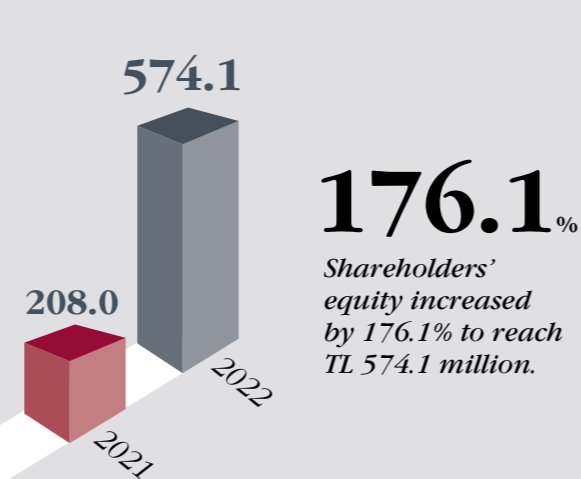
## Key Indicators

“AS IT CELEBRATES ITS 50<sup>TH</sup> ANNIVERSARY, DESA ACHIEVED TREMENDOUS SUCCESS IN 2022, IN LINE WITH ITS SUSTAINABLE GROWTH AND PROFITABILITY TARGETS

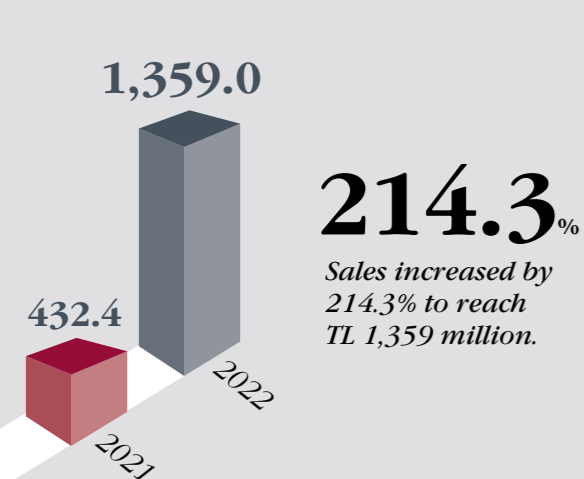
Total Assets (TL million)



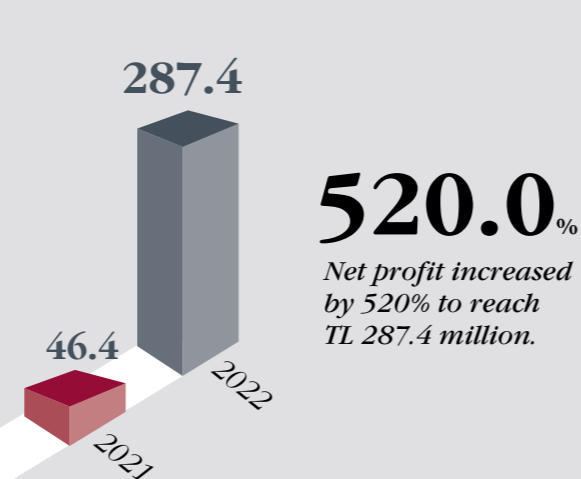
Shareholders' Equity (TL million)



Sales Revenues (TL million)



Net Profit (TL million)



Summary Balance Sheet

(TL million)	2020	2021	2022	Change (2021-2022)
Current Assets	251.2	421.5	886.2	110.2%
Fixed Assets	102.7	213.9	396.8	85.5%
Total Assets	353.9	635.4	1,283.0	101.9%
Short-term Liabilities	157.2	261.0	561.0	115.0%
Long-term Liabilities	102.1	166.5	148.0	-11.1%
Shareholders' Equity	94.6	208.0	574.1	176.1%
Total Liabilities	129.5	427.5	1,283.0	200.1%
Net Financial Liability	67.8	16.8	(336.4)	n.m.

## A Solid Balance Sheet

Desa's net cash position stood at TL 336.4 million at the end of 2022.

Summary Income Statement

(TL million)	2020	2021	2022	Change (2021-2022)
Sales Revenues	233.4	432.4	1,359.0	214.3%
Gross Profit	115.9	191.7	565.2	194.8%
Gross Profit Margin	49.63%	44.33%	41.59%	- 2.7 pp
Operating Profit	30.0	67.3	313.9	366.7%
Operating Profit Margin	12.86%	15.55%	23.09%	+ 7.5 pp
Profit/Loss from Samsonite Partnership	(2.2)	8.8	33.3	278%
Net Profit	1.6	46.4	287.4	520.0%
Net Profit Margin	0.70%	10.71%	21.14%	+10.4 pp
EBITDA	54.6	100.2	390.1	289.3%
EBITDA Margin	23.40%	23.20%	28.70%	+5.5 pp

**+5.5 pp**

Desa's EBITDA margin increased by 5.5 percentage points to 28.70% in 2022.

**+10.4 pp**

Desa's net profit margin increased by 10.4 percentage points to 21.14% in 2022 on the back of the strong growth during the year.



## Investors Relations

Since its initial public offering in May 2004, our Investor Relations Department has sought to establish close relations with our stakeholders at equal distance and provide them with maximum benefit in line with the principles of honesty, accountability and reliability in parallel with the corporate governance standards adopted by our company. In accordance with the Capital Markets Legislation, a total of 56

event disclosures were announced to the public throughout 2022, and our investor relations department responded to questions from analysts and investors received by telephone and email.

### Share Price Performance and Market Value

DESA shares started to be traded on the Istanbul Stock Exchange (ISE) on May 6, 2004 under the DESA ticker.

The company switched to the registered capital system in 2007 with a registered capital ceiling is TL 200,000,000. Its paid-in capital stands at TL 49,221,970, divided into 4,922,196,986 shares, each with a nominal value of 1 Kuruş. The market value of DESA as of 31 December 2022 stood at TL 2,938,551,609. The average transaction volume for DESA shares was 9,506,594 TL in 2022.

### DESA 2022 Relative Share Performance

#### SHARE INFORMATION

**BIST TICKER:** DESA

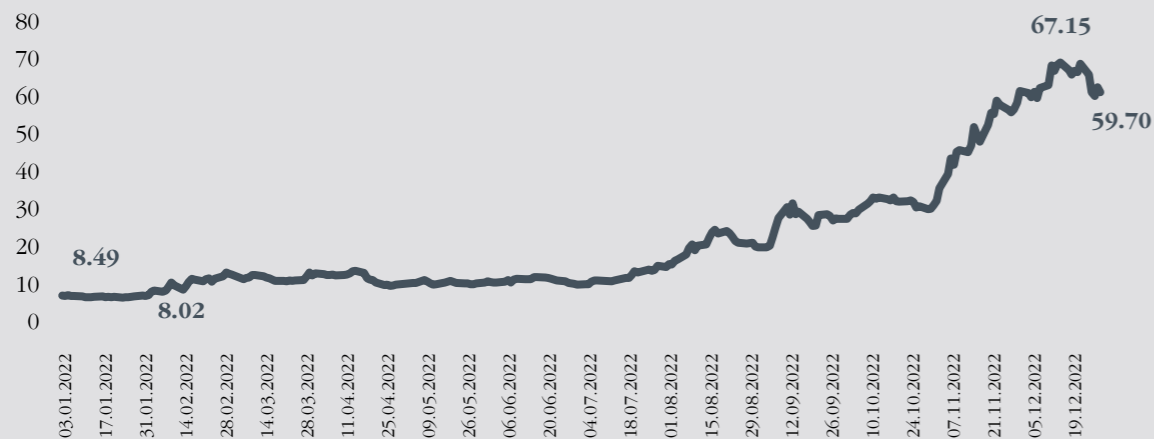
**REUTERS TICKER:** DESA.IS

**BLOOMBERG TICKER:** DESA.TI

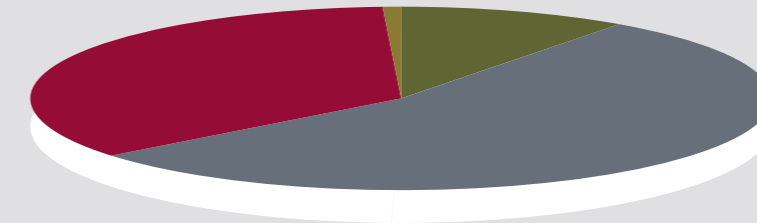
**Public offering Date:** 06.05.2004

**Market capitalisation as of 31 December 2022: TL 2.938 billion**

### Stock Price (TL)



### Shareholding structure (%)



# 34.92%

DESA's free float rate stood at 34.92% at the end of 2022.

### Company's Shareholders and Share Ratios

Name	31.12.2021		31.12.2022	
	Holding	Nominal Value (TL)	Holding	Nominal Value (TL)
Melih Çelet	10.00%	4,922,197	10.00%	4,922,197
Çelet Holding A.Ş.	54.28%	26,717,682	54.28%	26,717,682
Free Float <sup>(*)</sup>	34.92%	17,188,312	34.92%	17,188,312
Other	0.80%	393,779	0.80%	393,779
<b>Total</b>	<b>100.00%</b>	<b>49,221,970</b>	<b>100.00%</b>	<b>49,221,970</b>

<sup>(\*)</sup> As of 31.12.2022, 4,129,566 freely floating shares (8.39% of the total shares) were held by Çelet Holding A.Ş., with 4,213,569 of these shares (8.56% of the total) held by Melih Çelet, and 493,144 shares (1% of the total shares) held by Adesa Mağazacılık Tekstil ve Deri Sanayi Ticaret A.Ş.



# Investing in People

“OUR DEVOTED HUMAN RESOURCES, TRAINED IN-HOUSE, REPRESENT ONE OF THE MOST IMPORTANT PILLARS OF DESA’S 50-YEAR MIRACLE.”



With a labour-intensive business model in the area of production, our company had 1,692 employees at the end of 2022.

We derive our strength, which we have transformed into global success, from our principles which we have strictly adhered to and defined in accordance with our priorities. Unconditional customer satisfaction, flexibility and responding rapidly to customers while never compromising on quality have been the most important criteria in bringing us to the point we have reached, without forgetting that people represent our most important foundation and resource.

The 50-year DESA miracle is the fruit of the outstanding performance we have demonstrated throughout every stage of our operations and is a reflection of our quality approach. Our company plans ahead and has a

vision for the future. We always aim to operate with 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, our company has created exclusive products tailored to meet customer needs, proving its quality and leadership at home and abroad and offering its employees the privilege of being a part of a global brand.

We provide our employees with career opportunities, professional growth opportunities and reward for their work.

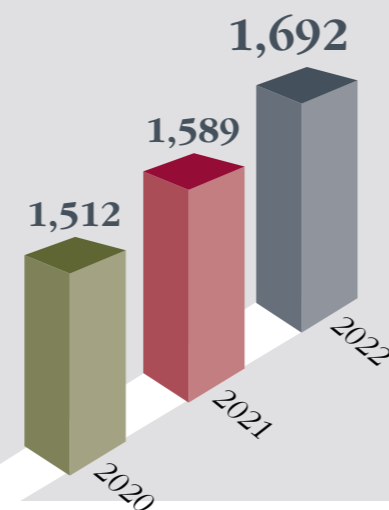
DESA plans for the future, believing that success is achieved with its principles and that the biggest source of support comes from its human resources and their strength in working. With this approach, our philosophy to human resources development can be summarized as follows:

**“We will train our own human resources ourselves at every level”**

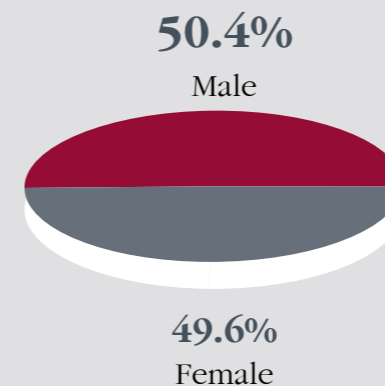
In line with this philosophy, DESA carries out its training and development activities in house in order to train and improve its employees. DESA’s Training System is based on training and further developing its own workforce, taking into account the unique conditions of the sector.

Employees	2020	2021	2022
Male	832	835	853
Female	680	754	839
<b>Total</b>	<b>1,512</b>	<b>1,589</b>	<b>1,692</b>
<b>Distribution by employee type</b>			
Blue Collar	945	1,000	1,126
White Collar	567	589	566
<b>Total</b>	<b>1,512</b>	<b>1,589</b>	<b>1,692</b>

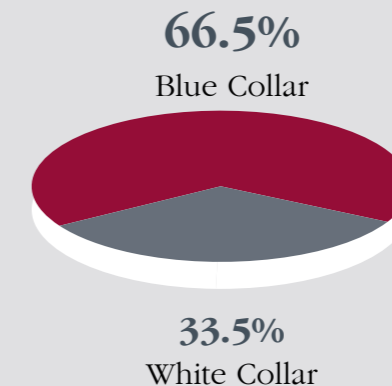
Total Number of Employees



Gender Distribution of Employees (%)



White/Blue Collar Distribution of Employees (%)





## NINETEENSEVENTYTWO DESA

“**DESA WAS THE FIRST BRAND IN TURKEY TO HAVE THE PRIVILEGE OF BEING ON THE MILAN FASHION WEEK’S CALENDAR. DESA’S COLLECTION, NAMED AFTER THE YEAR IT LAUNCHED ITS FIRST BAG COLLECTION, WAS PRESENTED TO FASHIONISTAS IN 101 LUXURIOUS BOUTIQUES.**”



### DESA’S EMERGENCE INTO GLOBAL FASHION

Having gained a well-deserved reputation with its distinguished collections since its foundation, DESA has carried its products to the international arena for the last 19 seasons with the brand NINETEENSEVENTYTWO DESA, taking its name from the year it launched its first bag collection. Introducing high quality, modern and functional designs of leather to the world, DESA also takes strides forward to increase its brand awareness around the world.

As the first Turkish brand to participate in Milan Fashion Week, DESA keeps its finger on the pulse of world fashion with the NINETEENSEVENTYTWO DESA collection, which is offered for sale in 101 locations around the world, particularly in Italy, Germany, France and Japan. DESA participates in showroom events and fairs with its own brand organized in parallel with the Milan, Paris Fashion Weeks.

NINETEENSEVENTYTWO DESA, a collection of men and women’s products, was prepared with the consultancy of famous designer Cozzani Michele for the 2020-2021 Autumn-Winter season, and with the consultancy of the famous designer, Manuela Cocci, for the 2022-2023 Autumn-Winter season. The products were presented to customers in Italy’s fashion capital, where they attracted wide acclaim.

NINETEENSEVENTYTWO DESA, which prepares a collection of products for men and women every season, carries out marketing and promotional activities in order to penetrate potential new markets in addition to existing markets.

The NINETEENSEVENTYTWO bag collection, on the other hand, emphasizes the importance of the accessories concept with its sophisticated, innovative and personal style. This special collection, which has not yet been offered for sale in Turkey and has been exhibited in the Milan and Paris Fashion Weeks for the last 19 seasons, adds a new dimension to the luxury concept.

## 101 international sales points

*DESA keeps its finger on the pulse of world fashion with the NINETEENSEVENTYTWO DESA collection, which is offered for sale in 101 locations around the world.*

**1972**  
NINETEENSEVENTYTWO  
DESA

## NINETEENSEVENTYTWO DESA

### The fashion weeks we have participated in



#### We have participated in the following fashion weeks

- SS23 Paris Fashion Week
- FW23 Milan Fashion Week
- SS23 Milan Fashion Week
- FW22 Milan Fashion Week
- SS20 Berlin Preminium
- SS20 Paris Tranoi
- AW19 Paris Tranoi
- SS19 Milan Fashion Week
- SS19 Paris Fashion Week
- FW19 Paris Tranoi Fair
- SS18 Milan Fashion Week & La Tenda Promotion Invitation
- SS18 Paris Fashion Week
- SS17 Milan Fashion Week & Baglioni Hotel Promotion Invitation
- 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 16 Prefall Paris Fashion Week
- SS16 Düsseldorf Fashion Week
- SS16 Show&Order Berlin
- SS16 Paris Fashion Week
- SS16 Milan Fashion Week
- Resort Presummer 16 Paris 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
- Resort Presummer15 Paris Fashion Week
- FW14 Milan Fashion Week
- SS14 Milan Fashion Week
- FW13 Milan Fashion Week

[www.1972desa.com](http://www.1972desa.com)

## Creative Director

In 2022, Manuela Cocci took over the baton as the Creative Director of our 1972 DESA brand. Manuela Cocci has made a name for herself in the international fashion brands she has worked for in the past, with both men's and women's garment collections that reflect her unique style. With her extensive knowledge of creating a large collection, and an admirable passion for colours and prints, Cocci has worked at Versace for many years, being Ennio Capasa's right-hand person at Costume National, while she also contributed to the success of a flamboyant and stylish collection during Paris Fashion Week.

Cocci has been the Design Director of luxury fashion brands such as Bear Milano, Versace, Costume National, Day Birger Et Mikkelsen and Desigual.

During the eleven years she spent working for Italian brands, she worked with different materials and new techniques and successfully used fashion forms together with sculpture and contemporary art forms. In 2022, Manuela Cocci carried out the creation and production of the 2023/24 Autumn Winter collection of the 1972 DESA brand, which started to be offered for sale from January 13, 2023.



# Manuela COCCI

Creative Director of  
NINETEENSEVENTYTWO DESA Brand



# Export Markets

NINETEENSEVENTYTWO DESA brand continues to strengthen its position in international markets and to increase brand awareness with strong strides. The company carries out its Ready Made Garment Collection sales primarily in Germany, Italy and Canada, as well as in South Korea, Japan, Singapore and in other countries through its cooperation with strong showrooms and sales agents in each region.

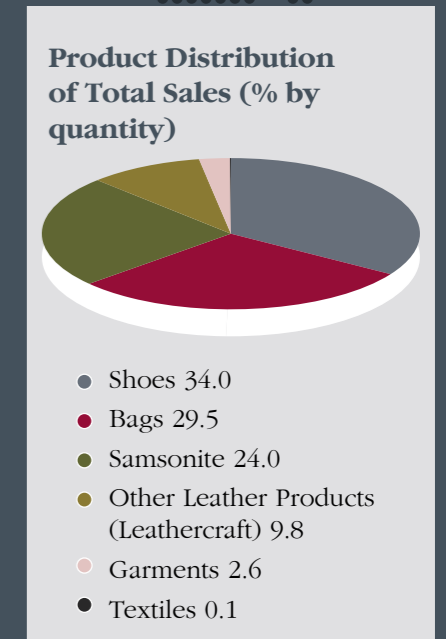
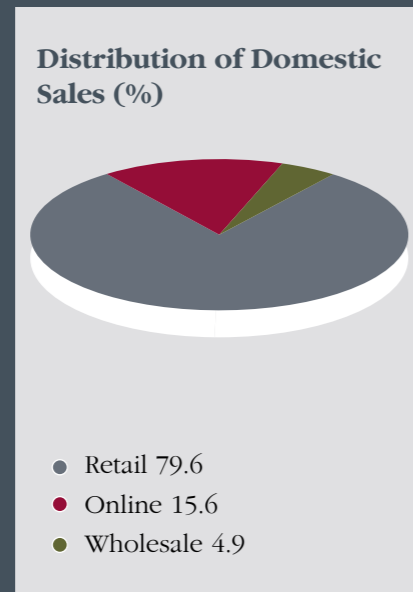
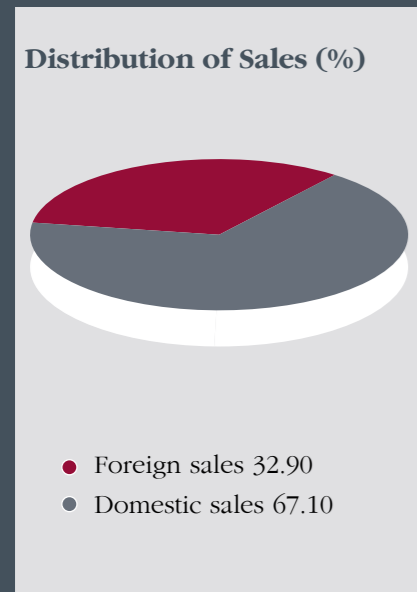
DESA has strengthened its infrastructure in Research & Development, design and brand management through its activities within the scope of Turquality and branding activities. As an organization which has completed its vertical integration, the company strengthens its brand with its advanced know-how in

R&D activities, technology and the quality approach it follows, from the purchase of the leather to the material used selling its leather products produced in its tannery to Italy's most important luxury brands.

DESA participates in the fairs organized in parallel with the Milan and Paris fashion weeks. The Canadian operation of DESA branded product sales is carried out in Toronto. The NINETEENSEVENTYTWO DESA brand is positioned toward the premium segment and is sold at famous, prestigious and popular multi-stage boutiques throughout Europe and the USA alongside globally renowned luxury brands at sale points specially prepared for DESA.

● USA

● Chile



# NINETEENSEVENTYTWO DESA Sales Points

The number of 1972 DESA international sales points at the end of 2022 stood at 101

STORE	CITY	COUNTRY
ALLYSON-FRANCES HEFFERNAN	ILLINOIS	USA
AMELOT	ATHENS	GREECE
ANTONIA SRL	MILAN	ITALY
ANTORA SELECTION	BADEN - BADEN	GERMANY
APROPOS THE CONCEPT STORE	KOLN	GERMANY
ARTE SRL	TREVIGLIO	ITALY
ASIA TRADING SAS	TERNI	ITALY
AUGUST PFUELLER	FRANKFURT	GERMANY
AVENUE VIP	KAZAN	RUSSIA
B.F.B SRL	BRESCIA	ITALY
BAGLIONI JEANS SRL	ISEO	ITALY
BAMOCO AG MAISON LORENZ BACH	GSTAAD	SWITZERLAND
BANI SRL	LAINATE	ITALY
BARNIUS LTD	ST. PETERSBURG	RUSSIA
BEL SRL	MILAN	ITALY
BERNARDELLI SRL	MANTOVA	ITALY
BETSY BOUTIQUE LTD	NEW YORK	USA
BIFFI BOUTIQUE SPA	MILAN	ITALY
BIRBA'S SNC	PORDENONE	ITALY
BOAZ CO LTD	SEOUL	SOUTH KOREA
BOUTIQUE GIULIANA	SESTOLA	ITALY
BOUTIQUE PAMELA	VERONA	ITALY
BRUNA ROSSO SRL	CUNEO	ITALY
BURRESI	WIESBADEN	GERMANY
BUSH CO.LTD	OKAYAMA	JAPAN
CARLOTTA BOUTIQUE	DESENZANO DEL GARDA	ITALY
CASELLA SRL	MANTOVA	ITALY
CATALINA SPA	VICENZA	ITALY
CHAPEAU BOUTIQUE	VALENCIA	SPAIN
CROSS SRL	BUSTO ARSIZIO	ITALY
DEDOS SRL	LECCE	ITALY
DELL'OLIO	FROSINONE	ITALY
DEMI-LUXE BEAMS	TOKYO	JAPAN
DIANA CO SAS	CREMA	ITALY
DIFFERENT FASHION	SYLT	GERMANY
DI PIERRO GIOVANNI DI LORENZO & C.	TARANTO	ITALY
DOMINI SRL	BARI	ITALY
DONNA BUGATTI SRL	UDINE	ITALY
FLAB SRL	BRESCIA	ITALY
GAMG SAGL	LUGANO	SWITZERLAND
GARBO NORGE AS	OSLO	NORWAY
GEHMACHER	SALZBURG	AUSTRALIA
GIALLO SRL	PESCARA	ITALY
GIO' MORETTI	MILAN	ITALY
GOLF CLUB ASIAGO SPA	ASIAGO	ITALY
GRANICHER AG	LUCERNE	SWITZERLAND
QUAGLIA	ZURICH	SWITZERLAND
HARVEY NICHOLS	KOWLOON	HONG KONG
IMPACT SRL	MILAN	ITALY
INCONTRI BOUTIQUE SRL	MILAN	ITALY
JANY RICHARD	STUTGART	GERMANY
JELMINI SRL	TURIN	ITALY

STORE	CITY	COUNTRY
JELMOLI AG	ZURICH	SWITZERLAND
LA BOUTIQUE DI ADANI SRL	MODENA	ITALY
LA RINASCENTE SPA	MILAN	ITALY
LOSCHI SRL	TREVISO	ITALY
LUISA BELOTTI SRL	BERGAMO	ITALY
MAX ABBIGLIAMENTO CALZATURE DI GIROLAMO MAURIZIO	LIGNANO SABBIAADORO	ITALY
MAXIMILIAN SRL	BRESSANONE	ITALY
MERCURY MODA LLC	MOSCOW	RUSSIA
MERICO SRL	VARESE	ITALY
MICHAELA MOLLER DAMENMODE	HANNOVER	GERMANY
MJ GLOBAL INC.	SEOUL	SOUTH KOREA
MKC GROUP SRL	REGGIO EMILIA	ITALY
MODA&STYLE SA	ASCONA	ITALY
MOHRMANN	MUNICH	GERMANY
MONTEMARANO SA	SANTIAGO	CHILE
MOSS	PARIS	FRANCE
NASSADONNA SA	LUGANO	SWITZERLAND
NATHALIE-NIKITA COMPANY	SOFIA	BULGARIA
NEW FASHION SRL	BARI	ITALY
NICOLA LECCESE	GIOIA DEL COLLE	ITALY
PASQUINA	ACQUAVIVA DELLE FONTI	ITALY
PAUW BV	AMSTERDAM	NETHERLANDS
PELLICCERIA ARTIGIANALE NAONI DI SANDRINI MARIA MADDALENA	BRESCIA	ITALY
PENELOPE SRL	BRESCIA	ITALY
POP KRETSCHMER MODEHANDELS GMBH	VIENNA	AUSTRIA
PRODOTTI SRL	OSTUNI	ITALY
PROGETTO MODA ANTEPRIMA	ALTAMURA	ITALY
QUATTRO STAGIONI DI MICHELONI A.&C.SNC	SASSUOLO	ITALY
QUIMILLE	CAMBRIDGE	USD
QUORUM SNC DI GIULIA SOCCHE & CO	THIENE	ITALY
ROMATRE SNC DI RIPAMONTI A&C	LECCO	ITALY
ROMEO SRL	CATANIA	ITALY
SA CHAUSSURES LOUP	CANNES	FRANCE
SATU*	PIACENZA	ITALY
SELECTSHOP AILA	ASHIYA	JAPAN
SPINNAKER SRL	SANREMO	ITALY
STEFFL TEXTILHANDELS GMBH	VIENNA	AUSTRIA
STEFANIA SRL	MATERA	ITALY
SUNO INTERNATIONAL	SEOUL	SOUTH KOREA
TASSEL	BERN	SWITZERLAND
TC INTERMODA	MOSCOW	RUSSIA
TESSABIT	COMO	ITALY
THE WINDEPOT SRL	BUCHAREST	ROMANIA
TINTORRI ROBERTO SRL	SESTOLA	ITALY
VANZULLI	SARONNO	ITALY
VIANASSATRE	LUGANO	SWITZERLAND
VINCENTI BOUTIQUE DI VINCENTI VANDA&C S.N.C.	ALBA	ITALY
WISE SRL	CREMONA	ITALY
ZOE&CO SRL	BASSANP DEL GRAPPA	ITALY



# SAMSONITE

“AFTER 24 YEARS OF DISTRIBUTIONSHIP, A JOINT VENTURE WAS ESTABLISHED IN 2007 WITH SAMSONITE, THE WORLD’S LARGEST TRAVEL PRODUCTS BRAND.



In 1983, DESA became the Turkey distributor of Samsonite, the world’s largest travel products brand. 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 venture was established

with Samsonite which has a strong international profile, in which 40% of the shares belong to DESA and 60% of the shares belong to SAMSONITE. After Samsonite bought Tumi, 35 of 49 Samsonite stores, two of which are Tumi stores, belong to DESA with the remaining 14 belonging to the joint venture as of the end of 2022,

<b>35</b> DESA Samsonite Stores	<b>14</b> Samsonite Stores belongs to JV	<b>2</b> Tumi Stores belongs to JV
<b>Total</b>		
<b>24</b> Years of Distributorship	<b>15</b> Years of Joint Venture	<b>3,465</b> m <sup>2</sup> Retail Space



<b>49</b> Samsonite Stores	<b>24</b> years of distributorship (Between 1983 - 2007)
<b>35</b> Stores belong to DESA	<b>15</b> years of Joint Venture (40% DESA - 60% Samsonite)
<b>14</b> Samsonite stores belong to the JV	<b>Online Sales</b> samsonite.com.tr tumi.com.tr
<b>2</b> Tumi stores belong to the JV	



# Sustainability

“IN 2022, THE SOLAR POWER PLANT WAS ESTABLISHED AT DESA’S FACTORY IN DÜZCE, AND THE FACTORY SWITCHED TO 100% GREEN ENERGY.



## Sustainable Development Goals



through Sedex, the audit system that helps performance improvements throughout the supply chain.

### We get our energy from the Sun!

Adopting the strategy of using accessible and clean energy, we commissioned our 1 MW solar power plant project on the 7,000 m<sup>2</sup> roof of our Düzce factory in 2022. With this project, which has the capacity to generate more than 60% of the energy needed in our Düzce factory, we started to get our energy from the sun.

We decided to establish a solar power plant in our leather production factory which has an enclosed area of 20,000 m<sup>2</sup> at the address of Ergene, Tekirdağ, and our work continues in this vein. We plan to obtain 641.24 kWp of clean energy from our total roof area of 3,300 m<sup>2</sup>, meeting 90% of our factory's energy needs.

### We evaluate our sustainability with the Higg Index

We completed our self-assessment in 2022 with the Higg Index FEM (Facility Environment Module) and FSLM (Facility Social Module) tools, which set standards for the measurement and scoring of our environmental and social sustainability performance, and we continue our activities to develop the new term targets and to do better.

### We Have a Quality Control Traceability System

We have a traceability system with 100% traceability starting from the farms we procure our leather from, and we trace the steps of identifying of inputs, units, lots, cutting and sewing, collection of movement information and storage, and the quality control checks. Thus, we can control and

monitor the compliance of every stage of production with European Union health standards.

### We leave a green reminder for the Future

We carry out activities on the DESA Remembrance Forest to reduce damage to the environment by prioritizing the positive effect of our forests, which are the source of oxygen source for our world.

We donated 10,000 saplings in cooperation with the General Directorate of Forestry (GDF) to plant the trees in the soil in the Akbayır village of Şahinbey district of Gaziantep, which was the home of our founder, Mr. Melih Çelet.

### We are one of the Corporate Supporters of the First Chance Program in line with Şevket Sabancı's Vision

We are delighted to be a part of the ecosystem created by Esas Sosyal, the social investment unit of Esas Holding, to raise awareness of equality of opportunity, diversity and inclusion in youth employment.

Within the scope of the First Chance Program, carried out with the Şevket Sabancı's vision and implemented by Esas Sosyal as a solution model to tackle unemployment among educated young people, those newly graduated from state universities who tend to be overlooked by employers will have the opportunity to gain experience by working in full-time positions in NGOs for a period of 12 months. DESA Deri has been supporting young people as the Corporate Sponsor of the program since 2022, contributing to mentoring, rehearsal interviews and awareness activities.



### Responsible Production

All of the leather we use in our products are the by-products of industrial livestock used for the food chain, complying with European Union standards and respecting animal rights.

In our leather production factory, which is home to the first internationally accredited leather testing laboratory in Turkey, we maintain international standards in all our production processes and our raw material selections are carried out in accordance with manufacturer restricted substance limits (MRSL) and restricted substance limits (RSL) requirements.

In order to protect human and environmental health, we are aware of the substances we use in production, working with our business partners, according to the restricted substance

limits in international standards. By accepting the minimum restricted substance limits as the upper limit, the materials that fall under the scope of prohibited substances are removed from our supply chain.

### A Skilled Workforce

In order to contribute to the qualified workforce of our country, we continue to train our own personnel with our training bands and apprenticeship school.

In line with zero waste targets, Environmental Awareness training and Occupational Health and Safety training is provided in our factories to promote healthy and safe working environments throughout the entire working chain.

In all our activities, we update our social compliance assessment every year and report it transparently

### “Every Knot is a Support for a Woman”

To support the contribution of women to professional life and to emphasize that they make a difference in all areas of life, the “Every Knot is a Support for a Woman project” which we carry out with the Foundation for the Support of Women's Work (KEDV) continues. We aim to contribute to the empowerment of women socially and economically by bringing leather pieces suitable for reuse into the production cycle.

### International Gold Award to DESA in Sustainability!

As one of the pioneers of leather fashion and leather industry in Turkey, DESA has successfully passed the Leather Working Group audit, which inspects leather manufacturers, international brands and suppliers that produce leather products or use leather in their products, and was awarded with the Gold certificate, which is the highest award.



# DESA in the World Press

**La turca Desa apre nuovo polo manifatturiero nell'Areto**  
 11 settembre, 10:00  
 ANSA MEO / 12.10.22

**Strategia**  
**DESA FESTEGGIA 50 ANNI E INVESTE NEL MADE IN ITALY**  
**L'azienda turca punta a 75 milioni nel 2022. Prevista un'apertura in Toscana e l'espansione del marchio 1972Desa**  
 L'azienda turca punta a 75 milioni nel 2022. Prevista un'apertura in Toscana e l'espansione del marchio 1972Desa  
**Burak Celest, ceo di Desa**  
 ANSA MEO / 12.10.22

**PAMBIANCONI NEWS**  
**Desa, primo sito produttivo italiano in Toscana**  
 11 settembre 2022  
 PAMBIANCONI NEWS / 11.10.22

**CASERTINO 2000**  
**Desa da il via alla formazione degli addetti per il nuovo sito produttivo di Poppi in partnership con Randstad**  
 22.02.22  
 CASERTINO 2000 / 22.02.22

**fashionMAGAZINE**  
**Desa, primo sito produttivo italiano in Toscana**  
 25.10.2022  
 FASHION MAGAZINE / 25.10.2022

**EVLI**  
**Boasting leather business expands to Italy**  
 EVLI / 30.09.22

**TI CONSIGLIO un lavoro**  
**Desa Arezzo: 50 assunzioni, nuova fabbrica pelletteria**  
 22.11.2022  
 TICONSIGLIO 22.11.2022

**La Repubblica FIRENZE**  
**A Poppi la delocalizzazione rovesciata la turca Desa apre per servire le griffe**  
 07 NOV 2022  
 LA REPUBBLICA / 07.11.22

**CASERTINO 2000**  
**Desa Internazionale: «A gennaio inizieremo con le selezioni del personale, principalmente femminile»**  
 02.12.22  
 CASERTINO 2000 / 02.12.22





*50 years*  
**DESA**

# Corporate Governance



# 2022 Corporate Governance Principles Compliance Report

Pursuant to Article 8 of the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, entitled Compliance with Corporate Governance Principles, the "Corporate Governance Compliance Report (URF) and Corporate Governance Information Form (KYBF) annexed to the relevant communiqué and published in the Board's CMB Bulletin dated 10 January 2019 and numbered 2019/2, and announced in the decision dated 10 January 2019 and numbered 2/249 may be accessed from the KAP addresses presented below.

**Corporate Governance Compliance Report (URF): [www.kap.org.tr/tr/Bildirim/1114923](http://www.kap.org.tr/tr/Bildirim/1114923)**

**Corporate Governance Information Form (KYBF): [www.kap.org.tr/tr/Bildirim/1114869](http://www.kap.org.tr/tr/Bildirim/1114869)**

## SECTION I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES AND SUSTAINABILITY PRINCIPLES

DESA Deri Sanayi ve Ticaret A.Ş. ("DESA") has determined the principles set out in the Corporate Governance 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 for DESA 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 contributes significantly to the

sustainability of the company as well as increasing 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 of 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 and 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. Investors Relations Department

#### 2.1.1. Investor Relations Department and its Duties

The Company complies with the legislation in place 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 to manage relations with shareholders. All relations between DESA and shareholders are conducted

under the responsibility of the "Investor Relations" department in line with joint work carried out with the relevant departments in accordance with the following principles.

The Investor Relations Department is responsible for providing regular information on the Company's activities and financial condition, excluding confidential information and trade secrets of shareholders and potential investors, in order to ensure there is no information inequality, and managing the communication between shareholders and the Company management in coordination with the other departments.

In this context, the Investor Relations Department is responsible for the following:

- Promoting the company to existing and potential investor institutions and brokerage houses and meeting requests for information from researchers and analysts working in these institutions,
- Answering questions and requests from shareholders,
- Ensuring that databases and records of investors are kept up-to-date on a regular basis,
- Providing a two-way flow of information by acting as a bridge between shareholders, the company's senior management and the Board of Directors,
- Reporting on developments in the capital markets and the stock performance to the relevant departments within the company and the senior management,

- Ensuring that shareholders access 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 provides assistance in General Meetings conducted within the company in accordance with the legislation in place, the articles of association and other internal regulations. Voting results are recorded in the minutes of the General Meetings, and the Investor Relations Department submits the minutes of the General meetings and related reports for informative purposes. The Investor Relations Department fulfils 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

Contact information for the Investor Relations Department is provided below

Dr. Ayşegül Berrak Köten - Investor Relations Department Manager  
Tel: (+90 212) 473 18 00  
Fax: (+90 212) 698 98 12  
E-mail: berrak.koten@desa.com.tr  
E-mail: yatirimci.iliskileri@desa.com.tr  
investor.relations@desa.com.tr

Bülent Uyarlar - Accounting Manager  
Tel: (+90 212) 473 18 00  
Fax: (+90 212) 698 98 12  
E-mail: bulent.uyarlar@desa.com.tr  
E-mail: yatirimci.iliskileri@desa.com.tr  
investor.relations@desa.com.tr

Dr. Ayşegül Berrak Köten, 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 2022 was submitted to the Board of Directors on 6 February, 2023. Dr. Ayşegül Berrak Köten, our company's Investor Relations Department Manager, holds a Capital Market Operations Level 3 License, a Corporate Governance Rating License, a Derivative Instruments License and a Credit Rating License. Dr. Ayşegül Berrak Köten was appointed as a Member of the Corporate Governance Committee in line with the decision taken by the Board of Directors on 9 January, 2023

#### 2.1.2. Information on the Activities of the Investor Relations Department in 2022

Since the IPO of DESA Deri San. ve Tic. A.Ş. in May 2004, our Investor Relations Department has sought to establish close relations with our stakeholders, maintain equal distance and provide stakeholders with the maximum benefit in line with the principles of honesty, accountability and reliability in parallel with the corporate governance standards adopted by our company.

The Investor Relations Department is responsible for providing regular information on the Company's activities and financial condition, excluding confidential information and trade secrets of shareholders and potential investors, in order to ensure there is no information inequality, and managing the communication between the shareholders and the Company management in coordination with the other departments.

The activities carried out by our company's Investor Relations Department in 2022 are detailed below:

- During 2022, a total of 56 material event disclosures were released to the public in accordance with the Capital Markets Legislation.
- Questions directed to the Investor Relations Department were answered by telephone and e-mail.

- Work on the content and design preparation of the Company's Annual Report for 2022 was initiated.
- The company's website was regularly updated and information required to be included on the website in accordance with the legislation was prepared and added. In the investor relations section of our website, utmost care has been taken to provide complete, accurate and timely information about our Company.
- The meetings convened by the Corporate Governance Committee, the Early Detection of Risk Committee and the Audit Committee, which were established to comply with the infrastructure required by the Corporate Governance Communiqué and published by the Capital Markets Board, were held in line with their duties and working principles. The decisions taken in these meetings were duly recorded and properly kept in the decision books.
- Our Company's Annual General Meeting for 2021 was held on 31 March, 2022. The Annual General Meeting was open to electronic voting. After the General Meeting, necessary explanations were released on the Public Disclosure Platform and the meeting minutes, and the list of attendees were published on the Company's website.
- On September 21, 2022, we organized an "Analyst Day" with the participation of 26 analysts where the financial statements for first half of 2022 were evaluated and information was shared on the strategy.

The company's website has been updated regularly to ensure that investors are able to monitor up-to-date information. Disclosures which are of importance for investors were published on the company website

# 2022 Corporate Governance Principles Compliance Report

after they were announced on the Public Disclosure Platform (PDP).

Updates on investor instruments are carried out on a quarterly basis. Utmost care is taken to ensure compliance with 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. The Use of Shareholders Rights to Obtain Information

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

There were no instances of discrimination between shareholders in the exercise of their right to obtain and review information. All requests from shareholders, with the exception of requests for information containing trade secrets, are responded to by telephone or e-mail after obtaining the information from the relevant departments.

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

### 2.2.2. The Right to Request a Private Auditor

Although there is a regulation in place 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 Annual General Meeting. The independent auditor elected at the 2021 Annual General Meeting, held on March 31, 2022, was Birleşim Independent Auditing and YMM Anonim Şirketi.

## 2.3. Information on Annual General Meetings

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

### 2.3.1. The Annual General Meeting for 2022

Our Company's Annual General Meeting was held on 31 March 2022 with a quorum of 81.61%. 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 2021 was 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 (TCC), 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 carried out through the Public Disclosure Platform and the public is informed.

The announcement of the General Meeting is published in all Turkish editions of one daily newspaper 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 2021 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 10532 of the Turkish Trade Registry Gazette dated 8 March 2022. It was also published in issue 15727 of the Hürses newspaper, which is published throughout Turkey, dated 8 March 2022.

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.

In addition, the total number of shares and voting rights revealing the Company's shareholding structure, the privileged shares in the capital of the company (if any), the number of shares representing each privileged share group and their voting rights, the changes in the management and activities of the Company and its major subsidiaries and affiliates that have taken place in the previous accounting periods or are planned for the following accounting periods, which will significantly affect the Company's activities, the annual reports and annual financial statements for the last two accounting periods of all the companies that are party to these changes, including the reasons for these changes, if there are any dismissals, replacements or election of the Members of the Board of Directors on the agenda of the General Annual Meeting, the grounds for their dismissal and replacement, information regarding the candidates to be nominated for the Board of Directors Membership, the previous and updated versions of the Articles of Association where there are amendment to the Articles of Association included in the agenda, the individuals to be nominated for membership of the Board of Directors, their resumes, duties in the last ten years and reasons for their resignation, the nature and level of significance of the relationship between the Company and its related parties, whether it is independent or not, and information on similar matters that may affect the Company's activities, in case these individuals are elected as Members

of the Board of Directors, were all disclosed to the public within one week of the announcement of the Annual General Meeting.

Announcements regarding the Annual General Meeting were published 21 days before the Annual General Meeting, at the Company headquarters and on the website ([www.desa.com.tr](http://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 Department.

### 2.3.3. Voting Methods

For the shareholders who will be represented by power of attorney at the Annual General Assembly 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

In 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 Institutions with the Central Registry Agency (Merkezi Kayıt Kuruluşu A.Ş.). In our Company's Annual General Meeting for 2021, which was held on 31 March 2022, the records 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 annual general meetings themselves, 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 Meetings

Minutes of the meeting can be accessed from [www.kap.gov.tr](http://www.kap.gov.tr) and our website at [www.desa.com.tr](http://www.desa.com.tr) following the end of the meeting. In addition, these minutes are open to the review 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 could undermine 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 taken by our Board of Directors dated 6 January 2016, in order to comply with the Turkish Commercial Code No. 6102, an application was submitted to the Capital Markets Board to amend subparagraph d, entitled "Voting and Appointment of Proxy", of Article 20 of our Company's Articles of Association, which is titled as "General Meetings". The application for amendment of the Articles of Association was approved



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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 2022, our company did not receive any criticisms or complaints pertaining to the right to exercise minority rights. 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 contain any reference to 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 profit in accordance with CMB regulations. In accordance with the principles of Corporate Governance as set by the Capital Markets Board and 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 of the additional investments to be carried out abroad and 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. 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 Annual General Meeting 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

Our Articles of Association do not contain any provisions which would present obstacles for publicly open B group shares holders to freely transfer their shares and restrict the transfer of shares. Bearer shares are transferred and assigned in accordance with the provisions of the Turkish Commercial Code and other relevant legislation. Non-public group A shares held by the controlling partner contain 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](http://www.desa.com.tr)) is updated periodically and the official website also includes retroactive information. 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 a more comprehensive flow of information to current and potential investors and brokerage organizations, our investors are regularly informed of the following issues as set out below, including matters specified in the Corporate Governance Principles, in the website's investor relations section.

- Articles of Association
- Trade Registry Information

- Financial Information
- 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
- Attendance Chart
- Partnership Structure
- Company Policies
- Board Members
- Power of attorney sample
- Frequently Asked Questions
- Communication

### 3.2 Annual Report

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

## Section IV- STAKEHOLDERS

### 4.1. Informing Stakeholders

Stakeholders are informed of 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 the management requires election to the Board of Directors, employees are encouraged to participate in the management 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

Our company's human resources policy aims to ensure that the Company has the necessary human resources for the future while living in the present, never forgetting that our most important resource is people. Our company's human resources policy can be summarized 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 for its employees. In addition, to ensure the success of this policy, we select individuals who possess clear foresight and career expectations and seek the qualifications required for their job when we recruit 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 join us and offer them the job description in writing.

A "joint working board" was formed with the task of supporting motivation within the organization. The board's other goals are to align corporate goals with personal targets, to ensure that the management are systematically informed of any problems faced by employees in order to be resolved, to evaluate the needs of employees within the framework of the social responsibility standard and to share their needs with the management. This board is formed of representatives elected by our employees from each department with their own votes and carries out its activities in accordance with its written regulations.

No complaints have been received in regard to discrimination within our organization and no complaints have been 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 at points visible to all employees within the Company.

There were a total of 1,589 employees working in the company as of 31 December, 2022.

### 4.4 Code of Ethics and Social Responsibility

The Code 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 Manual 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 50-year history.

# 2022 Corporate Governance Principles Compliance Report

DESA aims to promote healthy development by ensuring the satisfaction of both its customers and 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.

DESA operates in line with the system it has created within the framework of the Labor Law, Social Security Institution and Occupational Health and Safety laws. DESA also carries out ETI BASE CODE audits by companies accredited by the Sedex system, and all reports are uploaded to the Sedex system. Audits are carried out on many issues such as quality, environment, management system and SA8000.

The company carries out its production in accordance with the environmental norms of the sector in which it operates, within the framework of its own Environmental Policy and System. No lawsuits in connection to damage caused to the environment were filed against the company during the period. Our company's code of ethics is also published on our website (www.desa.com.tr).

## SECTION V- 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, CMB Regulations and the 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.

Independent members of the board of directors submit the following declaration of independence:

In view of being elected to the Board of Directors as an "Independent Member" at the Annual General Meeting held on 31 March, 2022, in accordance with the regulations of the Capital Markets Board regarding corporate governance;

In the interests of informing our Board of Directors, our shareholders and all interested parties, I submit the following;

- In the last five years, there has been no direct or indirect employment and no capital, or significantly important commercial relations between myself, my spouse or relatives by blood or marriage up to the third degree, with any of the related parties in 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 who have relations with the Company 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 entered into, 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 fulfil the duties I will undertake,
- I do not work on a full-time basis in any Public Institutions or Organizations,
- I am deemed to be a resident of Turkey according to the Income Tax Law,
- I 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 can freely reach decisions by taking into account the rights of stakeholders,
- I can allocate enough time for company business to follow up on the activities of DESA Deri and fully fulfill the requirements of the duties that I have undertaken,

The CVs of the Members of the Board of Directors are set out below.

### Melih ÇELET - Chairman of the Board of Directors

Mr. Melih ÇELET, founded DESA in 1972, graduated from Ankara College in 1968 and studied at the Faculty of Pharmacy at Istanbul University. Mr. Melih ÇELET speaks English.

### Burak ÇELET - Member of the Board - General Manager

Mr. 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 at Madison University in Wisconsin. He went on to complete a second Master's

degree in Leather Technology from Northampton College in 2002. Burak ÇELET holds the position of General Manager of our company and is also a member of TUSİAD (Turkish Industry and Business Association). Burak ÇELET speaks English, Italian and German.

### Burçak ÇELET - Member of the Board

Mrs. 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 between 2003 and 2004. She has been working for our company since 22 December 2006 as a Member of the Board of Directors. She speaks Italian, English, Spanish and French. Mrs. Burçak ÇELET is a member of Association of Women in the Board of Directors.

### Bahar Deniz Egemen - Independent Board Member

Mrs. Bahar Deniz EGEMEN graduated from Istanbul Technical University in 1999 with a degree in Mechanical Engineering. She completed an MBA from the University of North Carolina in Charlotte in 2002 before starting her professional career in 2001 in the USA and worked as a Credit Analyst at Unisource Worldwide Inc. and Staples Inc. She continued her career in the Research Department at Garanti Yatırım Menkul Kıymetler A.Ş. in 2005. After resigning from her position as the Head of Research in 2016, Bahar Deniz EGEMEN worked as the Investment Director at SEAL Management Inc between 2016-2018. She 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 at 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 then as a Regional Sales Manager, 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 of 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



# 2022 Corporate Governance Principles Compliance Report

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 2022 within the framework of Paragraph 4 of Article 390 of the Turkish Commercial Code No. 6102, a total of 41 decisions were taken during the year. The members of the board of directors do not hold weighted voting rights and each member holds one voting right.

Votes for proposals in Board of Directors meetings are announced as being in favour or against. Those who vote against proposals 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 and Independence of Committees Established under the Board of Directors

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

The Corporate Governance Committee was established in the 2014 operating period with decision number 22 taken by the Board of Directors 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 established committee. The Early Detection of Risk Committee was established with the decision number 16 taken by the Board of Directors 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 of the committee.

### 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 audit system of the partnership.

The selection of the independent auditor, the preparation of independent audit contracts, the initiation of the independent audit process and the work of the independent auditor at every stage is 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 receiving the views 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. The Committee convenes at least four times a year, and more frequently as needed.

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

### Members of the Audit Committee

Chairman: NUMAN EMRE BİLGE

Member: BAHAR DENİZ 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, and on the remuneration, reward and performance evaluation, career planning, investor relations and public disclosure. The reason why Ms. Bahar Deniz Egemen, one of our independent members, has been assigned to both committees is that two of our independent members serve 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.

### Members of the Corporate Governance Committee

Chairman: BAHAR DENİZ EGEMEN

Member: BURÇAK ÇELET

Member: DR. AYŞEGÜL BERRAK KÖTEN

### 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 receiving the views of the management and related parties regarding plans to eliminate deficiencies, carrying out work regarding 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.

### Members of the Early Detection of Risk Committee

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 carried out by evaluating the adequacy and effectiveness of checks 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 Audit 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 2023 were established and sales & marketing and production

goals started to be reviewed. The dissemination of the goals continues and strategic planning activities covering 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 2022 was determined, with forecasts conducted for 2023.

### 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 Meetings. No debts, guarantees, loans or similar benefits were provided to any members of the board of directors during the activity period. The financial rights in the field of remuneration provided to the Board of Directors are discussed at the General Meeting and the public is informed through 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 2013 Annual General Meeting.

# Corporate Governance Compliance Report

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
<b>1.1. FACILITATING THE EXERCISE OF SHAREHOLDER RIGHTS</b>						
1.1.2- Up-to-date information and disclosures which may affect the exercise of shareholder rights are available to investors at the corporate website.	X					
<b>1.2. RIGHT TO OBTAIN AND REVIEW INFORMATION</b>						
1.2.1 - Management did not enter into any transaction that would complicate the conduct of special audit.	X					
<b>1.3. GENERAL ASSEMBLY</b>						
1.3.2 - The company ensures the clarity of the General Assembly agenda, and that an item on the agenda does not cover multiple topics.	X					
1.3.7- Insiders with privileged information have informed the board of directors about transactions conducted on their behalf within the scope of the company's activities in order for these transactions to be presented at the General Shareholders' Meeting.	X					
1.3.8 - Members of the board of directors who are concerned with specific agenda items, auditors, and other related persons, as well as the officers who are responsible for the preparation of the financial statements were present at the General Shareholders' Meeting.	X					
1.3.10 - The agenda of the General Shareholders' Meeting included a separate item detailing the amounts and beneficiaries of all donations and contributions.	X					
1.3.11 - The General Shareholders' Meeting was held open to the public, including the stakeholders, without having the right to speak.	X					
<b>1.4. VOTING RIGHTS</b>						
1.4.1 - There is no restriction preventing shareholders from exercising their shareholder rights.	X					
1.4.2 - The company does not have shares that carry privileged voting rights.			X			The capital of our company is divided into A and B group shares. Group A shares hold 15 (fifteen) voting rights for each 1 (one) share, while Group B shares hold 1 (one) voting right for each 1 (one) share.

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
1.4.3 - The company withholds from exercising its voting rights at the General Shareholders' Meeting of any company with which it has cross-ownership, in case such crossownership provides management control.		X				Our company holds 40% of the shares in Samsonite Seyahat Ürünleri San. ve Tic. A.Ş. and exercised its voting rights.
<b>1.5. MINORITY RIGHTS</b>						
1.5.1 - The company pays maximum diligence to the exercise of minority rights.	X					
1.5.2 - The Articles of Association extend the use of minority rights to those who own less than one twentieth of the outstanding shares, and expand the scope of the minority rights.			X			There is no article regarding Minority rights in the articles of association.
<b>1.6. DIVIDEND RIGHT</b>						
1.6.1 - The dividend policy approved by the General Shareholders' Meeting is posted on the company website.	X					
1.6.2 - The dividend distribution policy comprises the minimum information to ensure that the shareholders can have an opinion on the procedure and principles of dividend distributions in the future	X					
1.6.3 - The reasons for retaining earnings, and their allocations, are stated in the relevant agenda item.	X					
1.6.4 - The board reviewed whether the dividend policy balances the benefits of the shareholders and those of the company.	X					
<b>1.7. TRANSFER OF SHARES</b>						
1.7.1 - There are no restrictions preventing shares from being transferred.						There are no provisions in our Articles of Association which would present an obstacle for public group B shareholders to freely transfer their shares and which would restrict 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 group A shares not open to the public which are held by the dominant partner, the other group A shareholders hold the right of pre-emption in proportion to their existing shares in the company in accordance with Article 9 of the Articles of Association.
<b>2.1. CORPORATE WEBSITE</b>						
2.1.1 - The company website includes all elements listed in Corporate Governance Principle 2.1.1.	X					



Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
2.1.2 - The shareholding structure (names, privileges, number and ratio of shares, and beneficial owners of more than 5% of the issued share capital) is updated on the website at least every 6 months.	X					
2.1.4 - The company website is prepared in other selected foreign languages, in a way to present exactly the same information with the Turkish content.		X				Since the company is not required to publish information and documents in other languages due to its current company structure, the relevant information and documents are prepared only in Turkish. Only annual activity reports and independent audit reports are available on the website in English.
<b>2.2. ANNUAL REPORT</b>						
2.2.1 - The board of directors ensures that the annual report represents a true and complete view of the company's activities	X					
2.2.2 - The annual report includes all elements listed in Corporate Governance Principle 2.2.2.	X					
<b>3.1. CORPORATION'S POLICY ON STAKEHOLDERS</b>						
3.1.1- The rights of the stakeholders are protected pursuant to the relevant regulations, contracts and within the framework of bona fides principles.	X					
3.1.3 - Policies or procedures addressing stakeholders' rights are published on the company's website.		X				It is a non-mandatory principle. There was no requirement for the policies and procedures related to the rights of the stakeholders to be published on the company's corporate website. There was no conflict of interest arising from non-compliance with this principle.
3.1.4 - A whistleblowing program is in place for reporting legal and ethical issues.	X					
3.1.5 - The company addresses conflicts of interest among stakeholders in a balanced manner.	X					
<b>3.2. SUPPORTING THE PARTICIPATION OF THE STAKEHOLDERS IN THE CORPORATION'S MANAGEMENT</b>						
3.2.1 - The Articles of Association, or the internal regulations (terms of reference/ manuals), regulate the participation of employees in management.			X			There is no regulation regarding the participation of employees in the management.
3.2.2 - Surveys/other research techniques, consultation, interviews, observation method etc. were conducted to obtain opinions from stakeholders on decisions that significantly affect them.			X			The views of stakeholders are taken into account in important decisions that have impact stakeholders, but no regulation has been set out in this regard.

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
<b>3.3. HUMAN RESOURCES POLICY</b>						
3.3.1 - The company has adopted an employment policy ensuring equal opportunities, and a succession plan for all key managerial positions.			X			There is no succession planning.
3.3.2 - Recruitment criteria are documented.			X			The criteria for personnel recruitment have not been determined in writing. However, necessary job descriptions have been determined for each status.
3.3.3 - The company has a policy on human resources development, and organizes trainings for employees.	X					
3.3.4 - Meetings have been organized to inform employees on the financial status of the company, remuneration, career planning, education and health.				X		The human resources policy created by our company is carried out by our company management and we have a written human resources policy in place. No meetings were held to inform employees of the financial situation of our company, remuneration, career planning, education or health.
3.3.5 - Employees, or their representatives, were notified of decisions impacting them. The opinion of the related trade unions was also taken.		X				Employees are informed about matters that may concern them.
3.3.6 - Job descriptions and performance criteria have been prepared for all employees, announced to them and taken into account to determine employee remuneration.			X			Our company's human resources policy is administered by our company's management and our company has a written human resources policy in place.
3.3.7 - Measures (procedures, trainings, raising awareness, goals, monitoring, complaint mechanisms) have been taken to prevent discrimination, and to protect employees against any physical, mental, and emotional mistreatment.	X					
3.3.8 - The company ensures freedom of association and supports the right for collective bargaining.	X					
3.3.9 - A safe working environment for employees is maintained.	X					
<b>3.4. RELATIONS WITH CUSTOMERS AND SUPPLIERS</b>						
3.4.1-The company measured its customer satisfaction, and operated to ensure full customer satisfaction.	X					
3.4.2 - Customers are notified of any delays in handling their requests.	X					

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
3.4.3 - The company complied with the quality standards with respect to its products and services.	X					
3.4.4 - The company has in place adequate controls to protect the confidentiality of sensitive information and business secrets of its customers and suppliers.	X					
<b>3.5. ETHICAL RULES AND SOCIAL RESPONSIBILITY</b>						
3.5.1 - The board of the corporation has adopted a code of ethics, disclosed on the corporate website.	X					
3.5.2 - The company has been mindful of its social responsibility and has adopted measures to prevent corruption and bribery.	X					
<b>4.1. ROLE OF THE BOARD OF DIRECTORS</b>						
4.1.1 - The board of directors has ensured strategy and risks do not threaten the long-term interests of the company, and that effective risk management is in place.	X					
4.1.2 - The agenda and minutes of board meetings indicate that the board of directors discussed and approved strategy, ensured resources were adequately allocated, and monitored company and management performance		X				The meeting agenda and minutes show that the company's strategic goals were discussed and approved.
<b>4.2. ACTIVITIES OF THE BOARD OF DIRECTORS</b>						
4.2.1-The board of directors documented its meetings and reported its activities to the shareholders.	X					
4.2.2 - Duties and authorities of the members of the board of directors are disclosed in the annual report.			X			In the annual report, it is stated that the duties and authorities of the members of the board of directors are in compliance with the Turkish Commercial Code and no detailed regulation is included.
4.2.3 - The board has ensured the company has an internal control framework adequate for its activities, size and complexity.		X				There is an internal control system established within our company. The relevant activity is carried out by our Company's internal control officer.
4.2.4 - Information on the functioning and effectiveness of the internal control system is provided in the annual report.		X				The relevant activity is carried out by our internal control department.
4.2.5 - The roles of the Chair and Chief Executive Officer are separated and defined.	X					
4.2.7 - The board of directors ensures that the Investor Relations Department and the Corporate Governance Committee work effectively. The board works closely with them when communicating and settling disputes with shareholders.	X					

Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
4.2.8 - The company has subscribed to a Directors and Officers liability insurance covering more than 25% of the capital.			X			The company has not taken out executive liability insurance for damages that may be caused to the company through the fault of the members of the board of directors during the course of their duties.
<b>4.3. STRUCTURE OF THE BOARD OF DIRECTORS</b>						
4.3.9 - The board of directors has approved the policy on its own composition, setting a minimal target of 25% for female directors. The board annually evaluates its composition and nominates directors so as to be compliant with the policy.		X				Although the company does not hold a policy in this regard, two women serve in our Board of Directors. Due to the fact that this principle, which is not mandatory, has not been implemented, no conflict of interest arose during the year.
4.3.10 - At least one member of the audit committee has 5 years of experience in audit/accounting and finance.	X					
<b>4.4. BOARD MEETING PROCEDURES</b>						
4.4.1 - Each board member attend the majority of the board meetings in person or via an electronic board meeting system	X					
4.4.2 - The board has formally approved a minimum time by which information and documents relevant to the agenda items should be supplied to all board members.		X				No timeframe has been defined for the subject, but the company undertakes the maximum efforts to deliver the necessary information to the members of the Board of Directors within a reasonable time prior to the meeting.
4.4.3 - The opinions of board members that could not attend the meeting, but did submit their opinion in written format, were presented to other members			X			There was no such notification. It is a non-mandatory principle.
4.4.4 - Each member of the board has one vote.	X					
4.4.5 - The board has a charter/written internal rules defining the meeting procedures of the board.		X				The manner in which the Board of Directors meetings will be held is specified in the articles of association.
4.4.6 - Board minutes document that all items on the agenda are discussed, and board resolutions include director's dissenting opinions if any.		X				Resolutions has been made in Board of Directors Meetings, including any dissenting opinions.
4.4.7 - There are limits to external commitments of board members. Shareholders are informed of board members' external commitments at the General Shareholders' Meeting.			X			There is no restriction on members of the Board of Directors undertaking other duties outside the company. Duties assumed by the members of the board of directors outside the company were presented with the purpose of informing shareholders at the general assembly meeting.



Corporate Governance Compliance Report	Compliance Status					Explanation
	Yes	Partially	No	Exempt	Irrelevant	
<b>4.5. BOARD COMMITTEES</b>						
4.5.5 - Board members serve in only one of the Board's committees.		X				Due to the number of board members, each board member is a member of more than one committee.
4.5.6 - Committees have invited persons to the meetings as deemed necessary to obtain their views.	X					
4.5.7 - If external consultancy services are used, the independence of the provider is stated in the annual report.			X			No committee received consultancy services in 2022.
4.5.8 - Minutes of all committee meetings are kept and reported to board members.	X					
<b>4.6. FINANCIAL RIGHTS</b>						
4.6.1-The board of directors has conducted a board performance evaluation to review whether it has discharged all its responsibilities effectively.			X			There was no performance review of the board of directors.
4.6.4-The company did not extend any loans to its board directors or executives, nor extended their lending period or enhanced the amount of those loans, or improve conditions thereon, and did not extend loans under a personal credit title by third parties or provided guarantees such as surety in favor of them.	X					
4.6.5 - The individual remuneration of board members and executives is disclosed in the annual report.		X				Salaries, bonuses and similar benefits provided to senior executives are shared in total in the annual report and are not disclosed on an individual basis.

## Corporate Governance Information Form

<b>1. SHAREHOLDERS</b>	
<b>1.1. Facilitating the Exercise of Shareholders Rights</b>	
The number of investor meetings (conference, seminar/etc.) organized by the company during the year	One Analyst Day
<b>1.2. Right to Obtain and Examine Information</b>	
The number of special audit request(s)	There were no special auditor requests during the period
The number of special audit requests that were accepted at the General Shareholders' Meeting	There were no special auditor requests at the Annual General Meeting
<b>1.3. General Assembly</b>	
Link to the PDP announcement that demonstrates the information requested by Principle 1.3.1. (a-d)	<a href="https://www.kap.org.tr/tr/Bildirim/1007545">https://www.kap.org.tr/tr/Bildirim/1007545</a> <a href="https://www.kap.org.tr/tr/Bildirim/1008946">https://www.kap.org.tr/tr/Bildirim/1008946</a> <a href="https://www.kap.org.tr/tr/Bildirim/1014621">https://www.kap.org.tr/tr/Bildirim/1014621</a> <a href="https://www.kap.org.tr/tr/Bildirim/1014941">https://www.kap.org.tr/tr/Bildirim/1014941</a>
Whether the company provides materials for the General Shareholders' Meeting in English and Turkish at the same time	Documents related to the Annual General Meeting were not presented in English.
The links to the PDP announcements associated with the transactions that are not approved by the majority of independent directors or by unanimous votes of present board members in the context of Principle 1.3.9	There was no transaction without the approval of the majority of the independent members of the Company or the unanimous consent of the participants.
The links to the PDP announcements associated with related party transactions in the context of Article 9 of the Communiqué on Corporate Governance (II-17.1)	There were no related party transactions carried out within the scope of Article 9 of the Company's Corporate Governance Communiqué (II-17.1).
The links to the PDP announcements associated with common and continuous transactions in the context of Article 10 of the Communiqué on Corporate Governance (II-17.1)	<a href="https://www.kap.org.tr/tr/Bildirim/1008904">https://www.kap.org.tr/tr/Bildirim/1008904</a>
The name of the section on the corporate website that demonstrates the donation policy of the company	Investor Relations / Corporate Governance / Policies / Donation Policy
The relevant link to the PDP with minute of the General Shareholders' Meeting where the donation policy has been approved	<a href="https://www.kap.org.tr/tr/Bildirim/1014621">https://www.kap.org.tr/tr/Bildirim/1014621</a>
The number of the provisions of the articles of association that discuss the participation of stakeholders to the General Shareholders' Meeting	None
Identified stakeholder groups that participated in the General Shareholders' Meeting, if any	Except for shareholders, there was no participation in the Annual General Meeting for 2022. However, there was no restriction regarding the participation of stakeholders in the Annual General Meeting.
<b>1.4. Voting Rights</b>	
Whether the shares of the company have differential voting rights	Yes
In case that there are voting privileges, indicate the owner and percentage of the voting majority of shares.	Our company's capital is divided into A and B group shares. Group A shares hold 15 (fifteen) voting rights for each 1 (one) share, while other shares hold 1 (one) voting right for each 1 (one) share.
The percentage of ownership of the largest shareholder	68.28%
<b>1.5. Minority Rights</b>	
Whether the scope of minority rights enlarged (in terms of content or the ratio) in the articles of the association	None
If yes, specify the relevant provision of the articles of association.	Not available
<b>1.6. Dividend Right</b>	
The name of the section on the corporate website that describes the dividend distribution policy	Investor Relations / Corporate Governance / Policies / Dividend Policy

Minutes of the relevant agenda item in case the board of directors proposed to the general assembly not to distribute dividends, the reason for such proposal and information as to use of the dividend.	According to the Profit Distribution Table prepared according to the financial statements that have passed the independent audit in accordance with the CMB communiqué, and according to the proposal submitted by the Board of Directors to the General Assembly in accordance with Decision number 07/2022 taken by the Board of Directors dated 4 March 2022, it was accepted by a majority vote with 40,172,368,386 affirmative votes against 1 dissenting vote that the profit generated in 2021 would not be distributed as a dividend, and that this amount would be kept in the company's resources, despite our company recording a net profit of TL 46,351,875.00 in 2021. The Board of Directors presented this information to the company partners, citing that if no profit distribution was carried out, the reasons thereof and how the non-distributed profit would be used would be presented for the purposes of informing shareholders at the General Assembly.
PDP link to the related general shareholder meeting minutes in case the board of directors proposed to the general assembly not to distribute dividends	<a href="https://www.kap.org.tr/tr/Bildirim/1014621">https://www.kap.org.tr/tr/Bildirim/1014621</a>

General Assembly Meetings									
General Meeting Date	The number of information requests received by the company regarding the clarification of the agenda of the General Shareholders' Meeting	Shareholder participation rate to the General Shareholders' Meeting	Percentage of shares directly present at the GSM	Percentage of shares represented by proxy	Specify the name of the page of the corporate website that contains the General Shareholders' Meeting minutes, and also indicates for each resolution the voting levels for or against	Specify the name of the page of the corporate website that contains all questions asked in the general assembly meeting and all responses to them	The number of the relevant item or paragraph of General Shareholders' Meeting minutes in relation to related party transactions	The number of declarations by insiders received by the board of directors	The link to the related PDP general shareholder meeting notification
31/03/2022	0	81.61%	23.04%	76.96%	Investor Relations / General Meeting Information / Meeting Minutes	No questions were asked at the Annual General Meeting.	Article 11 of the Annual General Meeting Minutes dated 31 March 2022	18	<a href="https://www.kap.org.tr/tr/Bildirim/1014941">https://www.kap.org.tr/tr/Bildirim/1014941</a>

## 2. DISCLOSURE AND TRANSPARENCY

### 2.1. Corporate Website

Specify the name of the sections of the website providing the information requested by the Principle 2.1.1.	Investor Relations Department / Corporate Governance / Policies
If applicable, specify the name of the sections of the website providing the list of shareholders (ultimate beneficiaries) who directly or indirectly own more than 5% of the shares.	Investor Relations Department / Corporate Governance / Partnership Information
List of languages for which the website is available	Turkish

### 2.2. Annual Report

The page numbers and/or name of the sections in the Annual Report that demonstrate the information requested by principle 2.2.2.	
a) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the duties of the members of the board of directors and executives conducted out of the company and declarations on independence of board members	1 <sup>st</sup> Section - Committees Appointed During the Period - Members of the Board of Directors
b) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on committees formed within the board structure	1 <sup>st</sup> Section - Committees Appointed During the Period - Committees
c) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the number of board meetings in a year and the attendance of the members to these meetings	1 <sup>st</sup> Section, in the last paragraph of Article 3, the Number of Meetings of the Board of Directors during the Year and the Participation of the Members of the Board of Directors in the Meetings
ç) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on amendments in the legislation which may significantly affect the activities of the corporation	Not available
d) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on significant lawsuits filed against the corporation and the possible results thereof	Not available

e) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the conflicts of interest of the corporation among the institutions that it purchases services on matters such as investment consulting and rating and the measures taken by the corporation in order to avoid from these conflicts of interest	Not available
f) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on the cross ownership subsidiaries that the direct contribution to the capital exceeds 5%	7. Section Affiliates and Subsidiaries
g) The page numbers and/or name of the sections in the Annual Report that demonstrate the information on social rights and professional training of the employees and activities of corporate social responsibility in respect of the corporate activities that arises social and environmental results	Our company has placed importance on social and cultural activities since its establishment. The company did not receive any complaints in relation to environmental damage during the period.

## 3. STAKEHOLDERS

### 3.1. Corporation's Policy on Stakeholders

The name of the section on the corporate website that demonstrates the employee remedy or severance policy	Our company does not have an indemnity policy.
The number of definitive convictions the company was subject to in relation to breach of employee rights	9
The position of the person responsible for the alert mechanism (i.e. whistleblowing mechanism)	Chairman of the Board Melih Çelet - Deputy Chairman Burak Çelet
The contact detail of the company alert mechanism	<a href="mailto:berrak.koten@desa.com.tr">berrak.koten@desa.com.tr</a>

### 3.2. Supporting the Participation of the Stakeholders in the Corporation's Management

Name of the section on the corporate website that demonstrates the internal regulation addressing the participation of employees on management bodies	There is no such internal regulation.
Corporate bodies where employees are actually represented	The Joint Working Board, Suggestion Evaluation Board, Disciplinary Board and Occupational Health and Safety Board.

### 3.3. Human Resources Policy

The role of the board on developing and ensuring that the company has a succession plan for the key management positions	There are no succession plans for key management positions.
The name of the section on the corporate website that demonstrates the human resource policy covering equal opportunities and hiring principles. Also provide a summary of relevant parts of the human resource policy.	<a href="https://desa.com.tr">desa.com.tr</a> / Our Policies / Human Resources Policy
Whether the company provides an employee stock ownership program	There is no employee stock ownership program.
The name of the section on the corporate website that demonstrates the human resource policy covering discrimination and mistreatments and the measures to prevent them. Also provide a summary of relevant parts of the human resource policy.	Investor Relations / Corporate Governance / Policies / Ethical Working Principles - <a href="https://desa.com.tr">desa.com.tr</a> / Our Policies / DESA Ethic Policy
The number of definitive convictions the company is subject to in relation to health and safety measures	None.
3.5. Ethical Rules and Social Responsibility	
The name of the section on the corporate website that demonstrates the code of ethics	Investor Relations / Corporate Governance / Policies / Our Ethical Values
The name of the section on the company website that demonstrates the corporate social responsibility report. If such a report does not exist, provide the information about any measures taken on environmental, social and corporate governance issues.	<a href="https://desa.com.tr">desa.com.tr</a> / Our Policies / Sustainability Policy / Environmental Policy
Any measures combating any kind of corruption including embezzlement and bribery	Our audit department took measures where necessary to combat all kinds of corruption.

## 4. BOARD OF DIRECTORS-I

### 4.2. Activity of the Board of Directors

Date of the last board evaluation conducted	There was no performance review of the board of directors in our company.
Whether the board evaluation was externally facilitated	No
Whether all board members released from their duties at the GSM	Yes
Name(s) of the board member(s) with specific delegated duties and authorities, and descriptions of such duties	Melih Çelet - Chairman of the Board / Burak Çelet - Deputy Chairman of the Board of Directors - General Manager
Number of reports presented by internal auditors to the audit committee or any relevant committee to the board	The Internal Audit Unit prepares various reports on the subjects audited daily.



Specify the name of the section or page number of the annual report that provides the summary of the review of the effectiveness of internal controls	Annual Report - Audit Committee
Name of the Chair	MELİH ÇELET
Name of the CEO	BURAK ÇELET
If the CEO and Chair functions are combined: provide the link to the relevant PDP announcement providing the rationale for such combined roles	The Chairman of the Board of Directors and the General Manager are different persons.
Link to the PDP notification stating that any damage that may be caused by the members of the board of directors during the discharge of their duties is insured for an amount exceeding 25% of the company's capital	No insurance policy has been taken out against the liabilities of the Members of the Board of Directors.
The name of the section on the corporate website that demonstrates current diversity policy targeting women directors	The relevant policy is not available in writing, but 40% of the members of the Board of Directors are currently women.
The number and ratio of female directors within the Board of Directors	Two of the five members (40%) are women.

Name-Surname	Position	Profession	Whether Executive Director Or Not	Whether Independent Board Member or not	The First Election Date to Board	Current Positions Held Outside the Company	Share Stake (%)
MELİH ÇELET	Executive Member	Member					
BURAK ÇELET	Executive Member	Member					
BURÇAK ÇELET	Non-Executive Member	Member					
NUMAN EMRE BİLGE	Non-Executive Member	Independent Member	30/03/2018	<a href="https://www.kap.org.tr/tr/Bildirim/668738">https://www.kap.org.tr/tr/Bildirim/668738</a>	Evaluated	No	Yes
BAHAR DENİZ EGEMEN	Non-Executive Member	Independent Member	1/4/2020	<a href="https://www.kap.org.tr/tr/Bildirim/834375">https://www.kap.org.tr/tr/Bildirim/834375</a>	Evaluated	No	Yes

#### 4. BOARD OF DIRECTORS - II

##### 4.4. Meeting Procedures of the Board of Directors

Number of physical or electronic board meetings in the reporting period	40
Director average attendance rate at board meetings	80%
Whether the board uses an electronic portal to support its work or not	None
Number of minimum days ahead of the board meeting to provide information to directors, as per the board charter	Depending on the meeting agenda, the information is provided 1-15 days before the meeting.
The name of the section on the corporate website that demonstrates information about the board charter	Investor Relations / Articles of Association
Number of maximum external commitments for board members as per the policy covering the number of external duties held by directors	Our company does not have a policy in place which prevents members of the Board of Directors from taking on other duties outside the company.

##### 4.5. Board Committees

Page numbers or section names of the annual report where information about the board committees are presented	1. Section - Board of Directors - Committees
Link(s) to the PDP announcement(s) with the board committee charters	<a href="https://www.kap.org.tr/tr/Bildirim/284245">https://www.kap.org.tr/tr/Bildirim/284245</a> - <a href="https://www.kap.org.tr/tr/Bildirim/1001911">https://www.kap.org.tr/tr/Bildirim/1001911</a> <a href="https://www.kap.org.tr/tr/Bildirim/478593">https://www.kap.org.tr/tr/Bildirim/478593</a>

##### Composition of Board Committees - I

Names of the Board Committees	Name of Committees Defined as "Other" in the First Column	Name-Surname of Committee Members	Whether Committee Chair or not	Whether Board Member or not
Corporate Governance Committee		BAHAR DENİZ EGEMEN	Yes	Board member
Corporate Governance Committee		BURÇAK ÇELET	No	Board member
Corporate Governance Committee		DR. A. BERRAK KÖTEN	No	Not a board member
Audit Committee		NUMAN EMRE BİLGE	Yes	Board member
Audit Committee		BAHAR DENİZ EGEMEN	No	Board member
Early Detection of Risk Committee		NUMAN EMRE BİLGE	Yes	Board member
Early Detection of Risk Committee		BURÇAK ÇELET	No	Board member

#### 4. BOARD OF DIRECTORS - III

##### 4.5. Board Committees-II

Specify where the activities of the audit committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Committees
Specify where the activities of the corporate governance committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Committees
Specify where the activities of the nomination committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Committees
Specify where the activities of the early detection of risk committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Committees
Specify where the activities of the remuneration committee are presented in your annual report or website (Page number or section name in the annual report/website)	Annual Report / Committees

##### 4.6. Financial Rights

Specify where the operational and financial targets and their achievement are presented in your annual report (Page number or section name in the annual report)	Our company has not disclosed any operational and financial performance targets to the public.
Specify the section of website where remuneration policy for executive and non-executive directors is presented.	Investor Relations / Corporate Governance / Remuneration Policy
Specify where the individual remuneration for board members and senior executives are presented in your annual report (Page number or section name in the annual report)	Investor Relations / Corporate Governance / Remuneration Policy and Corporate Governance Committee

##### Composition of Board Committees - II

Names of the Board Committees	Name of committees defined as "Other" in the first column	The Percentage of Non-executive Directors	The Percentage of Independent Directors in the Committee	The Number of Meetings Held in Person	The Number of Reports on its Activities Submitted to the Board
Corporate Governance Committee		100%	33%	2	2
Audit Committee		100%	100%	4	4
Early Detection of Risk Committee		100%	50%	6	1

# Sustainability Principles Compliance Statement

In the Corporate Governance Communiqué numbered II-17.1, necessary additions were placed in the 1<sup>st</sup> and 8<sup>th</sup> articles of the Corporate Governance Communiqué in order to ensure that the basic principles (Sustainability Principles Compliance Framework) that are expected to be disclosed while conducting the Environmental, Social and Corporate Governance activities of publicly held partnerships can be shared with stakeholders. The Communiqué (II-17.1.a) on the Amendment of the Corporate Governance Communiqué (II-17.1) was published in the Official Gazette on October 2, 2020 and entered force.

Within the scope of the relevant communiqué, DESA develops strategies to work in harmony with sustainability principles in all areas of operation and aims to conduct pioneering studies in its own sector. It implements and develops most of the principles specified in the Framework for Compliance with Sustainability Principles, and intensified its work on items where it was not possible to achieve full compliance.

## General Principles

### A1. Strategy, Policy and Goals

DESA's sustainability policies have been prepared for the purpose of determining the right strategy in sustainability activities and facilitating its applicability, and are published on the [www.desa.com.tr](http://www.desa.com.tr) website. The Sustainability Committee has started

work to determine the short and long-term targets, their implementations and ensure their traceability within the framework of these policies.

### A2. Implementation/Monitoring

The committee responsible for sustainability activities is elected with at least three members from the Board of Directors and is formed with the approval of the Board of Directors. The chairman of the committee is the CEO, and the secretary is the sustainability manager. The decision was taken for the Sustainability Committee to convene at least once a year. Key performance indicators have been prepared to ensure traceability in sustainability activities and are developed and monitored by the sustainability committee.

### A3. Reporting

Explanations regarding compliance with the principles specified in the Sustainability Principles Compliance Framework will be included in the annual report. Where there is a significant change in the specified explanations within the period, the relevant changes will be included in the interim annual reports every year. Work on the preparation of the DESA sustainability report is ongoing and we aim to publish the DESA Sustainability Report in 2023.

### A4. Verification

DESA has been conducting social compliance audits with SEDEX since 2016. In order to rate the environmental and social sustainability

throughout the supply chain, the company has undergone evaluation through the Higg Index FEM (Facility Environment Module) and FSLM (Facility Social Module) modules of the apparel and footwear industry self-assessment standard.

## B. Environmental Principles

We aim to develop the appropriate environmental sustainability strategy management to minimize activities that may have a potential negative impact on the environment and to protect the health of living things within the scope of efforts to tackle climate change. As part of our sustainability activities, we aim to publish a Sustainability Report through the Sustainability Committee to provide transparent information to all our stakeholders, by adopting the principle of being an exemplary company in its sector. In line with the Article 7 of UN- Sustainability Development Goals, "Clean Energy", we started to use renewable energy by generating more electricity than we need with the solar power plant installed on the roof of our Düzce factory. For the same purpose, we signed a contract for the establishment of a solar power plant in our Çorlu factory, and we continue our activities in regard to environmentally friendly energy production.

Within the framework of the protocol signed with the General Directorate of Forestry, we aim to reduce the harmful effects of our activities on the natural environment by planting 20,000 trees through the DESA Memorial Forest

project. Projects are being prepared to increase the number of trees in the coming period.

Following the approval of the "Green Deal" in 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.

## 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.

We care about social compliance, and in this context, we carry out continuous improvement and development activities through SEDEX.

In order to contribute to women's participation in professional life and to reduce gender inequality, we maintain the "Every Knot is Support for a Woman" project with the Foundation for the Support of Women's Work and we continue our work to increase the number of women working at DESA. With 40% of the members of DESA's board of directors being women, more than 50% of the employees in DESA's subsidiaries are women. Training is organized in order to support their education, reduce occupational

accidents, increase environmental awareness and support waste management.

### C2. Stakeholders, International Standards and Initiatives

In the sustainability report, which is planned to be published, the reporting standards, member organizations, committees and principles will be disclosed to the public.

In order to participate in the Borsa Istanbul Sustainability Index, DESA has embarked on a number of projects and created user memberships in the relevant sustainability assessment tool.

### D. Corporate Governance Principles

Our Corporate Governance Committee takes the environmental impact of sustainability activities into account, carries out work to ensure full compliance and takes measures accordingly. Social responsibility projects and awareness training are implemented to foster an awareness of sustainability and are followed up by the sustainability committee.

As stated in the Corporate Governance Principles, DESA takes the necessary measures to comply with the principles regarding stakeholders and to strengthen communication with stakeholders. Stakeholders' views are sought when determining the measures and strategies in the field of

sustainability. Efforts to tackle bribery and corruption and the principle of honesty in terms of taxation are supported within the scope of the Objectives 1 and 2 of the United Nations Sustainable Development Goals.

Our Sustainability Principles Compliance Report has been approved by our Company's Board of Directors and has been prepared in accordance with the format determined by the CMB's Decision number 34/977 dated 23 June 2022.

It is included in the Annual Report and also in the Public Disclosure Platform, which can be accessed from the Company's website.



# Sustainability Principles Compliance Report

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
<b>A. General Principles</b>					
<b>A1. Strategy, Policy and Goals</b>					
A1.1		X			The Sustainability Committee has begun work to identify ESG issues, risks and opportunities. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/b91f6906-cd87-49dc-86f8-0f654b061338.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/b91f6906-cd87-49dc-86f8-0f654b061338.pdf</a> <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/cacadbec-0963-4d54-b227-7b62cbef0a6c.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/cacadbec-0963-4d54-b227-7b62cbef0a6c.pdf</a>
	X				ESG policies such as the Environmental Policy, Energy Policy, Human Rights and Employee Policy, have been established by the Board of Directors and disclosed to the public. <a href="https://www.desa.com.tr/politikalarimiz/">https://www.desa.com.tr/politikalarimiz/</a>
A1.2			X		The sustainability committee has developed its strategy in regard to the targets and is working to disclose it to the public as soon as possible.

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
<b>A2. Implementation/Monitoring</b>					
A2.1	X				Members of the Sustainability Committee, their duties and authorities, working procedures and principles, duties and responsibilities have been determined and disclosed to the public. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/b91f6906-cd87-49dc-86f8-0f654b061338.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/b91f6906-cd87-49dc-86f8-0f654b061338.pdf</a>
			X		Activities carried out within the scope of policies by the responsible committee and/or unit are reported to the board of directors at least once a year. A sustainability committee has been established and the activities within the scope of the determined policies have not yet been reported to the board of directors.
A2.2				X	Implementation and action plans are developed and disclosed to the public in line with the ESG targets. Implementation and action plans will be disclosed to the public in line with DESA's Sustainability Policy.
A2.3				X	The ESG Key Performance Indicators (KPI) and the level of achievement in these indicators on an annual basis are disclosed to the public. Environmental, Social and Governance performance indicators have been determined and work in this vein has been initiated. After the activities were concluded, a comparative table will be added to the sustainability report, which is planned to be published in due course.
A2.4	X				Activities carried out to improve the sustainability performance of business processes or products and services have been disclosed to the public. Activities carried out to improve our sustainability performance have been set out on our website DESA.com.tr and in our annual report. <a href="https://www.desa.com.tr/sustainability">https://www.desa.com.tr/sustainability</a>

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
<b>A3. Reporting</b>					
A3.1	X				Our Annual Report includes our sustainability activities, actions and goals. DESA's annual reports are shared on our corporate website at <a href="https://www.desa.com.tr/faaliyet-raporlari/">desa.com.tr</a> .
A3.2			X		The Sustainability Committee has started its activities on the United Nations 2030 Sustainable Development Goals and will disclose these activities to the public.  The purpose of the activities carried out in energy issues has been shared on our website.
A3.3				X	No lawsuits filed against the Company in relation to ESG issues.
<b>A4. Verification</b>					
A4.1			X		ESG key performance metrics have been determined and the Company aims to have these verified by an independent third party in 2023 and disclose them to the public.
<b>B. Environmental Principles</b>					
B1	X				Strategies in the field of environmental management are determined within the scope of the Environment and Sustainability Policy and are fulfilled within the framework of the ISO 14001 standard.

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
B2			X		Meetings with the agencies for the sustainability report have been started but have not yet been published.
B3					Given in A2.1
B4		X			No environmental targets included in the reward criteria.
B5			X		DESA manages its decisions in line with its strategies and an awareness of the environmental issues in all its subsidiaries and service areas where it operates. The integration of strategies with activities has not yet been disclosed to the public.
B6					Given in A2.4
B7			X		We plan to create common targets with all of our stakeholders, to ensure the implementation of these targets and to carry out strategy work.



	Principle	Compliance Status				Report/ Link
		Yes	No	Partially	Irrelevant	
B8	Any involvement of relevant organizations and non-governmental organizations regarding the environment in the policy-making processes and any collaborations with these institutions and organizations has been disclosed to the public.			X		DESA's Memorial Forest activities were carried out with OGM in 2022, and 20,000 saplings were donated. Processes have been initiated with relevant NGOs on different environmental issues, and the work on these processes continues in 2023.
B9	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, biodiversity impacts regarding the impacts of the Company are periodically disclosed to the public on a comparable basis.			X		The waste produced and the licensed establishments to which waste is referred to are recorded in the Waste Management Practices of Ministry of Environment and Urbanization and their annual declarations are set out. Usage permits were obtained during the establishment phase and waste water is discharged from the outlets in accordance with the Water Pollution Control Regulation. Greenhouse gas emissions will be included in the content of the sustainability report, which is planned to be published in due course.
B10	Details of the standard, protocol, methodology and the base year used to collect and calculate data have been disclosed to public.			X		The standard used to collect and calculate data is determined, and details of the protocol, methodology and base year will be included in the sustainability report which is planned to be published in due course.
B11	Any improvement or deterioration in the environmental indicators for the reporting year in comparison with previous years is disclosed to the public.			X		The first DESA Sustainability Report is planned to be published in due course with comparative reports to be published in the following years.

	Principle	Compliance Status				Report/ Link
		Yes	No	Partially	Irrelevant	
B12	Short and long-term targets have been determined to reduce the Company's environmental impacts, and the progress of these targets and the targets determined in previous years has been disclosed to the public.			X		Short and long-term targets are being developed to reduce the negative impacts of the Company's activities on the environment, and the progress of these determined targets will be disclosed to the public after they are implemented.
B13	A strategy to tackle the climate crisis has been set out and the planned actions have been disclosed to the public.	X				Effective strategies for tackling the climate crisis have been established in the published Environment and Sustainability Policy and disclosed to the public. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/cacadbec-0963-4d54-b227-7b62cbef0a6c.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/cacadbec-0963-4d54-b227-7b62cbef0a6c.pdf</a> <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/e645b5c2-539b-408c-8f6d-0e0bb1de959c.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/e645b5c2-539b-408c-8f6d-0e0bb1de959c.pdf</a>
B14	Programs or procedures to prevent or minimize the potential negative impacts of the products and/ or services on the environment have been established and disclosed to the public.	X				In order to reduce the negative impacts of production activities on the environment, the Sustainability Committee manages the Environment and Sustainability Policy, with the primary target of reducing the negative impacts of the company's activities on the environment and managing the carbon footprint reduction efforts. In this context, renewable energy usage, energy efficiency measures, tree planting activities and all other ESG activities are published on our website. <a href="https://www.desa.com.tr/enerji/">https://www.desa.com.tr/enerji/</a> <a href="https://www.desa.com.tr/orman/">https://www.desa.com.tr/orman/</a>
	Actions have been taken to reduce greenhouse gas emissions of third parties (such as suppliers, subcontractors and dealers) and these actions have been disclosed to the public.		X			We aim to carry out management and strategy work studies in order to create common goals with all stakeholders and ensure the implementation of these goals throughout the value chain.

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
B15			X		Work to reduce the negative impact of the company's activities on the environment have been initiated and are continuing and the benefits/profit and cost savings arising from this work will be shared in the sustainability report that is planned to be published in due course.
B16			X		Energy consumption data and Scope-1 and Scope-2 calculations will be shared in the sustainability report, which is planned to be published in due course.
B17			X		The records of Solar energy generated in the DESA Düzce factory and the consumption data are shared with DESA business partners and have not yet been disclosed to the public. A contract has been signed for the construction of a solar power plant at the DESA Çorlu factory.
B18	X				<p>Within the scope of DESA Energy Policy, work aimed at increasing the use of renewable energy continues and our solar power plant established on the roof of our Düzce factory has been operating since 2022.</p> <p>Our renewable power plant project, which will be established on the roof of our Çorlu factory in 2023, has been announced on kap.gov.tr, and details of the project are set out there.</p>

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
B19			X		The records of Solar energy generated at the DESA Düzce factory and consumption data is shared with DESA business partners. It has not yet been disclosed to the public.
B20			X		Our energy efficiency projects have been implemented in DESA stores and in all of our factories, and a high-efficiency system has been adopted. Details of the reduction in emissions have not yet been disclosed to the public, and work in this area is planned to be carried out.
B21			X		The amounts of water used in DESA's activities are planned to be monitored within the scope of the DESA Performance Indicators and will be disclosed to the public when the studies are completed.
B22				X	We are not included in any carbon pricing system.
B23				X	No carbon credits are used.
B24				X	Carbon pricing is not applied.
B25	X				Our environmental information is presented on our website and in our annual report.



Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
<b>C. Social Principles</b>					
<b>C1. Human Rights and Employee Rights</b>					
C1.1			X		The Corporate Human Rights and Employee Rights Policy is implemented in a manner which covers the ILO conventions ratified by Turkey and other relevant legislation within the scope of DESA's Declaration of Human Rights, and work is being carried out to disclose the current version to the public. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/17/0bf3d10c-8433-4e91-91bf-523c3d767bfa.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/17/0bf3d10c-8433-4e91-91bf-523c3d767bfa.pdf</a>
C1.2			X		Our policy on employee rights is being reassessed to cover the supply and value chain, and will be disclosed to the public when the work is completed.
C1.3	X				Measures taken along the value chain regarding the observance of certain economic, environmental, social factors (regarding low-income groups, women, etc.) or minority rights/equality of opportunity have been disclosed to the public. <a href="https://www.desa.com.tr/sosyal-sorumluluk/">https://www.desa.com.tr/sosyal-sorumluluk/</a>

Principle	Compliance Status				Report/ Link
	Yes	No	Partially	Irrelevant	
C1.4	X				Developments regarding preventive and corrective practices to tackle discrimination, inequality, human rights violations, forced and child labor have been disclosed to the public. DESA's Anti-Discrimination Procedure, DESA's Child and Young Workers Employment Procedure includes the necessary regulations and obligations to reduce inequalities and prevent child labour. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/916081be-5b56-49a1-a962-eeef1dca8992.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/916081be-5b56-49a1-a962-eeef1dca8992.pdf</a> <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/15e503fb-0a74-4416-8907-d77cadad4bab.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/15e503fb-0a74-4416-8907-d77cadad4bab.pdf</a>
C1.5	X				Investments in employees (training and development policies), compensation, recognized fringe benefits, unionization rights, work/life balance solutions and talent management are included in the employee rights policy. Dispute resolution processes have been determined by establishing mechanisms for employee complaints and resolution of disputes. DESA's Training Procedure and Social Security Policies are available and published on our website. DESA has determined processes to handle employee complaints and resolve disputes. A complaint system is in place with the Joint Working Committee. It is also supported by the Individual Suggestion System Procedure.
				X	Activities carried out within the reported period to ensure employee satisfaction were disclosed to the public. Activities are carried out to ensure employee satisfaction, but no report has yet been publicly disclosed. The working committee manages the relevant activities.
C1.6	X				Occupational health and safety policies have been established and disclosed to the public. Measures taken to prevent occupational accidents and protect health along with accident statistics have been disclosed to the public. The Occupational Health and Safety policy is available and will be published on our website. The DESA Occupational Health and Safety Policy sets out the strategy of preventing occupational accidents and protecting health, and accident statistics have not yet been disclosed to the public. <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/90108450-5184-4efb-b8e3-9e8c1e3c09ed.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/90108450-5184-4efb-b8e3-9e8c1e3c09ed.pdf</a> <a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/90108450-5184-4efb-b8e3-9e8c1e3c09ed.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/90108450-5184-4efb-b8e3-9e8c1e3c09ed.pdf</a>

Principle	Compliance Status				Explanation	Report/ Link
	Yes	No	Partially	Irrelevant		
C1.7	X				Our Clarification Text on Personal Data Protection Law is available on our website at <a href="https://www.desa.com.tr/kisisel-verilerin-korunmasi-kanunu/">desa.com.tr/kisisel-verilerin-korunmasi-kanunu/</a>	<a href="https://www.desa.com.tr/kisisel-verilerin-korunmasi-kanunu/">https://www.desa.com.tr/kisisel-verilerin-korunmasi-kanunu/</a>
C1.8	X				Our ethical principles have been established and are available on our website at <a href="https://www.desa.com.tr">desa.com.tr</a> .	<a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/d34258b6-5eac-4e5b-b8fb-ed65a810b94b.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/d34258b6-5eac-4e5b-b8fb-ed65a810b94b.pdf</a>
C1.9	X				Our social responsibility activities are explained in detail on our website and in our annual reports.	<a href="https://www.desa.com.tr/sosyal-sorumluluk/">https://www.desa.com.tr/sosyal-sorumluluk/</a>
C1.10	X				Employees received training on environmental awareness and zero waste.	
<b>C2. Stakeholders, International Standards and Initiatives</b>						
C2.1			X		Working with an approach which always attaches importance to customer satisfaction, DESA supports the complaint collection system through its membership of sikayet.com. DESA holds the Customer Satisfaction Management System ISO 10002:2018 certificate and maintains its work in regard to this standard.	<a href="https://14231c.cdn.akinoncloud.com/cms/2023/02/16/e7711f79-2496-4443-859e-94d904a5f8a6.pdf">https://14231c.cdn.akinoncloud.com/cms/2023/02/16/e7711f79-2496-4443-859e-94d904a5f8a6.pdf</a>
C2.2			X		Work in the field of communications is carried out with stakeholders and has not yet been disclosed to the public.	
C2.3			X		We aim to provide information on the reporting standard in the sustainability report, which is planned to be published in due course.	

Principle	Compliance Status				Explanation	Report/ Link
	Yes	No	Partially	Irrelevant		
C2.4			X		Work on becoming a signatory to organizations related to sustainability is ongoing.	
C2.5	X				Improvements were put in place and studies were carried for inclusion in the sustainability indices of Borsa Istanbul and/or international index providers.	<a href="https://www.desa.com.tr/sosyal-sorumluluk/">https://www.desa.com.tr/sosyal-sorumluluk/</a>
<b>D. Corporate Governance Principles</b>						
D1	X				The views of stakeholders were sought in determining measures and strategies on sustainability.	<a href="https://www.desa.com.tr/sosyal-sorumluluk/">https://www.desa.com.tr/sosyal-sorumluluk/</a>
D2	X				Social responsibility projects, awareness activities and training programs have been carried out to raise awareness regarding the issues of sustainability and their importance.	<a href="https://www.desa.com.tr/sosyal-sorumluluk/">https://www.desa.com.tr/sosyal-sorumluluk/</a>



## The List of Our Stores

### ADANA

- DESA Real M1

### ANKARA

- DESA Migros
- DESA Cepa
- DESA Armada
- DESA Kentpark
- DESA Metromall
- DESA Atakule
- DESA Arcadium

### ANTALYA

- DESA Migros
- DESA Deepo
- DESA Terracity
- DESA Land of Legends
- DESA Antalya Airport

### AYDIN

- DESA Kuşadası

### AFYON

- DESA Afium

### BİLECİK

- DESA Bozüyük

### BURSA

- DESA Korupark

### DENİZLİ

- DESA Forum

### EDİRNE

- DESA Edirne Erasta

### ESKİŞEHİR

- DESA Espark

### GAZİANTEP

- DESA Sankopark

### İSTANBUL

- DESA Beyoğlu
- DESA Capitol
- DESA Nişantaşı Abdi İpekçi
- DESA Suadiye
- DESA Fabrika
- DESA Carousel
- DESA Palladium
- DESA İstinyepark
- DESA Viaport
- DESA Ataköy Konakları
- DESA Göztepe
- DESA Cevahir
- DESA Akbatı
- DESA Akasya
- DESA Mall of İstanbul
- DESA Marmarapark
- DESA Aquaflorya
- DESA Vadistanbul
- DESA Akmerkez
- DESA Maltepe Piazza

### OVERSEAS STORE

- 1972 Abroad Airport Stores.

### OVERSEAS FRANCHISE

- KKTC City Mall AVM

### ONLINE STORE

- desa.com.tr
- 1972desa.com
- samsonite.com.tr
- tumi.com.tr

### DIGITAL SHOWROOM

### İZMİR

- DESA Mavibahçe
- DESA Agora
- DESA Forum
- DESA Selway
- 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 SAMSONITE

- Adana, Optimum Samsonite
- Ankara, Ankamall Samsonite
- Ankara, Kentpark Samsonite
- Ankara, Esenboğa Samsonite
- Ankara, 365 Ankara Samsonite
- Antalya, Airport Samsonite
- Antalya, Airport 2<sup>nd</sup> International Lines Samsonite
- Antalya, Terra City Samsonite
- Antalya, Migros Samsonite
- Antalya, Markaantalya Samsonite
- Antalya, Deepo Samsonite
- Antalya, Airport Samsonite
- Gaziantep, Sanko Park Samsonite
- Gaziantep, Primemall Samsonite
- 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, Vadistanbul Samsonite
- İstanbul, Capacity Samsonite
- İstanbul, İGA THY Samsonite
- İzmir, Optimum Samsonite
- İzmir, Agora Samsonite
- İzmir, Hiltown Samsonite
- Muğla, Midtown Bodrum Samsonite
- Muğla, Fethiye Erasta Samsonite

### SAMSONITE JV

- Ankara, Acity Outlet
- Ankara, Armada
- Bursa, Carrefour
- İstanbul, Kanyon
- İstanbul, Cevahir
- İHL TUMİ
- İHL ZONE-9
- İHL ZONE-1
- İHL Pier-5
- İHL ZONE-6
- İstanbul, Viaport
- İstanbul, Buyaka
- İstanbul, Akmerkez Tumi
- İstanbul, Galataport
- İzmir, Adnan Menderes Airport Domestic Lines
- Muğla, Bodrum Airport

### DESA Internazionale

- [www.desainternazionale.it](http://www.desainternazionale.it)





# Independent Auditor's Report in Relation to the Annual Activity Report of the Board of Directors

To the General Assembly of DESA Deri Sanayi ve Ticaret Anonim Şirketi

## 1) Limited Positive Opinion

Since we have audited the full set of financial statements of DESA Deri Sanayi ve Ticaret Anonim Şirketi (the "Company") for the 1 January - 31 December 2022 accounting period, we have also audited the annual activity report for this accounting period.

In our opinion, with the exception of the subject specified in the Basis of Limited Positive Opinion section, the financial information included in the annual report of the Board of Directors and the examinations of the Board of Directors 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 set out in detail in the footnote of the Financial Investments (Note:3 Shares in Other Entities), the Company should present its subsidiary, which should be measured by reflecting any change in its fair value to the profit or loss, at cost prices in accordance with TFRS 9 (Financial Instruments Standard), and by consolidating it in its financial statements in accordance with TFRS 10 (Consolidated Financial Statements Standard), and show the subsidiaries under its control, as financial asset at their cost prices. The company was unable to carry out an impairment study for these financial assets by the year-end. If the aforementioned liabilities are accounted for in the financial statements dated 31 December 2022, we are unable to declare our opinion on whether there is a situation which needs to be adjusted regarding the effect of this information on the financial statement items.

Our independent audit was carried out in accordance with the Independent Auditing Standards published by the Capital Markets Board and the Independent Auditing Standards (IAS), which are a 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 Independent Auditor's Responsibilities for the Independent Audit of the Annual Report of our report. We hereby declare that we are independent from the Company in accordance with the Code of Ethics for Independent Auditors (Ethical Rules) published by KGK and the ethical provisions in the legislation on independent auditing. Other ethical responsibilities within the scope of the Code of Ethics and legislation have also been fulfilled by ourselves. We believe that the evidence from the independent audit which we have obtained during the independent audit forms a sufficient and appropriate basis to build our limited positive opinion.

## 3) Our Auditor's View on 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 16 February 2023 in regard to the full set financial statements of the Company for the 1 January - 31 December 2022 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 the Communiqué No. II-14.1 "Communiqué on Principles of Financial Reporting in the Capital Markets" of the Capital Markets Board ("CMB").

a) To prepare the annual report in the first three months following the balance sheet date 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 clearly. 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 cash facilities, insurances and similar guarantees paid to the members of the Board of Directors and senior executives.

The Board of Directors also takes into account the secondary legislative regulations set out by the Ministry of Customs and Trade and related institutions in the preparation of the annual report.

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

Within the framework of the provisions of the TCC and the Communiqué, our aim is to provide an opinion on whether the financial information included in the annual report and the analysis made by the Board of Directors 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.

Our independent audit was carried out in accordance with the Independent Auditing Standards published by the Capital Markets Board and the BDSs. These standards stipulate that the independent audit should be conducted in compliance with ethical provisions and the independent audit should be planned and conducted to obtain reasonable assurance on whether the financial information in the annual report and the analysis conducted by the Board of Directors is consistent with the financial statements and the information obtained during the audit, and whether this information reflects the truth.

Ergun Şenlik was the appointed auditor who conducted and concluded this independent audit.

Istanbul, 17 February 2023

BİRLEŞİM NEKS BAĞIMSIZ DENETİM A.Ş.  
Ergun ŞENLİK  
Responsible Auditor





## Declaration of Responsibility for the Annual Report

**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 our Annual Report, which has been independently audited for the period 1 January 2022- 31 December 2022.
- 2- On the basis of the information we are party to in the course of our activities and responsibility within the company, the Annual Report does not contain inaccurate statements on material matters or any shortcomings that may be deemed as misleading as of the date of disclosure.
- 3- On the basis of the information to which we are party to during the course of our duties and responsibilities, the Annual Report for the period of 1 January - 31 December 2022 faithfully reflects the development and performance of the business and the financial standing of the Company along with the risks and uncertainties which it faces.

Chairman of the Board of Directors  
MELİH ÇELET

General Manager  
BURAK ÇELET

Deputy General Manager  
AYHAN DİRİBAŞ

## Declaration of Responsibility for the Financial Statements

**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 our independently audited Financial Statements for the period 1 January - 31 December 2022.
- 2 - On the basis of the information we have in the field of our activities and our responsibility within the company, the Financial Statements do not contain inaccurate statements on material matters or any shortcomings that may be deemed to be misleading as of the date of disclosure.
- 3- On the basis of the information which we are party to in the course of our duties and responsibilities within the Company, the Financial Statements, which have been prepared in accordance with the Financial Reporting Standards in force, fairly reflect the truth relating to the assets, liabilities and financial standing as well as the Company's profits and losses.

Chairman of the Board of Directors  
MELİH ÇELET

General Manager  
BURAK ÇELET

Deputy General Manager  
AYHAN DİRİBAŞ



# Financial Statements



DESA Deri Sanayi ve Ticaret A.Ş.

## Financial Statements Pertaining to the Accounting Period Ending Between 1 January and 31 December 2022 and Independent Auditor's Report



## Independent Auditor's Report

To the Board of Directors of Desa Deri Sanayi ve Ticaret Anonim Şirketi

### A. Independent Audit of Financial Statements

#### 1. Limited Positive Opinion

We have audited the financial statements of Desa Deri Sanayi ve Ticaret Anonim Şirketi ("The Company") for the period ending 31 December 2022, including the footnotes to the financial statements and the statement of profit or loss and statement other comprehensive income, the statements of changes in shareholders' equity, the statement of cash flows for the accounting period ending on the same date and the summary of significant accounting policies.

In our opinion, the accompanying financial statements fairly present, in all material respects, the financial position of the Company as of 31 December 2022, its financial performance and its cash flows for the accounting period ending on the same date in accordance with the 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 Footnote 3 of the Financial Investments (Shares in Other Entities), the Company recognizes its affiliate, in which the fair value change should be reflected to the profit or loss pursuant to the TFRS 9 standard on Financial Instruments and its subsidiaries it controls, which it is obliged to present by consolidating in its financial statements pursuant to the TFRS10 standard on Consolidated Financial Statements, as a financial asset at cost. If such liabilities are recognized in the financial statements dated 31 December 2020, we are unable 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 evidence we found during the course of 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 the 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 thereof, 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 identified the matters described below as key audit matters and reported in our report.

<b>Recording Revenue In the Financial Statements</b>	<b>How The Matter Was Addressed In The Audit</b>
<p>In the recording of Revenue, the Company generated sales revenue of TL 1,358,955,850 in the period between 1 January 2022 and 31 December 2022.</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 the economic benefits arising from the transactions are acquired by the Company. Revenue represents one of the most significant amounts in the Company's income statement and represents 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 standard on "Revenue from Contracts with Customers" with effect from 1 January 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 was as follows;</p> <ul style="list-style-type: none"> <li>• Understanding the recognition process relating to the revenue,</li> <li>• Assessing the accuracy and completion of the amounts constituting basis for the calculations, assessing whether the amount reflected in the financial statements as a provision was a liability arising from events having taken place in previous periods and assessing the possibility regarding outflow of resources embodying economic benefits from the Company.</li> </ul>
<b>Revaluation In Tangible Fixed Assets</b>	<b>How The Matter Was Addressed In The Audit</b>
<p>Land and buildings recorded under tangible fixed assets in our company's financial statements and fixed assets held for sale are recognized at their re-appraised value.</p> <p>On 31 December 2022, valuations made by an independent professional appraiser found an increase in the value of the land, buildings and property for investment purposes. Accordingly, the value appraised for the land was TL 53,535,000 and the value appraised for the buildings is TL 153,365,000 and the value appraised for property for investment purposes was TL 13,740,000. The revaluation of the said land, buildings and real estate investments present a significant effect on the financial statements.</p>	<p>Within the scope of the audit activities carried out, the adequacy of the revaluation performed by the appraisers of the independent appraisal company, the expedience and reasonability of the findings and the conclusions obtained by the appraisers as well as consistency of these findings and conclusions with other audit evidence was assessed. The reconciliation of the value determined by the appraisers for the real estate as specified in revaluation reports with the values set out in footnote 11 and footnote 25 was checked.</p> <p>There were no significant findings were in the study which we carried out in connection with the revaluation in tangible fixed assets.</p>

<b>Inventory Valuation Method</b>	<b>How The Matter Was Addressed In The Audit</b>
<p>Inventories are one of the significant assets in the Company's financial statements.</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 ending 31 December 2022.</p> <p>The Company recognizes its inventories of raw leather, processed leather and other textile materials at the cost or net realizable value, whichever is the lower, in accordance with the TAS 2 standard on Inventories.</p> <p>The company procures raw materials from domestic and foreign markets.</p> <p>In our audit activities, we have focused on this issue for the following reasons:</p> <p>The inventory cost calculation method is the process costing system 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>During our audit, the following audit procedures were applied in connection with the inventory valuation method:</p> <ul style="list-style-type: none"> <li>• Analytical evaluations and detail tests related to the recording and valuation process of inventories have been carried out.</li> <li>• The Physical presence of inventories has been confirmed by the stocktaking carried out under supervision of specialists employed within the Company.</li> <li>• The technical competence and capability of the specialist utilized during the stocktaking has been evaluated.</li> <li>• The mathematical conformity of the data used in the valuation study has been tested.</li> <li>• Inventory valuation methods, technical data and components they contain have been evaluated and tested for their suitability.</li> <li>• 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.</li> </ul> <p>Our examination of the inventory valuation method did not produce any significant findings.</p>

#### 4. Responsibilities of the Management and Senior Management in relation to the Financial Statements

The Company management is responsible for the preparation of the financial statements in accordance with the TASs, its presentation in a fair manner and the internal control it deems necessary for the preparation of the financial statements in a manner that does not contain 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 responsible for the senior management are responsible for the supervision of the Company's financial reporting process.

#### 5. Responsibilities of the Independent Auditor for the Independent Audit of the Financial Statements

In an independent audit, our responsibilities as independent auditors are as follows;

- 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 that includes our opinion. Although the reasonable assurance provided as a result of an independent audit conducted in accordance with the IASs is a high level of assurance, it is not a guarantee that an existing significant misstatement would be discovered. Misstatements may arise from fraud or error. They are considered material if, individually or combined, 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 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)
- 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, whether a material uncertainty exists related to events or conditions that 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.

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

We have notified those responsible for the senior management that we have complied with the ethical provisions regarding independence. In addition, we have conveyed all relations and other issues that may be considered to have an impact on independence, and the relevant measures, if any, to those responsible for the senior management.

Among the matters reported to the senior management, we identify the most important matters, namely the key audit matters, in the independent audit of the financial statements for the current period. In cases where the legislation did not allow the disclosure of the matter to the public, or in exceptional cases where the negative consequences of public disclosure are reasonably expected to exceed the public interest arising from the disclosure, we may decide not to disclose the relevant matter in our independent auditor’s report.

#### **B. Other Legal and Regulatory Requirements**

1. Pursuant to the fourth paragraph of Article 398 of the 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 16 February 2023.
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 1 January - 31 December 2022, 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 with the necessary explanations and required documents in connection with the audit.

This independent audit was concluded and concluded by Ergun ŞENLİK.

İstanbul, 16 February 2023

BİRLEŞİM NEKS BAĞIMSIZ DENETİM A.Ş.  
Ergun ŞENLİK  
Responsible Auditor



## DESA Deri Sanayi ve Ticaret A.Ş.

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DESA Deri Sanayi Ve Ticaret Anonim Şirketi

## Financial Statements Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

		<i>Independently Audited</i>	<i>Independently Audited</i>
	Footnote Reference	Current Period 31.12.2022	Previous Period 31.12.2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	205.354.810	147.111.619
Financial Investments		265.882.311	-
<i>Financial Investments Held to Maturity</i>	6	265.693.854	-
<i>Restricted Bank Balances</i>	6	188.457	-
Trade Receivables	8	189.621.987	89.273.510
<i>Trade Receivables from Related Parties</i>	4	166.442.252	77.822.303
<i>Trade Receivables from Unrelated Parties</i>	8	23.179.735	11.451.207
Other Receivables	9	8.740.585	7.261.477
<i>Other Receivables from Related Parties</i>	4	8.454.640	6.709.879
<i>Other Receivables from Unrelated Parties</i>	9	285.945	551.598
Inventories	10	163.022.348	154.909.802
Prepaid Expenses	11	18.594.040	13.994.229
<i>Prepaid Expenses to Related Parties</i>	4	10.095	10.095
<i>Prepaid Expenses to Unrelated Parties</i>	11	18.583.945	13.984.134
Assets Related to Current Period Tax	29	34.698.795	2.375.472
Other Current Assets		320.009	385.133
<i>Other Current Assets to Unrelated Parties</i>	21	320.009	385.133
Fixed assets classified for sale	28	-	6.210.000
<b>TOTAL CURRENT ASSETS</b>		<b>886.234.885</b>	<b>421.521.242</b>
<b>Fixed Assets</b>			
Financial Investments		7.906.388	7.724.212
<i>Financial Assets Measured at Amortised Cost</i>	3	7.906.388	7.724.212
Other Receivables	9	15.328.445	336.337
<i>Other Receivables from Related Parties</i>	4	14.853.098	-
<i>Other Receivables from Unrelated Parties</i>	9	475.347	336.337
Investments Valued by Equity Method	3	51.908.021	18.574.853
Right of use Assets	12	48.040.603	49.125.659
Investment Properties	15	13.740.000	-
Tangible Fixed Assets	13	236.845.206	125.194.654
Intangible Fixed Assets	14	519.895	569.770
Deferred Tax Assets	29	22.496.502	12.388.319
<b>TOTAL FIXED ASSETS</b>		<b>396.785.060</b>	<b>213.913.804</b>
<b>TOTAL ASSETS</b>		<b>1.283.019.945</b>	<b>635.435.046</b>

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

DESA Deri Sanayi Ve Ticaret Anonim Şirketi

## Financial Statements Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

		<i>Independently Audited</i>	<i>Independently Audited</i>
	Footnote Reference	Current Period 31.12.2022	Previous Period 31.12.2021
<b>LIABILITIES</b>			
<b>Short Term Liabilities</b>			
Short Term Financial Liabilities	7	28.671.428	29.800.860
<i>Bank Loans</i>	7	5.802.017	3.787.394
<i>Short term Contractual Lease Liabilities</i>	7	22.632.734	25.977.243
<i>Other Short Term Financial Liabilities</i>	7	236.677	36.223
Short Term Portion of Long-Term Financial Liabilities	7	57.913.139	42.853.115
<i>Bank Loans</i>	7	57.913.139	42.853.115
Trade Payables	8	334.737.758	153.491.310
<i>Trade Payables to Related Parties</i>	4	96.093.671	27.004.683
<i>Trade Payables to Unrelated Parties</i>	8	238.644.087	126.486.627
Payables within the Scope of Benefits to Employees	19	14.420.410	7.493.781
Other Payables	9	23.046.188	7.525.921
<i>Other Payables to Unrelated Parties</i>	9	23.046.188	7.525.921
Deferred Income	11	25.363.326	7.641.714
<i>Deferred Income from Related Parties</i>	4	20.013.734	3.676.788
<i>Deferred Income from Unrelated Parties</i>	11	5.349.592	3.964.926
Tax liability on profit for the period	29	65.999.499	6.561.288
Short Term Provisions		10.802.912	5.599.549
<i>Short Term Provisions for Benefits to Employees</i>	18	7.553.657	3.766.744
<i>Other Short-Term Provisions</i>	18	3.249.255	1.832.805
<b>TOTAL SHORT-TERM LIABILITIES</b>		<b>560.954.660</b>	<b>260.967.538</b>
<b>Long Term Liabilities</b>			
Long Term Financial Liabilities	7	94.192.257	138.428.458
<i>Bank Loans</i>	7	71.113.602	117.197.828
<i>Long term Contractual Lease Liabilities</i>	7	23.078.655	21.230.630
Other Liabilities	9	-	133.731
<i>Other Liabilities to Unrelated Parties</i>	9	-	133.731
Long Term Provisions	18	7.764.031	5.322.268
<i>Long-Term Provisions for Benefits to Employees</i>	18	7.764.031	5.322.268
Deferred Tax Liability	29	46.044.490	22.632.352
<b>TOTAL LONG-TERM LIABILITIES</b>		<b>148.000.778</b>	<b>166.516.809</b>
<b>SHAREHOLDER'S EQUITY</b>			
<b>Shareholder's Equity of the Parent Company</b>			
Paid in Capital	22	574.064.507	207.950.699
Capital Adjustment Differences	22	49.221.970	49.221.970
Other Accumulated Comprehensive Income or Expenses Not to be		5.500.255	5.500.255
Reclassified in Profit or Loss		170.150.739	91.249.084
<i>-Gains (Losses) on Revaluation of Property, Plant and Equipment</i>	22	176.576.661	94.384.117
<i>-Gains (Losses) on Recalculation of Defined Benefit Plans</i>	22	(6.425.922)	(3.135.033)
Reserves on Retained Earnings	22	3.124.610	1.207.513
Accumulated Profits or Losses	22	58.672.812	14.420.002
Net Profit or Loss for the Period	22	287.394.121	46.351.875
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>574.064.507</b>	<b>207.950.699</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.283.019.945</b>	<b>635.435.046</b>

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



DESA Deri Sanayi Ve Ticaret Anonim Şirketi

### Income Statement Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

	Footnote Reference	<i>Independently Audited</i>	<i>Independently Audited</i>
		Current Period 01.01.- 31.12.2022	Previous Period 01.01.- 31.12.2021
<b>PROFIT OR LOSS PART</b>			
Revenues	23	1.358.955.850	432.405.300
Cost of Goods sold (-)	23	(793.746.820)	(240.677.306)
<b>GROSS PROFIT/LOSS FROM COMMERCIAL ACTIVITIES</b>		<b>565.209.030</b>	<b>191.727.994</b>
<b>GROSS PROFIT/LOSS</b>		<b>565.209.030</b>	<b>191.727.994</b>
General Administrative Expenses (-)	24	(31.500.857)	(15.894.109)
Sales and Marketing Expenses (-)	24	(253.249.896)	(103.027.063)
Research and Development Expenses (-)	24	(4.267.317)	(2.086.778)
Other Income from Operating Activities	25	97.298.485	52.170.803
Other Expenses from Operating Activities (-)	25	(59.572.851)	(55.620.650)
<b>OPERATING PROFIT/LOSS</b>		<b>313.916.594</b>	<b>67.270.197</b>
Income from Investment Activities	26	7.622.786	6.237.622
Expense from Investment Activities (-)	26	-	-
Shares of Profits (Losses) from Investments Evaluated by Equity Method	3	33.333.168	8.811.453
<b>OPERATING PROFIT/LOSS BEFORE FINANCING INCOME (EXPENSE)</b>		<b>354.872.548</b>	<b>82.319.272</b>
Financing Income	27	83.577.610	57.039.986
Financing Expenses (-)	27	(81.449.977)	(85.979.022)
<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAX</b>		<b>357.000.181</b>	<b>53.380.236</b>
<b>Tax Expense/Income on Continuing Operations</b>		<b>(69.606.060)</b>	<b>(7.028.361)</b>
Tax Expense/Income for the period	29	(65.999.499)	(6.561.288)
Deferred Tax Expense/Income	29	(3.606.561)	(467.073)
<b>PROFIT/LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>		<b>287.394.121</b>	<b>46.351.875</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>287.394.121</b>	<b>46.351.875</b>
<b>Distribution of profit / loss for the period</b>		<b>287.394.121</b>	<b>46.351.875</b>
Non-Controlling Shares		-	-
Parent Company's Shares		-	-
<b>Earnings per Share</b>		<b>-</b>	<b>-</b>
<b>Earnings per Share from Continuing Operations</b>		<b>0,0584</b>	<b>0,0094</b>

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

DESA Deri Sanayi Ve Ticaret Anonim Şirketi

### Other Comprehensive Income Statement Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

	Footnote References	<i>Independently Audited</i>	<i>Independently Audited</i>
		Current Period 01.01.- 31.12.2022	Previous Period 01.01.- 31.12.2021
<b>PROFIT/LOSS FOR THE PERIOD</b>			
		<b>287.394.121</b>	<b>46.351.875</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other Comprehensive Income that will Not be Reclassified to Profit or Loss</b>		<b>78.901.655</b>	<b>66.956.539</b>
Other Comprehensive Income that will Not be Reclassified to Profit or Loss		<b>88.599.049</b>	<b>76.412.388</b>
Gains (Losses) on Revaluation of Tangible Fixed Assets	22	92.872.931	77.177.985
Gains (Losses) on Recalculation of Defined Benefit Plans	22	(4.273.882)	(765.597)
Taxes Relating to Components of Other Comprehensive Income that will Not be Reclassified To Profit Or Loss		<b>(9.697.394)</b>	<b>(9.455.849)</b>
- Gains (Losses) on Revaluation of Tangible Fixed Assets, Tax Impact	22	(10.680.387)	(9.647.248)
- Gains (Losses) on Recalculation of Defined Benefit Plans, Tax Impact	22	982.993	191.399
<b>OTHER COMPREHENSIVE INCOME (AFTER TAX)</b>		<b>78.901.655</b>	<b>66.956.539</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>366.295.776</b>	<b>113.308.414</b>

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

DESA Deri Sanayi Ve Ticaret Anonim Şirketi

## Statement of Changes in Equity Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

	Paid in Capital	Capital Adjustment Differences	Accumulated Other Comprehensive Income or Expenses that will not be Reclassified in Profit or Loss		Restricted Profit Reserves	Accumulated Profit /Losses	Net Profit / Loss for the Period	Total Shareholders' Equity
			Tangible Fixed Assets Revaluation Gains / Losses	Defined Benefit Plans Recalculation Gains / Losses				
<b>Balance as of 1st January 2021</b>	<b>49.221.970</b>	<b>5.500.255</b>	<b>26.853.380</b>	<b>(2.560.835)</b>	<b>1.035.614</b>	<b>12.886.947</b>	<b>1.646.934</b>	<b>94.584.265</b>
Transfers	-	-	-	-	171.899	1.475.035	(1.646.934)	-
Total Comprehensive Income (Loss)	-	-	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
<b>Balance as of 31 December 2021</b>	<b>49.221.970</b>	<b>5.500.255</b>	<b>94.384.117</b>	<b>(3.135.033)</b>	<b>1.207.513</b>	<b>14.420.002</b>	<b>46.351.875</b>	<b>207.950.699</b>
<b>Balance as of 1st January 2022</b>	<b>49.221.970</b>	<b>5.500.255</b>	<b>94.384.117</b>	<b>(3.135.033)</b>	<b>1.207.513</b>	<b>14.420.002</b>	<b>46.351.875</b>	<b>207.950.699</b>
Transfers	-	-	-	-	1.917.097	44.434.778	(46.351.875)	-
Total Comprehensive Income (Loss)	-	-	82.192.544	(3.290.889)	-	-	-	78.901.655
Impact due to Other Changes	-	-	-	-	-	(181.968)	-	(181.968)
Net profit / (loss) for the period	-	-	-	-	-	-	287.394.121	287.394.121
<b>Balance as of 31 December 2022</b>	<b>49.221.970</b>	<b>5.500.255</b>	<b>176.576.661</b>	<b>(6.425.922)</b>	<b>3.124.610</b>	<b>58.672.812</b>	<b>287.394.121</b>	<b>574.064.507</b>

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

DESA Deri Sanayi Ve Ticaret Anonim Şirketi

## Cash Flow Statements Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

	Footnote Reference	Independently Audited	Independently Audited
		Current Period	Previous Period
		01.01.-31.12.2022	01.01.-31.12.2021
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>200.678.010</b>	<b>98.813.216</b>
<b>PROFIT / (LOSS) FOR THE PERIOD</b>		<b>287.394.121</b>	<b>46.351.875</b>
<b>Profit / Loss for the Period from Continuing Operations</b>		<b>287.394.121</b>	<b>46.351.875</b>
<b>Adjustment Related to Profit / Loss Reconciliation for the Period:</b>		<b>60.085.914</b>	<b>36.275.363</b>
Adjustments related to Depreciation and Amortization Expenses	20	76.232.389	32.928.777
Adjustments Related to Impairment (Cancellation)		1.034.640	(2.335.787)
- Adjustments Related to Impairment (Cancellation) of Receivables	25	1.034.640	(2.335.787)
Adjustments Related to Provisions		3.031.566	4.593.303
- Adjustments Related to Provisions for Benefits to Employees	18	973.543	1.977.827
- Adjustments Related to Lawsuit and/or Penalty Provisions (cancellation)	18	1.453.388	114.154
- Adjustments Related to Other Provisions (Cancellation)	8	604.635	2.501.322
Adjustments related to Interest Income and Expenses		(1.500)	(11.887)
- Deferred Financing Expense from Forward Purchases	8	(606.840)	(772.827)
- Unearned Financing Income from Forward Sales	8	605.340	760.940
Adjustments Related to Income from Governmental Incentives	21	-	(68.532)
Adjustments Related to Retained Profits of Investments Made by Equity Method		(33.333.168)	(8.811.453)
- Adjustments related to the Undistributed Earnings of Affiliates	3	(33.333.168)	(8.811.453)
Adjustments related to Tax (Income) Expense	29	13.303.955	9.922.922
Other Adjustments related to Profit (Loss) Reconciliation	22	(181.968)	58.020
<b>Changes Realized in Operating Capital</b>		<b>89.902.684</b>	<b>12.594.268</b>
Decrease (Increase) in Financial Investments	6	(370.633)	-
Adjustments related to Increase (Decrease) in Trade Receivables		(101.988.457)	(61.704.744)
- Decrease (Increase) in Trade Receivables from Related Parties	4	(89.852.898)	(57.150.716)
- Decrease (Increase) in Trade Receivables from Unrelated Parties	8	(12.135.559)	(4.554.028)
Adjustments Related to the Decrease (Increase) in Other Receivables Regarding the Activities		(16.471.216)	(2.973.333)
- Increase (Decrease) in Other Receivables from Related Parties Regarding the Activities	4	(16.597.859)	(2.798.083)
- Increase (Decrease) in Other Receivables from Unrelated Parties Regarding the Activities	9	126.643	(175.250)
Adjustments Related to Decreases (Increases) in Inventories	10	(8.112.546)	(9.392.667)
Decreases (Increase) in Prepaid Expenses	11	(4.599.811)	(4.091.627)
Adjustments related to Increase (Decrease) in Trade Payables		181.211.715	83.037.533
- Increase (Decrease) in Trade Payables to Related Parties	4	69.088.988	3.442.627
- Increase (Decrease) in Trade Payables to Unrelated Parties	8	112.122.727	79.594.906
Increase (Decrease) in Payables within the scope of Benefits to Employees	19	6.926.629	4.614.552
Adjustments relating to Increase (Decrease) in Other Payables relating to Activities		15.520.267	(529.585)
- Increase (Decrease) in Other Payables to Related Parties relating to Activities	4	-	(2.506.262)
- Increase (Decrease) in Other Payables to Unrelated Parties relating to Activities	9	15.520.267	1.976.677
Increase (Decrease) in Deferred Income	11	17.721.612	3.402.275
Adjustments related to other Increases (Decreases) in Working Capital		65.124	231.864
- Decrease (Increase) in Other Assets relating to Activities	21	65.124	231.864
<b>Cash Flows from Operating Activities</b>		<b>437.382.719</b>	<b>95.221.506</b>
Cash flows for the Acquisition of Shares of Other Businesses or Funds or Acquisition of Debt Instruments	6	(265.693.854)	-
Tax Returns (Payments)	29	28.989.145	3.591.710

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



DESA Deri Sanayi Ve Ticaret Anonim Şirketi

## Cash Flow Statements Pertaining to the Accounting Period Ending on 31<sup>st</sup> December 2022

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

	Footnote Reference	<i>Independently Audited</i>	<i>Independently Audited</i>
		Current Period 01.01.- 31.12.2022	Previous Period 01.01.- 31.12.2021
<b>B) CASH FLOWS FROM INVESTMENT OPERATIONS</b>			
Cash Obtained from the Sale of Tangible and Intangible Fixed Assets			
- Cash Obtained from the Sale of Tangible Fixed Assets	13	82.216.718	67.546.887
Cash Paid for the Purchase of Tangible and Intangible Fixed Assets			
- Cash Paid for the Purchase of Tangible Fixed Assets	13	(25.650.764)	(3.081.894)
- Cash Paid for the Purchase of Intangible Fixed Assets	14	(46.131)	(77.738)
<b>C) CASH FLOWS FROM FINANCIAL OPERATIONS</b>			
Cash Obtained from Borrowing			
- Cash Obtained from Loans	7	17.031.799	89.228.384
Cash Payments Related to Debt Payments			
- Cash Payments Related to Loan Repayments	7	(131.247.577)	(137.538.561)
Cash Payments Related to Debt Payments Arising from Rental Contracts			
Interest Paid	12	(79.740.044)	(22.855.606)
	27	(5.044.951)	(6.658.773)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECT OF FOREIGN CURRENCY CONVERSION ADJUSTMENTS</b>			
		<b>58.243.191</b>	<b>85.453.653</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	5	<b>58.243.191</b>	<b>85.453.653</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
	5	<b>147.111.619</b>	<b>61.657.966</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	5	<b>205.354.810</b>	<b>147.111.619</b>

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

DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 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 located at Halkalı Cad. No: 208 Sefaköy - Küçükçekmece/İstanbul. The Company owns four factories, one of which is located at the same site as the headquarters, with one in Ergene, one in Düzce and another in Poppi, Italy. The addresses of the factories are as follows;

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

Poppi Factory: Via Erbosa 23 Poppi 52014 AR – Italia

The contact information of the Company is as follows:

Telephone: 0090 212 473 18 00

Fax: 0090 212 698 98 12

Website: 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 2022.

The number of employees working in the company stood at 1,692 as of 31 December 2022. (31 December 2021 – 1,589).

#### 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). The current registered capital ceiling of TL 200,000,000 in the company's registered capital system increased to TL 245,000,000 and was registered on 29 December 2022.

As of 31 December 2022, its paid-in capital stood at TL 49,221,970 (31 December 2021: TL 49,221,970), divided into 4,922,196,986 shares (31 December 2021: 4,922,196,986), each having a nominal value of 1 Kr.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

The amounts of capital, which were issued and paid-in between 31 December 2022 and 31 December 2021, and their book values, are as follows:

Name Surname/Title	31.12.2022		31.12.2021	
	Stake ratio	Stake amount	Stake ratio	Stake amount
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 <sup>o</sup>	34.92%	17,188,312	34.92%	17,188,312
Other	0.80%	393,779	0.80%	393,779
<b>TOTAL</b>	<b>100%</b>	<b>49,221,970</b>	<b>100%</b>	<b>49,221,970</b>

<sup>o</sup> As of 31 December 2022, 8.39% of the shares, corresponding to 4,129,566 shares in the publicly traded portion, belonged to Çelet Holding A.Ş., and 8.56% of the shares, corresponding to 4,213,569 shares, belonged to Mr. Melih Çelet, and 1% of the shares, corresponding to 493,144 shares, belonged to Adesa Mağazacılık Tekstil ve Deri San.Tic A.Ş.

### 1.3. Affiliates and Subsidiaries

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

Affiliate	Subject of Activity	Business Centre	31.12.2022	31.12.2021
			Sharing Ratio %	Sharing Ratio %
Marfar Deri San. ve Tic. Ltd. Şti.	Textile	İstanbul-Türkiye	50%	50%
Samsonite Seyahat Ür. A.Ş.	Textile	İstanbul-Türkiye	40%	40%
<b>Subsidiary</b>				
Leather Fashion Limited <sup>o</sup>	Textile	Moscow-Russia	-	100%
Desa International	Textile	London-UK	100%	100%
Desa SMS Ltd.	Textile	London-UK	100%	100%
Desa Internazionale SRL	Textile	Milan-Italy	100%	100%
Desa International (UK) Ltd.	Textile	London-UK	100%	100%
		Düsseldorf-		
Desa Deutschland GmbH	Textile	Germany	100%	100%
Leather Fashion Bulgaria EOOD	Textile	Sofia-Bulgaria	100%	100%
Desa Nineteenseventytwo SRL				
Italy	Textile	Milan-Italy	100%	100%

<sup>o</sup> The Leather Fashion Limited Company was declared to have been liquidated on 3 October 2016 in the official authorities with the number UE9965-22 dated 15 April 2022. It has been removed from the subsidiaries account as of the date of the report.

The financial statements of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, dated 31 December 2022, 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 at their cost values in the financial statements. (Note 3)

### 1.4. Approval of Financial Statements:

The Company's financial statements dated 31 December 2022 were approved by the Board of Directors on 16 February 2023. The General Assembly and certain regulatory bodies have the authority to change the financial statements.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 1. 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 2022 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 Functional and Presentation Currency and Rounding of Degree Presented in Financial Statements

The attached consolidated financial statements were prepared in TL (Turkish Lira), including the financial statements dated 31 December 2022, and the consolidated financial data pertaining to the previous period and which will be used for comparison purposes. The financial data given in TL is presented by rounding the figures to their nearest full value in TL.

##### Netting/Offsetting

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

##### Continuity of the Business

The 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 following year and in the natural course of its activities.



## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 2.b. Adjustment of Financial Statements in High Inflation Periods

According to TAS 29 Financial Reporting Standard in Hyper-inflationary Economies, enterprises whose functional currency is a currency of a hyper-inflationary economy report their financial statements according to the purchasing power of the money at the end of the reporting period. TAS 29 identifies features that may indicate an economy is a hyper-inflationary economy, and it is recommended that businesses start implementing the Standard at the same time. In the statement issued by the Public Oversight Accounting and Standards Authority (KGK) on 20 January 2022, it was stated that businesses do not need to carry out any adjustments to their 2021 financial statements within the scope of the TAS 29 standard. On the other hand, no explanation was made regarding the financial statements for the accounting period ending 31 December 2022 or whether adjustments would be made in the financial statements within the scope of TAS 29. In this context, since there is no nationwide consensus on the application of inflation accounting and the POA is expected to postpone the application of TAS 29, no inflation adjustment was carried out according to TAS 29 while preparing the financial statements dated 31 December 2022 in order to ensure comparability.

### 2.c. 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 2022 comparatively with its financial status statement dated 31 December 2021. 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 2022 comparatively with the period of 1 January - 31 December 2021. The Company did not make any adjustments to its previous period financial statements in the current year.

### 2.d. Amendments and Errors in Accounting Policies and Estimates

Significant amendments in accounting policies and errors are applied retrospectively and the previous period financial statements are prepared again, and amendments in accounting estimates are reflected in the financial statements by associating them with profit and loss in the current period financial statements. 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.

### 2.e. New and Amended Standards and Comments

The accounting policies taken as basis in the preparation of the financial statements for the accounting period ending as of 31 December 2022 have been applied consistently with those used in the previous year, except for the new and amended TFRS and TFRS comments valid as of 1 January 2022, 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.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### a) New standards, amendments and interpretations effective from 31 December 2022

#### TFRS 3 Amendments - Amendment to References to the Conceptual Framework

POA carried out amendments to the TFRS Business Combinations standard in July 2020. The amendments was made with the intention of replacing the reference to the old version of the Conceptual Framework (the 1989 Framework) with a reference to the current version (Conceptual Framework) released in March 2018, without materially changing the requirements of TFRS 3. However, a new paragraph was added to TFRS 3 to define contingent assets that do not meet the recognition criteria at the acquisition date. The amendment will be applied prospectively for annual accounting periods beginning on or after 1 January 2022. Early application is allowed at the same time or earlier if all amendments refer to the Conceptual Framework (2018 Edition) in TFRS standards are implemented.

#### TAS 16 Amendments - Adaptation for intended use

In July 2020, POA carried out amendments to the TAS 16 standard on 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, companies will recognize such sales revenues and the associated costs in the income statement. The amendment will be applied for annual accounting periods beginning on or after 1 January 2022. Amendments may be applied retrospectively only for items of property, plant and equipment that are made available at or after the earliest presented period, in comparison with the accounting period in which the entity first applied the amendment. There is no exemption for those who will apply TFRS for the first time.

#### TMS 37 Amendments - Economically disadvantageous contracts - Costs of fulfilling the contract

In July 2020, the POA carried out amendments to the TAS 37 standard on Provisions, Contingent Liabilities and Contingent Assets. The amendment in TAS 37, which will be applied for annual accounting periods beginning on or after 1 January 2022, has been made to determine the costs to be taken into account when evaluating whether a contract is economically "disadvantaged" or "making loss" and this includes applying the 'directly related costs' approach.

Amendments should be applied prospectively for contracts for which the entity has not fulfilled all of its obligations at the beginning of the annual reporting period (first application date) in which the amendments will be applied for the first time.

The amendments in question did not have a significant impact on the financial status or performance of the Company.

#### TFRS 16 'Leases' - COVID 19 lease concessions, amendments regarding the extension of facilitating practice (effective as of 1 April 2021);

Due to the COVID-19 pandemic, some concessions have been provided to tenants in rent payments. With the amendment published in the IFRS 16 Leases standard in 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. On 31 March 2021, the IASB published an additional amendment to extend the date of facilitating implementation from 30 June 2021 to 30 June 2022. 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 application often causes the lease concession to be recognized as a variable lease payment during periods when the event or condition that triggers the reduction in lease payments occurs. The said change did not have a significant impact on the financial status or performance of the Group.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### Annual Improvements - 2018-2020 Period

"Annual Improvements to TFRS standards/2018- 2020 Period" was published by the POA in July 2020, with the following changes:

- 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.

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

### b) Standards and amendments published as of 31 December 2022 but not yet effective:

The new standards, comments and amendments that have been published as of the approval date of the financial statements but have not yet entered into force for the current reporting period and have not been applied early by the Company are as follows. Unless stated otherwise, the company will carry out the necessary amendments that will affect its financial statements and footnotes after the new standards and comments come into force.

#### TFRS 17 – New Standard for Insurance Contracts

In February 2019, POA published TFRS 17, a comprehensive new accounting standard covering recognition and measurement, presentation and disclosure for insurance contracts. TFRS 17 introduces a model that provides both the measurement of liabilities arising from insurance contracts with current balance sheet values and the recognition of profit throughout the period in which the services are provided. TFRS 17 will be applied for annual accounting periods beginning on or after 1 January 2023. Early application is permitted. The standard does not apply to the Company and is not expected to have an impact on the Company's financial status or performance.

#### TMS 1 Amendments - Classification of liabilities as short-term and long-term

In January 2021, POA made amendment to the "TAS 1 Presentation of Financial Statements" standard. These amendments, which apply for annual reporting periods beginning on or after 1 January 2024, clarify the criteria for long and short term classification of liabilities.

Amendments made should be applied retrospectively according to TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Early application is permitted. The effects of the said amendment on the financial status and performance of the Company are being evaluated.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### TMS 8 Amendments – Definition of Accounting Estimates

In August 2021, the POA published amendments to TAS 8 that introduce a new definition for "accounting estimates". The amendments published for TAS 8 are valid for annual accounting periods beginning on or after 1 January 2023. The amendments clarify the distinction between amendments in accounting estimates and amendments in accounting policies and correction of errors. In addition, the amended standard clarifies that the effects of an amendment of an input or an amendments in a measurement technique on the accounting estimate are amendments in accounting estimates unless they result from a correction for prior period errors. The previous definition of amendments in accounting estimate indicated that amendments in accounting estimates could result from new information or new developments. Therefore, such amendments are not considered as corrections of errors. This aspect of the definition has been preserved by the UPS. The amendments will apply to changes in accounting estimates or accounting policies that occur on or after the effective date, and early application is permitted. In general, no significant impact is expected on the Company's financial statements.

### TMS 1 Amendments - Disclosure of accounting policies

In August 2021, POA published amendments to TAS 1 where it provides guidance and examples to help businesses apply materiality estimates to their accounting policy disclosures. The amendments published in TAS 1 are valid for annual accounting periods beginning on or after 1 January 2023. Due to the lack of a definition of the term "notable" in TFRS, POA has decided to replace this term with "significant" in the context of disclosure of accounting policy information. 'Significant' is a term defined in TFRS and is widely understood by users of financial statements according to POA. When assessing the materiality of accounting policy information, entities need to consider both the size of transactions, other events or conditions, and their nature. In addition, examples of situations in which the entity may consider accounting policy information to be important are included.

### TMS 12 Amendments - Deferred tax on assets and liabilities arising from a single transaction

In August 2021, the POA published amendments to TAS 12 which narrow the scope of the initial recognition exemption thus ensuring that the exemption is not applied to transactions which result in equal taxable and deductible temporary differences. Amendments to TAS 12 are valid for annual accounting periods beginning on or after 1 January 2023.

The amendments clarify a judgment (given applicable tax law) on whether such deductions are attributable to the recognized liability (and interest expense) or related asset component (and interest expense) for tax purposes when payments made on a liability are tax deductible. This judgment is important in determining whether there is any temporary difference in initial recognition of the asset and liability. Amendments apply to transactions which take place at or after the beginning of the earliest period presented comparatively. In addition, at the beginning of the earliest comparatively presented period, deferred tax assets (provided there is sufficient taxable income) and deferred tax liabilities are recognized for all deductible and taxable temporary differences related to leases and decommissioning, restoration and similar liabilities.



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

The effects of the amendment on the financial status and performance of the Company are being evaluated.

### TFRS 16 Amendments – Lease liabilities in sales and leaseback transactions

These amendments to TFRS 16 explain how a seller-lessee subsequently measures sales and leaseback transactions that meet the requirements of TFRS 15 to be accounted as sales. These amendments made in TFRS 16 will be applied in annual accounting periods beginning on or after 1 January 2024, but early application is also permitted.

### TMS 1 Amendments - Long-Term Liabilities Containing Terms of Loan Agreements

The amendments to IAS 1 explain how conditions that an entity must meet within twelve months of the reporting period affect the classification of a liability. These amendments made in TAS 1 will be applied in annual accounting periods beginning on or after 1 January 2024, but early application is also permitted. The effects of the said amendment on the financial status and performance of the Company are being evaluated.

### TFRS 17 (Amendments) First Application of TFRS 17 and TFRS 9 with Insurance Contracts – Comparative Information

Amendments were carried out in TFRS 17 in order to reduce the application costs, to disclose the results and to facilitate the transition. In addition, with the amendment on comparative information, companies that are the first to apply TFRS 7 and TFRS 9 simultaneously are permitted to present comparative information regarding their financial assets as if they had previously applied the classification and the measurement requirements of TFRS 9 to that financial asset. The amendments will be applied when TFRS 17 is first applied.

### 2.f. Summary of Significant Accounting Policies

The interim financial statements for the year ending 31 December 2022 have been prepared by applying the accounting policies consistent with the accounting policies applied during the preparation of the financial statements for the year ended 31 December 2021. Therefore, these interim financial statements should be evaluated together with the financial statements for the year ending 31 December 2021.

### 2.g. 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.

### Cash and Cash Equivalents

Cash and cash equivalents include cash at hand, cash in banks and short-term deposits with maturities of less than three months. Cash and cash equivalents are short-term highly liquid assets that can be easily converted into cash, with maturities not exceeding three months and with no risk of loss of value.

Cash and cash equivalents are presented as the sum of acquisition costs and accrued interests. Foreign currency bank balances are valued at the period-end exchange rate.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 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 2022, the related parties were as follows;

Related Party Name/Surname/Title	Relation
Çelet Holding A.Ş.	Shareholder
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
Desa Internazionale SRL	Subsidiary
GSD Holding A.Ş.	Affiliate
Marfar Deri San. ve Tic. Ltd. Şti.	Affiliate
Samsonite Seyahat Ürünleri A.Ş.	Affiliate
Adesa Mağ. Teks. 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.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

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 income statement:

- 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 an FV difference measured by reflecting on income statement:

- 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 applicable for the subsequent measurements of financial assets.

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

These assets are measured at their fair values in the subsequent measurements. The net profit and losses relevant to these, including any interest or dividend income, are recorded in the income 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 for in the income statement. Profits or losses arising from leaving these out of the financial statements are accounted for in the income statement.

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.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### **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 carried out 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 standard:

- 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.



## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

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.

### The Measurement of ECL

ECLs (Expected credit loss) are a probability-weighted estimate of credit losses over the expected life of the financial instrument. In other words, they are credit losses measured at the present value of all cash deficits (for example, the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to be eligible).

The cash deficit is the difference between the cash flows to the entity in accordance with the contract and the cash flows that the entity expects to receive. Because the ECL considers the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due. ECLs are discounted at the effective interest rate of the financial asset.

### Credit impaired financial assets

At the end of each reporting period, the Company evaluates whether the financial assets measured at amortized cost and debt instruments whose fair value is reflected in other comprehensive income are impaired or not. A financial asset is impaired when one or more events occur which adversely affect the estimated future cash flows of a financial asset.

### Presentation of Impairment

The loss allowance for financial assets measured at amortized cost is deducted from the gross book value of the assets.

The loss allowance for debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income instead of reducing the carrying amount of the financial asset in the financial statement.

Impairments on trade and other receivables, including contracted assets, are presented separately in the income statement.

Impairment losses on other financial assets are presented under "financing costs", similar to the presentation within the scope of TAS 39, and are not presented separately in the income statement considering their materiality.

### Impact of the new impairment model

For assets covered by the TFRS 9 impairment model, impairment losses are expected to increase and become more volatile. The transition to TFRS 9 does not have a significant impact on retained earnings/losses. As of 31 December 2022, the expected credit loss was TL 3,496.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### (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 income statement, 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 in the income statement includes the interest amount paid for the said financial liability.

### (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 the 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 a financial income or 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).

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

### 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, 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 possesses in case decisions on how and what the asset shall be used for are determined beforehand. The Company reserves the right to 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 in a way 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

A 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.

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The Company applies the provisions of depreciation in Turkish Accounting Standard (TAS) 16 on Tangible Fixed Assets while subjecting the right of use 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 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 alternative borrowing rate of interest.

Lease payments, which are included in calculation of the 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



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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:

- There is a change in the rental period. The company determines the revised lease payments based on the revised lease term.
- 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:

- 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:

- 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
- 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. For a contract which includes a component with one or more additional leasing quality or includes non lease component, the Company distributes the fee stated in the contract by applying TFRS 15, "Revenue from Contracts with Customers".

### ***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.

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### **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 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

### **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.

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.

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 cancelled. The cancelled amount is limited to the amount of the impairment previously reserved.

### **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. Depreciation for the solar power plant established in the Company's Düzce factory is calculated according to the accelerated depreciation method.

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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.

### 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.

#### a) Research and Development Expenses

Research expenses are recognized as the 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 company), in case that all of the following conditions are met;

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

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### 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 year.

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 are classified as investment properties.

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 income statement as a financing cost over the loan period. Financing costs arising from loans are recognized in the income 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.



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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 borrowing used 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.

Capitalization of borrowing costs ceases when all the processes necessary to prepare an asset for its intended use or sale have been completed. In cases where the construction of a qualifying asset is completed in parts and each part can be used while other parts are under construction, capitalization of borrowing costs for that particular item ceases when all the necessary processes have been completed to render that particular part ready for its intended use or sale.

### 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 through a financial leasing contract are depreciated over the useful life of the asset

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#### *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, it is probable that an outflow of resources containing economic benefits will be required to settle this obligation. If 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 evaluated 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 treated as contingent liability, such contingent liability is recognized as a provision in the financial statements of the period, in which the change in the probability occurred, except for cases where no reliable estimate is made.

#### *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.

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### 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 TL 15,371.40 (31 December 2021: TL 8,284.51) for each year of employment, as of 31 December 2022.

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 this at the same rate as the yield of government bonds at the balance sheet date. All calculated gains and losses are reflected in the income statement.

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.

### 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.

### 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 during the period, the newly found value is accepted to be valid as of the beginning of the period, when calculating the weighted average of the number of shares,

The matter is discussed in TAS 33 as follows;

Ordinary shares may be issued or the number of existing ordinary shares may 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).

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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 only recognizes a contract entered into with the customer as revenue 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, c) The Company can identify the payment terms for the goods or services to be transferred,
- The contract has commercial substance,
- It is likely that the Company will collect the amount to which it will be 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 only considers the customer's ability and intention to complete the payment on the due date. The price that 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 provided that the amount of revenue can be determined reliably and the economic benefits associated with the transaction are probable. Net sales were calculated by deducting the returns and the sales discounts from the sales of goods.

### Sales of Goods:

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

- The Company transfers all significant risks and gains in connection with the ownership to the buyer,
- The Company does not have an ongoing administrative involvement associated with the property and does not 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 company,
- The costs resulting from the transaction are measured reliably.



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### *Sale of Services:*

Where the outcome of a service related transaction can be estimated reliably, the revenue related to the transaction is recognized in the financial statements, taking into account the level of completion of the transaction as of the balance sheet date.

The results of the transaction can be estimated reliably if all of the following conditions exist:

- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will be acquired by the entity,
- The level of completion of the transaction as of the balance sheet date can be measured reliably, and
- 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 balance and the estimated cash inflows to be obtained from the related financial asset during its expected life to the book value of the said asset.

Dividend income 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 when the service rendered or revenue related factors have taken place, when the transfer of risks and benefits is carried out, when the amount of revenue can be determined reliably and when it is probable that the economic benefits associated with the transaction will flow to the Company.

### **Foreign Currency Assets and Liabilities**

Foreign currency transactions are translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing at the date of the statement of financial position. Foreign currency gains or losses arising from foreign currency based commercial transactions (trade receivables and payables) are included in "other income/expenses from operating activities", and foreign currency gains or losses arising from the translation of other foreign currency monetary assets and liabilities is included in the income statement under "financial income/expenses".

### **Taxes Calculated on Corporate Earnings**

Tax expenses consist of the sum of corporation tax and deferred tax expenses.

### *Corporation Tax*

Corporation tax is calculated on 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 corporation tax liability has been calculated using the tax rates which were statutory as of the balance sheet date.

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

### *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 tax rates in force.

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 probable that there will be a benefit from such differences by 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 mergers), goodwill or other assets and liabilities related to the transaction that does not affect the commercial or financial profit or 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 or it is unlikely that this difference will be eliminated 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 probable to benefit from such differences by earning 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 where it is no longer probable that a financial profit will be earned from it at a level which allows the user to obtain a 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.

The tax results of the methods estimated by the Company to recover the book value of its assets or fulfil its liabilities as of the balance sheet date are taken into account in the calculation of deferred tax assets and liabilities.

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 such assets and liabilities are associated with the income tax collected by the same tax authority, or if the Company intends to settle the current tax assets and liabilities by means of netting.

Corporation tax and deferred tax for the period are recognized as expense or income in the income statement, excluding those associated with items credited or debited directly in equity (in which case deferred tax is also recognized directly in equity) or resulting from the initial recognition of business mergers. In business mergers, the tax effect is taken into account when calculating goodwill or determining the portion of the purchaser's share in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquired subsidiary which exceeds the acquisition cost.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 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 related to the period profit or other selected financial information have 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 relevant authorities. The Company did not receive any governmental incentive or aid in the current or previous periods.

### 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 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.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 2. SHARES IN OTHER BUSINESSES

#### a) Financial Investments

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

As of 31 December 2022, Desa International Limited, a subsidiary of the Company and not consolidated due to its low turnover, had lost its equity capital and the impairment value of the amount (TL 3,100,203), which is in the assets, was calculated and reported in Financial Investments account.

	31.12.2022	31.12.2021
GSD Holding A.Ş.	38	38
<b>Affiliated Securities</b>	<b>38</b>	<b>38</b>
Marfar Deri San. ve Tic. Ltd. Şti.	40,000	40,000
Affiliates Capital Commitment (-)	(30,000)	(30,000)
<b>Affiliate</b>	<b>10,000</b>	<b>10,000</b>
Leather Fashion Limited <sup>(*)</sup>	-	6,871
Leather Fashion Limited Provision for impairment (-)	-	(6,871)
Desa International Ltd.	3,100,203	3,100,203
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 Internazionale S.R.L.	182,176	-
Desa Deutschland GMBH	72,760	72,760
Leather Fashion Bulgaria EOOD	20,421	20,421
Desa Nineteenseventytwo SRL Italy	39,475	39,475
<b>Subsidiary</b>	<b>7,896,350</b>	<b>7,714,174</b>
	<b>7,906,388</b>	<b>7,724,212</b>

<sup>(\*)</sup> The Leather Fashion Limited Şirketi was declared liquidated on 3 October 2016 in the official authorities with the number UE9965-22 dated 15 April 2022. It has been removed from the subsidiaries account as of the date of the report.

The financial statements of Samsonite Seyahat Ürünleri A.Ş., which is one of the affiliates of the Company, dated 31 December 2022 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 amount in the financial statements.



DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### b) Investments valued by equity method are as follows:

As of 31 December 2022:

	Location	Share Ratio	Cost Value	Profit/Loss Share of the Parent Company	Profit/Loss Share of the Parent Company	Years Retained	Net
Samsonite Sey. Ürünleri A.Ş.	Türkiye	39.99%	1,539,980	33,333,168	18,574,853		51,908,021

As of 31 December 2021:

	Location	Share Ratio	Cost Value	Profit/Loss Share of the Parent Company	Profit/Loss Share of the Parent Company	Years Retained	Net
Samsonite Sey. Ürünleri A.Ş.	Türkiye	39.99%	1,539,980	8,811,453	9,763,400		18,574,853

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 51,908,021 (31 December 2021: TL 18,574,853).

Financial information pertaining Samsonite Seyahat Ürünleri San. ve Tic. A.Ş. is as follows:

	31.12.2022	31.12.2021
Total assets	172,392,154	61,428,413
Total liabilities	(42,620,416)	(14,990,677)
Net assets	<b>129,771,738</b>	<b>46,437,736</b>
Net profit/loss	89,161,473	29,028,918
<b>Amount of share received from the net profit/loss of the affiliate (39.99%)</b>	<b>33,333,168</b>	<b>8,811,453</b>
<b>Share in Profit/Loss of Investment Valued by Equity Method</b>	<b>33,333,168</b>	<b>8,811,453</b>

### 3. RELATED PARTY DISCLOSURES

4.1. As of 31 December 2022 and 31 December 2021, receivables from related parties were as follows:

	31.12.2022	31.12.2021
Trade Receivables	166,442,252	77,822,303
Other Receivables	8,454,640	6,709,879
	<b>174,896,892</b>	<b>84,532,182</b>

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

As of 31 December 2022 and 31 December 2021, trade receivables from related parties were as follows:

Related Companies	31.12.2022	31.12.2021
Adesa Deri <sup>o</sup>	162,612,315	76,276,691
Desa Internazionale SRL	2,006,682	-
Desa Deutschland Gmbh	720,736	437,556
Çelet Holding	523,420	414,388
Serga Deri	455,313	544,098
Leather Fashion Bulgaria	57,522	13,313
Yapı Enerji	27,683	26,690
Marfar Deri	26,444	25,485
Desa Nineteenseventytwo SRL Italy	12,137	84,082
	<b>166,442,252</b>	<b>77,822,303</b>

<sup>o</sup> The receivables of the Company from Adesa Mağazacılık Tekstil ve Deri San.Tic A.Ş. consist of sales registered as export.

As of 31 December 2022 and 31 December 2021, other short term receivables from related parties were as follows:

	31.12.2022	31.12.2021
Desa Deutschland Gmbh	6,448,123	4,879,928
Leather Fashion Bulgaria	1,213,453	795,321
Desa Nineteenseventytwo SRL Italy	597,627	640,734
Serga Deri	141,651	131,200
Desa International UK	43,826	33,167
Desa SMS	9,960	7,538
Burcu Çelet	-	221,991
	<b>8,454,640</b>	<b>6,709,879</b>

As of 31 December 2022 and 31 December 2021, other long term receivables from related parties were as follows:

	31.12.2022	31.12.2021
Desa Internazionale S.R.L.	14,853,098	-
	<b>14,853,098</b>	<b>-</b>

4.2 Payables to related parties as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Trade Payables	96,093,671	27,004,683
Deferred Income from Related Parties	20,013,734	3,676,788
	<b>116,107,405</b>	<b>30,681,471</b>

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

As of 31 December 2022 and 31 December 2021, trade payables to related parties were as follows:

	31.12.2022	31.12.2021
Samsonite Seyahat Ürünleri	70,581,913	17,300,819
Desa International UK	6,362,447	2,915,977
Desa SMS	9,408,516	3,903,943
Desa Int Ltd	9,740,795	2,650,635
Serga Deri	-	233,309
<b>Trade Payables</b>	<b>96,093,671</b>	<b>27,004,683</b>

As of 31 December 2022 and 31 December 2021, the deferred income from related parties was as follows:

	31.12.2022	31.12.2021
Adesa	20,013,734	3,676,788
	<b>20,013,734</b>	<b>3,676,788</b>

4.3 Prepaid expenses from related parties as of 31 December 2022 and 31 December 2021:

	31.12.2022	31.12.2021
Marfar Deri	10,095	10,095
	<b>10,095</b>	<b>10,095</b>

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

Group Company	31.12.2022		31.12.2021	
	Purchases	Sales	Purchases	Sales
Adesa Deri	-	457,663,951	-	167,073,172
Samsonite Seyahat Ürünleri	228,320,853	-	47,375,323	-
Desa Internazionale S.R.L.	-	2,383,364	-	-
Leather Fashion Limited	276,225	-	74,487	-
	<b>228,597,078</b>	<b>460,047,315</b>	<b>47,449,810</b>	<b>167,073,172</b>

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

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

	31.12.2022	31.12.2021
Service fees paid to related parties	18,399,595	2,119,064
Rental fees paid to related parties	2,188,208	1,388,735
<b>TOTAL AMOUNT PAID</b>	<b>20,587,803</b>	<b>3,507,799</b>
	<b>31.12.2022</b>	<b>31.12.2021</b>
Rental fees received from related parties	8,810,601	4,463,521
Service fees invoiced to related parties	23,122,320	9,509,388
Other income collected from related parties	1,000,032	134,037
Interest income received from related parties	280,342	84,169
<b>TOTAL AMOUNT COLLECTED</b>	<b>33,213,295</b>	<b>14,191,115</b>

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 3,266,859 as of 31 December 2022 (31 December 2021: TL 1,647,791).



DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 4. CASH AND CASH EQUIVALENTS

As of 31 December 2022 and 31 December 2021, the details of cash and cash equivalents were as follows:

	31.12.2022	31.12.2021
<b>Cash</b>	<b>624,848</b>	<b>314,920</b>
- TL	599,734	296,713
- USD	16,816	11,987
- EUR	4,264	2,929
- BGN	4,013	3,274
- CNY	21	17
<b>Banks</b>	<b>204,594,470</b>	<b>146,565,464</b>
Term Deposit	177,564,244	132,912,641
- EUR	47,601,634	83,069,498
- USD	128,881,858	48,043,143
- TL	1,200,625	1,800,000
Demand Deposit	26,910,353	13,652,823
- TL	3,273,132	3,672,724
- USD	2,017,335	3,302,724
- EUR	20,938,888	4,316,712
- GBP	680,743	2,360,521
- CHF	255	142
<b>Other Liquid Assets</b>	<b>138,988</b>	<b>234,731</b>
Barter Checks	138,988	234,731
Expected Credit Loss	(3,496)	(3,496)
<b>TOTAL</b>	<b>205,354,810</b>	<b>147,111,619</b>
Interest rediscount on cash and cash equivalents	(119,865)	(101,690)
<b>TOTAL</b>	<b>205,234,945</b>	<b>147,009,929</b>

As of 31 December 2022, there were no blocked accounts in the company's bank deposits. (31 December 2021–None).

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 6. FINANCIAL INVESTMENTS

##### Short Term Financial Investments

As of 31 December 2022 and 31 December 2021, the details of financial investments were as follows:

	31.12.2022	31.12.2021
Financial Investments Held to Maturity <sup>(*)</sup>	265,693,854	-
Restricted bank balance <sup>(*)</sup>	188,457	-
	<b>265,882,311</b>	<b>-</b>

<sup>(\*)</sup> Eurobond details are given below.

	Nominal Value	Currency	Interest rate
Perpetual CPN	3,000,000	USD	13.875
Perpetual CPN	600,000	USD	13.875
Perpetual CPN	710,000	USD	13.875
Perpetual CPN	370,000	USD	13.875
Perpetual CPN	290,000	USD	13.875
Republic of Turkey	470,000	USD	7.6275
Republic of Turkey	7,750,000	EUR	4.375
Toyota	815,000	GBP	4.625

<sup>(\*)</sup> It consists of foreign currency protected TL term deposit account balance with a maturity of 01.03.2023.

##### Long Term Financial Investments

As of 31 December 2022 and 31 December 2021, the details of long-term financial investments were as follows:

	31.12.2022	31.12.2021
Financial assets measured at amortized cost (Note 3)	7,906,388	7,724,212
	<b>7,906,388</b>	<b>7,724,212</b>

DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 7. FINANCIAL LIABILITIES

As of 31 December 2022 and 31 December 2021, the details of financial instruments were as follows:

	31.12.2022	31.12.2021
Short Term Financial Liabilities	28,671,428	29,800,860
- Bank Loans	5,802,017	3,787,394
- Credit Card Liabilities	236,677	36,223
- Liabilities from Lease Transactions	22,632,734	25,977,243
Short Term Parts of Long Term Financial Liabilities	57,913,139	42,853,115
- Bank Loans	57,913,139	42,853,115
<i>Total Short Term Liabilities</i>	<b>86,584,567</b>	<b>72,653,975</b>
Long Term Financial Liabilities	94,192,257	138,428,458
- Banks Loans	71,113,602	117,197,828
- Liabilities from Lease Transactions	23,078,655	21,230,630
<i>Total Long Term Liabilities</i>	<b>94,192,257</b>	<b>138,428,458</b>
<b>End of Period</b>	<b>180,776,824</b>	<b>211,082,433</b>

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

Currency	31.12.2022			31.12.2021		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	-	-	0.00%	-	-	-
TL	5,802,017	5,802,017	9.00%	3,787,394	3,787,394	9.00%
<b>Total</b>		<b>5,802,017</b>			<b>3,787,394</b>	

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

Currency	31.12.2022			31.12.2021		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	2,895,556	57,913,139	2.81-5.83%	2,831,111	42,853,115	2.75-4.00%
TL	-	-	-	-	-	-
<b>Total</b>		<b>57,913,139</b>			<b>42,853,115</b>	

Details of long term financial liabilities are as follows:

Currency	31.12.2022			31.12.2021		
	Currency Amount	Amount in TL	Effective Interest Rate %	Currency Amount	Amount in TL	Effective Interest Rate %
USD	-	-	-	-	-	-
EURO	3,555,556	71,113,602	2.81-5.83%	7,742,730	117,197,828	2.75-4.00%
TL	-	-	-	-	-	-
<b>Total</b>		<b>71,113,602</b>			<b>117,197,828</b>	

DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 8. TRADE RECEIVABLES AND PAYABLES

#### Short Term Trade Receivables

As of 31 December 2022 and 31 December 2021, the details of short-term trade receivables are as follows:

	31.12.2022	31.12.2021
Trade Receivables from Related Parties (Note 4)	166,442,252	77,822,303
<b>Trade Receivables from Related Parties</b>	<b>166,442,252</b>	<b>77,822,303</b>
Receivables	7,781,329	4,973,986
Credit Card Receivables	16,652,275	7,198,322
Impairment of Credit Card Receivables (-)	(1,253,869)	(721,101)
Doubtful trade receivables	266,031	266,031
Provision for doubtful trade receivables (-)	(266,031)	(266,031)
<b>Other Trade Receivables</b>	<b>23,179,735</b>	<b>11,451,207</b>
	<b>189,621,987</b>	<b>89,273,510</b>

Statement of provision for doubtful trade receivables were as follows:

Doubtful Trade Receivables	31.12.2022	31.12.2021
<b>Beginning of Period</b>	(266,031)	(266,031)
Provision Allocated in the Period/Adjustment (+)	-	-
Provision Collected in the Period (-)	-	-
Uncollectable Receivables	-	-
<b>End of Period</b>	<b>(266,031)</b>	<b>(266,031)</b>

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

	31.12.2022	31.12.2021
Receivables overdue up to 90 days	-	-
Receivables overdue more than 90 days	-	-
Receivables overdue more than 180 days	(266,031)	(266,031)
<b>END OF PERIOD</b>	<b>(266,031)</b>	<b>(266,031)</b>

#### Long Term Trade Receivables

None. (31.12.2021 None.)



DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### Short-Term Trade Payables

As of 31 December 2022 and 31 December 2021, the details of short-term trade payables were as follows:

	31.12.2022	31.12.2021
Trade Payables to Related Parties (Note 4)	96,093,671	27,004,683
<b>Trade Payables to Related Parties</b>	<b>96,093,671</b>	<b>27,004,683</b>
Vendors	167,842,739	83,444,694
Checks and Notes Given	74,644,309	46,278,054
Deferred Financing Income (-)	(3,842,961)	(3,236,121)
<b>Other Trade Payables</b>	<b>238,644,087</b>	<b>126,486,627</b>
	<b>334,737,758</b>	<b>153,491,310</b>

#### Long-Term Trade Payables

None. (31.12.2021 None.)

### 9. OTHER RECEIVABLES AND PAYABLES

#### Other Short-Term Receivables

Details of other short-term receivables as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Other Receivables from Related Parties (Note 4)	8,454,640	6,709,879
<b>Other Receivables from Related Parties</b>	<b>8,454,640</b>	<b>6,709,879</b>
Receivables from Tax Office	253,216	295,188
Other Receivables	29,479	170,160
Receivables from Debt Collection Office	3,250	3,250
Deposits and Guarantees Given	-	83,000
<b>Other Receivables from Unrelated Parties</b>	<b>285,945</b>	<b>551,598</b>
	<b>8,740,585</b>	<b>7,261,477</b>

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### Long Term Other Receivables

As of 31 December 2022 and 31 December 2021, the details of other long-term receivables were as follows:

	31.12.2022	31.12.2021
Other Receivables from Related Parties (Note 4)	14,853,098	-
<b>Other Receivables from Related Parties</b>	<b>14,853,098</b>	<b>-</b>
Deposits and Guarantees Given	475,347	336,337
<b>Other Receivables from Unrelated Parties</b>	<b>475,347</b>	<b>336,337</b>
	<b>15,328,445</b>	<b>336,337</b>

#### Other Short-Term Payables

As of 31 December 2022 and 31 December 2021, the details of other short-term payables were as follows:

	31.12.2022	31.12.2021
SSI Premium Payable <sup>(1)</sup>	12,085,480	3,176,808
Taxes and Funds Payable	4,759,666	2,275,157
Other Payables	5,991,488	1,922,707
Individual Pension System Deductions	126,603	68,298
Overdue, Deferred or Installed Taxes and Other Liabilities	82,951	82,951
	<b>23,046,188</b>	<b>7,525,921</b>

<sup>(1)</sup> It consists of SSI (Social Security Institution) premiums payable for the period of December 2022. Total SSI premiums were paid in full on 31 December 2022 which is the legal payment date.

#### Long Term Other Payables

As of 31 December 2022 and 31 December 2021, the details of other long-term payables were as follows:

	31.12.2022	31.12.2021
Deposits and Guarantees Received	-	133,731
	<b>-</b>	<b>133,731</b>

DESA Deri Sanayi ve Ticaret A.Ş.

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 10. INVENTORIES

As of 31 December 2022 and 31 December 2021, the details of inventories were as follows:

	31.12.2022	31.12.2021
Raw Materials and Supplies	34,761,169	23,772,973
Semi-Finished Goods	18,662,898	48,497,830
Finished Goods	40,181,638	46,849,507
Trade Goods	68,952,236	35,789,492
Other Inventories	464,407	-
	<b>163,022,348</b>	<b>154,909,802</b>

As of 31 December 2022, the total insurance amount on the inventories was TL 446,808,335 (31 December 2021: TL 322,958,406).

#### 11. PREPAID EXPENSES AND DEFERRED INCOME

##### Short-Term Prepaid Expenses

The details of short term prepaid expenses as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Order advances given to related parties (Note 4)	10,095	10,095
<b>Prepaid expenses of related parties</b>	<b>10,095</b>	<b>10,095</b>
Order Advances <sup>(*)</sup>	13,740,530	9,414,814
Prepaid expenses for future months	2,135,614	1,311,315
Work Advances	214,887	125,434
Advances given to personnel	2,492,914	3,132,571
<b>Prepaid expenses of non-related parties</b>	<b>18,583,945</b>	<b>13,984,134</b>
	<b>18,594,040</b>	<b>13,994,229</b>

##### Long-Term Prepaid Expenses

None (31 December 2021: None).

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### Short-Term Deferred Income

The details of short term deferred income as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Order Advances Received to Related Parties (Note 4)	20,013,734	3,676,788
<b>Order advances received from related parties</b>	<b>20,013,734</b>	<b>3,676,788</b>
Order advances received	5,349,592	3,964,926
Other payables to non-related parties	5,349,592	3,964,926
	<b>25,363,326</b>	<b>7,641,714</b>

#### 12. RIGHT OF USE ASSETS

The details of right of use assets as of 31 December 2022 and 31 December 2021 were as follows:

31.12.2022	Stores	Vehicles	Office	Total
Increase within the period	115,244,045	2,105,929	-	117,349,974
Depreciation within the period	(68,391,448)	(917,923)	-	(69,309,371)
	<b>46,852,597</b>	<b>1,188,006</b>	-	<b>48,040,603</b>
31.12.2021	Stores	Vehicles	Office	Total
Increase within the period	76,744,964	2,025,758	-	78,770,722
Depreciation within the period	(29,040,152)	(604,911)	-	(29,645,063)
	<b>47,704,812</b>	<b>1,420,847</b>	-	<b>49,125,659</b>

The Company's interest expenses in leasing liabilities stood at TL 10,048,388.

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 13. TANGIBLE ASSETS

As of 31 December 2022, the activities of property, plant and equipment were as follows:

Cost Item	01.01.2022	Entry	Transfer	Exit	Evaluation	31.12.2022
Land and Plots	31,030,000	-	-	-	22,505,000	53,535,000
Underground Overground Structures	12,703	12,800	-	-	-	25,503
Buildings	88,345,270	-	-	-	70,367,931	158,713,201
Machinery, Plant	13,383,339	17,357,249	-	(24,174)	-	30,716,414
Vehicles	1,634,485	59,383	-	-	-	1,693,868
Fixtures	23,968,205	2,704,698	-	-	-	26,672,903
Other Tangible Assets	31,523,049	5,408,944	-	-	-	36,931,993
Ongoing Investments	77,237	61,559	-	-	-	138,796
<b>Closing Balance</b>	<b>189,974,288</b>	<b>25,604,633</b>	<b>-</b>	<b>(24,174)</b>	<b>92,872,931</b>	<b>308,427,678</b>
<b>ACCUMULATED DEPRECIATION(-)</b>						
Underground Overground Structures	10,642	683	-	-	-	11,325
Buildings	6,804,106	2,434,352	-	-	-	9,238,458
Machinery, Plant	9,747,414	1,507,410	-	(24,174)	-	11,230,650
Vehicles	1,462,493	40,141	-	-	-	1,502,634
Fixtures	18,860,276	1,500,002	-	-	-	20,360,278
Other Tangible Assets	27,894,703	1,344,424	-	-	-	29,239,127
<b>Closing Balance</b>	<b>64,779,634</b>	<b>6,827,012</b>	<b>-</b>	<b>(24,174)</b>	<b>-</b>	<b>71,582,472</b>
<b>Tangible Fixed Assets, net</b>	<b>125,194,654</b>					<b>236,845,206</b>

As of 31 December 2022, the total insurance amount on fixed assets stood at TL 1,177,986,456.

The appraisal values of the fixed assets of the Company were determined by the specialised valuation institutions approved by the Capital Markets Board. The appraisal values are reflected in the accompanying financial statements with their revalued amounts.

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

As of 31 December 2021, the activities of property, plant and equipment were as follows:

Cost Item	01.01.2021	Entry	Transfer	Exit	Evaluation	31.12.2021
Land and Plots	11,025,000	-	-	-	20,005,000	31,030,000
Underground Overground Structures	12,703	-	-	-	-	12,703
Buildings	31,172,285	-	-	-	57,172,985	88,345,270
Machinery, Plant	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 Assets	30,551,517	971,532	-	-	-	31,523,049
Ongoing Investments-		77,237	-	-	-	77,237
<b>Closing Balance</b>	<b>109,808,297</b>	<b>3,004,156</b>	<b>-</b>	<b>(16,150)</b>	<b>77,177,985</b>	<b>189,974,288</b>
<b>ACCUMULATED DEPRECIATION(-)</b>						
Underground Overground Structures	10,272	370	-	-	-	10,642
Buildings	5,831,253	972,853	-	-	-	6,804,106
Machinery, Plant	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 Assets	27,122,064	772,639	-	-	-	27,894,703
<b>Closing Balance</b>	<b>61,597,248</b>	<b>3,194,445</b>	<b>-</b>	<b>(12,059)</b>	<b>-</b>	<b>64,779,634</b>
<b>Tangible Fixed Assets, net</b>	<b>48,211,049</b>					<b>125,194,654</b>

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

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

#### 14. INTANGIBLE ASSETS

As of 31 December 2022, the movements in intangible assets were as follows:

Cost	01.01.2022	Entry	Exit	31.12.2022
Rights	2,123,782	46,131	-	2,169,913
<b>Total</b>	<b>2,123,782</b>	<b>46,131</b>	<b>-</b>	<b>2,169,913</b>
<b>Accumulated Depreciation (-)</b>				
Rights	1,554,012	96,006	-	1,650,018
<b>Total</b>	<b>1,554,012</b>	<b>96,006</b>	<b>-</b>	<b>1,650,018</b>
<b>Net Value</b>	<b>569,770</b>			<b>519,895</b>



DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

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

	01.01.2021	Entry	Exit	31.12.2021
<b>Cost</b>				
Rights	2,046,044	77,738	-	2,123,782
<b>Total</b>	2,046,044	77,738	-	2,123,782
<b>Accumulated Depreciation (-)</b>	<b>01,01,2021</b>	<b>Entry</b>	<b>Exit</b>	<b>31,12,2021</b>
Rights	1,452,685	101,327	-	1,554,012
<b>Total</b>	1,452,685	101,327	-	1,554,012
<b>Net Value</b>	<b>593,359</b>			<b>569,770</b>

### 15. INVESTMENT PROPERTY

The details of investment property as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Buildings <sup>(*)</sup>	13,740,000	-
	<b>13,740,000</b>	-

As of 31.12.2022, the building values followed up in the property for sale are shown in the investment properties.

### 16. LEASING TRANSACTIONS

#### 16.1 Financial Leasing Transactions

None. (31 December 2021 None.)

#### 16.2 Operational Leasing Transactions

Leases Made by the Company as a Lessor	31.12.2022	31.12.2021
Car Rental Expenses <sup>(*)</sup>	1,247,987	796,779
Store Rental Expenses <sup>(*)</sup>	92,663,933	41,926,413
Administrative Buildings and Warehouses Rental Expenses <sup>(**)</sup>	2,439,433	1,553,430
<b>Total</b>	<b>96,351,353</b>	<b>44,276,622</b>

<sup>(\*)</sup> 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 an asset usage rights against this are included in the balance sheet. (Note: 12).

<sup>(\*\*)</sup> The term of contracts for leasing relating to administrative buildings is one year or less.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### Leases Carried out by the Company as a Lessor

The total lease income arising from operational leasing transactions realized by the Company in the capacity as a lessor, which is collected within the current period and is reflected in the income statement, amounted to TL 607,932. (31 December 2021: TL 4,440,302).

### 17. GOVERNMENT INCENTIVES AND AIDS

5. The Company holds Inward Processing Licenses. The Company carried out imports amounting to USD 13,296,291 as of 31 December 2022 under those licenses. It benefited from the VAT incentive related to these purchases. (31 December 2021 – USD 10,568,944).

6. The Company did not obtain the right to benefit from the incentive within the scope of the Communiqué No. 2006/4 on Branding of Turkish Products Abroad, Establishing the Image of Turkish Products and Supporting Turquality. (The right to benefit from the incentives amounting to TL 68,532 was obtained as of 31 December 2021.)

7. Income tax pertaining to employees working on the minimum-wage at the Düzce factory located in the Organized Industrial Zone provide a 5% exemption from the payment of the SSI (Social Security Insurance) premiums under the Law No. 5084 on Amendments to Certain Laws with Encouragement of Investments and Employment. The Company was eligible to benefit from an additional incentive of 6% from 1 January 2013 in accordance with the Council of Ministers' decree no.2013/4966. The Company was eligible for an incentive of TL 743,099 as of 31 December 2022 and recorded the same amount as revenue. (31 December 2021: TL 888,043)

d) The amount corresponding to a five-point part of employer's share from disability, old-age and death insurance premiums of insured employers is paid by the Treasury under sub-clause (i) added to first clause of Article 81 of Social Securities and General Health Insurance Law No. 5510. In this context, the five-point part of the Company's employer's share recorded as revenue as of 31 December 2022 stood at TL 8,462,872. (31 December 2021: TL 3,480,667).

8. The subsidy for the employer's contribution to the minimum wage provided in order to lessen the burden of additional cost emanated as a result of increase in minimum wage by 30% is covered by the Treasury pursuant to the article 17 of the Law No.6661 on the 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 as of 31 December 2022 stood at TL 2,731,200 (31 December 2021: TL 1,093,643)

### 18. PROVISIONS, CONTINGENT ASSETS AND PAYABLES

#### Provision for Leave

As of 31 December 2022 and 31 December 2021, the details of the provision for payments for unused leave were as follows:

	31.12.2022	31.12.2021
Provisions for Leave	7,553,657	3,766,744
	<b>7,553,657</b>	<b>3,766,744</b>

Activities of provisions for leave payments within the period were as follows:

	31.12.2022	31.12.2021
Beginning of period	3,766,744	3,577,862
Increase within the Period (+)	3,786,913	188,882
Provisions cancelled within the Period (-)	-	-
	<b>7,553,657</b>	<b>3,766,744</b>

DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### Provisions for Short Term Payables

As of 31 December 2022 and 31 December 2021, the details of the provision for payments for short term payables were as follows:

	31.12.2022	31.12.2021
Provision for Legal Cases	3,106,482	1,653,094
Provision for Other Expenses	142,773	179,711
	<b>3,249,255</b>	<b>1,832,805</b>

### Provisions for Severance Pay

As of 31 December 2022 and 31 December 2021, the details of the provisions for severance pay were as follows:

	31.12.2022	31.12.2021
Provision for Severance Pay	7,764,031	5,322,268
	<b>7,764,031</b>	<b>5,322,268</b>

According to the laws of Republic of Türkiye, 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 (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 15,371.40 as of 31 December 2022 (31 December 2021: TL 8,284.51).

The liability for severance pay is not subject to any funding legally. The provision for severance pay is calculated by estimating the present value of the future probable obligation amount of the Company arising from the retirement of the employees.

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

The principal 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 the future inflation effects. Consequently, in the accompanying financial statements as of 31 December 2022, the provisions in the accompanying financial statements are calculated by estimating the present value of the future probable obligation arising from the retirement of the employees.

The estimated rate of severance pay, which will not be paid as a result of voluntary leaves, and that will remain with the Company has also been taken into account. The severance pay ceiling is revised every six months.

	31.12.2022	31.12.2021
Beginning of Period	5,322,268	5,482,097
Service Cost	7,901,929	5,274,712
Interest Cost	243,401	192,099
Indemnities Paid	(9,977,449)	(6,392,237)
Actuarial (Earning)	4,273,882	765,597
	<b>7,764,031</b>	<b>5,322,268</b>

DESA Deri Sanayi ve Ticaret A.Ş.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### Guarantees Received and Given

Details of the mortgages, guarantees and sureties received by the Company as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Letters of Guarantee	4,442,745	800,000
Surety Bonds	2,639,260	2,370,985
	<b>7,082,005</b>	<b>3,170,985</b>

The details of off-balance sheet liabilities not included in liabilities as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
<b>Letters of Guarantee</b>		
TL	23,235,019	14,162,468
USD	4,315,855	3,076,549
EURO <sup>o</sup>	147,660,348	149,748,331
<b>Surety Bonds</b>		
EURO	-	12,109,200
	<b>175,211,222</b>	<b>179,096,548</b>

<sup>o</sup> For the loan amounting to EUR 6,968,780 (TL 139,380,478) disbursed by Eximbank, a letter of guarantee in the same amount was provided.

As of 31 December 2022 and 31 December 2021, the tables of the Company's guarantee/pledge/mortgage position were as follows:

<b>The GPMs given by the Company</b>	31.12.2022	31.12.2020
A. Total Amount of the GPMs given on behalf of its own Legal Entity	175,211,222	179,096,548
B. Total Amount of the GPMs given in favour of Partners included in Full Consolidation	-	-
C. Total Amount of the GPMs given to Guarantee Liability of Other Third Parties for the purposes of carrying out Ordinary Business Activities	-	-
D. Total Amount of Other GPMs Given	-	-
1) Total Amount of GPMs given in favour of the Parent Company	-	-
2) Total Amount of GPMs given in favor of Other Group Companies not included in Items B and C	-	-
3) Total Amount of the GPMs given in favour of 3rd Parties not included in Item C	-	-
<b>Total</b>	<b>175,211,222</b>	<b>179,096,548</b>

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 19. EMPLOYEE BENEFITS

The details of the employee benefits as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Accrued Wages of Employees	14,420,410	7,493,781
	<b>14,420,410</b>	<b>7,493,781</b>

### 20. EXPENSES BY THEIR NATURE

The breakdown of significant expense items by their nature as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
For Production Cost	95,085,322	33,307,352
For General Management	18,639,727	9,848,231
For Marketing, Sales and Distribution	104,336,334	42,888,500
For Research and Development	2,109,774	715,670
<b>Payroll Expenses</b>	<b>220,171,157</b>	<b>86,759,753</b>
For Marketing, Sales and Distribution	71,577,762	30,810,884
For Production Cost	3,668,040	1,682,581
For General Management	622,595	435,006
For Research and Development	237	306
For Service Production Expense	363,755	-
<b>Depreciation Expenses Production</b>	<b>76,232,389</b>	<b>32,928,777</b>
	<b>296,403,546</b>	<b>119,688,530</b>

### 21. OTHER ASSETS AND LIABILITIES

The details of other current assets as of 31 December 2022 and 31 December 2021 were as follows:

	31.12.2022	31.12.2021
Other VAT	320,009	316,601
Accrued Turquality Incentive Income	-	68,532
	<b>320,009</b>	<b>385,133</b>

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 22. CAPITAL, RESERVES AND OTHER EQUITY ITEMS

#### 22.1 Shareholder's Equity

The shareholder's equity of the Company as of 31 December 2022 stood at TL 574,064,507 (31 December 2021- TL 207,950,699) and its details were as follows:

	31.12.2022	31.12.2021
Paid-in Capital	49,221,970	49,221,970
Adjustment Differences of Capital Accounts	5,500,255	5,500,255
Revaluation and Measurement Gains/Losses	176,576,661	94,384,117
Actuarial (Loss)/Gain relating to Employee Benefits	(6,425,922)	(3,135,033)
Reserves on Retained Earnings	3,124,610	1,207,513
Previous Period Profit/Loss	58,672,812	14,420,002
Net Profit/Loss for the Period	287,394,121	46,351,875
	<b>574,064,507</b>	<b>207,950,699</b>

#### 22.2 Paid-in Capital

The Company switched to a registered capital system in 2007. Its registered authorized stock amounts to TL 150,000,000. The registered capital ceiling, which was currently TL 150,000,000, in the registered capital system of the company was registered on 13 April 2021 and increased to TL 200,000,000. The current registered capital ceiling of TL 200,000,000 in the registered capital system of the company was registered on 29 December 2022 and was increased to TL 245,000,000.

The Company's paid in capital is TL 49,221,970 (31 December 2021: TL 49,221,970). It has been divided into 4,922,196,986 (31 December 2020: 4,992,196,986) shares, each of which has a nominal value of 1 Kr. Four members of the Board of Directors and auditors are elected amongst the candidates to be nominated by Group (A) shareholders. In Ordinary and Extraordinary General Meetings, Group (A) shareholders have 15 voting rights for 1 share, while other shareholders have 1 voting right for 1 share. There is no preference share in financial terms.

The issued and paid in capital amounts at their carrying value as of 31 December 2022 and 31 December 2021 are as follows:

Name Surname/Title	31.12.2022		31.12.2021	
	Share Ratio	Share Amount	Share Ratio	Share Amount
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 <sup>(1)</sup>	34.92%	17,188,312	34.92%	17,188,312
Other	0.80%	393,779	0.80%	393,779
<b>TOTAL</b>	<b>100%</b>	<b>49,221,970</b>	<b>100%</b>	<b>49,221,970</b>

<sup>(1)</sup> 4,129,566 shares representing 8.39% of the publicly owned share belonged to Çelet Holding A.Ş. and 4,213,569 representing 8.56% of the capital belonged to Melih Çelet, 493,144 shares representing 1% of the capital belonged to Adesa Mağazacılık Tekstil ve Deri San.Tic A.Ş. as of 31.12.2022.

<sup>(1)</sup> 4,129,566 shares representing 8.39% of the publicly owned share belonged to Çelet Holding A.Ş. and 4,193,569 representing 8.5197% of the capital belonged to Melih Çelet as of 31.12.2021.

#### 22.3 Adjustment Differences of Capital Accounts

The inflation adjustment difference for capital accounts stood at TL 5,500,255 as of 31 December 2022. (31 December 2021: TL 5,500,255)



### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 22.4 Revaluation and Measurement Gains/Losses

Revaluation funds consist of the excess of the indexed value of tangible fixed assets and the deferred tax calculated on this excess. As of 31 December 2022, the 'fixed assets' of the Company have been valued with their appraisal values according to the valuation report prepared by TSKB Gayrimenkul Değerleme A.Ş., which is approved by the Capital Markets Board.

As of 31 December 2022, tangible fixed assets value increase fund, amounting to TL 176,576,661, resulted from the revaluation of factory and office buildings in 2012, 2017, 2021 and 2022, the details of which are as follows.

	Total Value Increase	Deferred Tax Impact	Value Increase Fund (Net)
Factory Land	22,505,000	(2,588,075)	19,916,925
Factory and Office Building	70,367,931	(8,092,312)	62,275,619
As of 01 January 2022, Accumulated Depreciation Effect	-	-	-
As of 31 December 2022, Period Depreciation Effect	-	-	-
<b>TOTAL</b>	<b>92.872.931</b>	<b>(10.680.387)</b>	<b>82.192.544</b>
<b>01.01.2022 Opening</b>			<b>94,384,117</b>
<b>31 December 2022 Net</b>			<b>176,576,661</b>
	Total Value Increase	Deferred Tax Impact	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
As of 01 January 2021, Accumulated Depreciation Effect	-	-	-
As of 31 December 2021, Period Depreciation Effect	-	-	-
<b>TOTAL</b>	<b>77,177,985</b>	<b>(9,647,248)</b>	<b>67,530,737</b>
<b>01.01.2021 Opening</b>			<b>26,853,380</b>
<b>31 December 2021 Net</b>			<b>94,384,117</b>

#### 22.5 Actuarial (Loss)/Gain relating to Employee Benefits

	31.12.2022	31.12.2021
<b>Opening balance (Net)</b>	<b>(3,135,033)</b>	<b>(2,560,835)</b>
Current Period Defined Benefit Plans	-	-
<b>Remeasurement Losses (Net)</b>	<b>(3,290,889)</b>	<b>(574,198)</b>
Current Period Actuarial Difference	(4,273,882)	(765,597)
Deferred Tax of Current Period Actuarial Difference	982,993	191,399
	<b>(6,425,922)</b>	<b>(3,135,033)</b>

#### 22.6 Reserves on Retained Earnings

	31.12.2022	31.12.2021
Primary Legal Reserves	3,124,610	1,207,513
	<b>3,124,610</b>	<b>1,207,513</b>

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 22.7 Previous Period Profit/Loss

	31.12.2022	31.12.2021
Accumulated Profit/Loss Opening	14,420,002	12,886,947
Transfer from Retained Net Profit/Loss	44,434,778	1,475,035
Increase (Decrease) Due to Other Changes	(181,968)	58,020
	<b>58,672,812</b>	<b>14,420,002</b>

#### 23. COST OF REVENUE AND SALES

The details of sales as of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Domestic sales	1,251,995,984	497,298,809
Export sales	447,666,656	158,721,209
Other sales	373,211	684,925
	<b>1,700,035,851</b>	<b>656,704,943</b>
Returns from Sales	(55,290,495)	(22,088,354)
Sales Discounts	(282,779,748)	(201,134,153)
Discounts	(3,009,758)	(1,077,136)
<b>Sales Revenues (net)</b>	<b>1,358,955,850</b>	<b>432,405,300</b>
<b>Cost of Sales (-)</b>	<b>793,746,820</b>	<b>240,677,306</b>
<b>Gross Profit/(Loss)</b>	<b>565,209,030</b>	<b>191,727,994</b>

As of 31 December 2022 and 31 December 2021, the details of cost of sales were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Raw material and material expenses	226,471,859	88,756,164
Personnel expenses	95,085,322	33,307,352
General production expenses	63,527,100	23,002,583
Change in stocks of semi-finished products	41,302,376	(356,160)
Change in product stocks	9,845,124	(4,853,346)
Cost of goods sold	<b>436,231,781</b>	<b>139,856,593</b>
Cost of merchandise sold	324,800,851	81,929,103
Cost of service sold	3,307,765	829,295
Cost of other sales	29,406,423	18,062,315
Cost of sales	<b>793,746,820</b>	<b>240,677,306</b>

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 24. GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	01.01.- 31.12.2022	01.01.- 31.12.2021
General Administrative Expenses	31,500,857	15,894,109
Marketing, Sales and Distribution Expenses	253,249,896	103,027,063
Research and Development Expenses	4,267,317	2,086,778
<b>Operating Expenses</b>	<b>289,018,070</b>	<b>121,007,950</b>

##### 24.1 General Administrative Expenses (-)

The details of general administrative expenses for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Personnel Expenses	18,639,727	9,848,231
Consultancy Expenses	2,849,947	1,548,452
Other	3,046,663	1,165,757
Rental Expenses	2,188,208	1,388,735
Travel and Transport Expenses	1,627,223	366,445
Utility and Fuel Oil Expenses	1,164,325	384,325
Donation and Aid	525,773	132,000
Insurance, Repair & Maintenance Expenses	358,176	368,171
Depreciation Expenses	622,595	435,006
Tax, Duties and Fees	307,178	93,296
Communication Expenses	171,042	163,691
	<b>31,500,857</b>	<b>15,894,109</b>

##### 24.2 Marketing, Sales and Distribution Expenses (-)

The details of marketing, sales and distribution expenses for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Personnel Expenses	104,336,334	42,888,500
Depreciation Expenses	71,577,762	30,810,884
Sales Commission Expenses	20,240,412	-
Bank Commission Expenses	12,118,990	5,070,479
Advertising, Announcement Expenses	12,884,924	10,744,877
Utility and Fuel Oil Expenses	10,658,969	2,791,829
Other	9,366,545	5,524,419
Cargo Expenses	8,045,571	3,521,927
Product, Repair and Export Duty Expenses	2,317,703	831,267
Maintenance & Repair Expenses	989,591	477,479
Insurance Expenses	713,095	365,402
	<b>253,249,896</b>	<b>103,027,063</b>

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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#### 24.3 Research and Development Expenses(-)

The details of research and development expenses for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Design and Modeling Expenses	2,109,774	1,196,746
Personnel Expenses	1,778,041	715,670
Travel Expenses	309,493	92,070
Representation and Entertainment Expenses	62,007	51,433
Other	7,765	30,553
Depreciation Expenses	237	306
	<b>4,267,317</b>	<b>2,086,778</b>

#### 25. OTHER OPERATING INCOMES AND EXPENSES FROM MAIN OPERATIONS

##### 25.1 Other Incomes from Main Operations

The details of other operating income for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Exchange Profits	30,393,482	19,025,131
Cargo Logistics Service Incomes	27,380,951	6,029,488
Financing Incomes Arising from Forward Sales	12,201,678	8,668,742
Subsidy (SSI and Withholding)	11,937,081	5,462,353
Other	8,328,707	1,993,850
Impairment of Trade Payables	4,877,168	3,509,387
Other Provisions That Have No Subject	813,281	493,219
Rental Incomes	607,932	4,440,302
Provisions for Legal Cases No Longer Required	313,771	132,681
Income from Damage Indemnity	444,434	1,872,881
Subsidy (Turquality and ITKIB)	-	542,769
	<b>97,298,485</b>	<b>52,170,803</b>

##### 25.2 Other Expenses from Main Operations (-)

The details of other operating expenses for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Financial Expenses Due to Forward Purchases	21,360,022	16,719,692
Foreign Exchange Losses	30,255,216	32,660,403
Impairment of Trade Receivables	4,875,668	3,497,501
Provision Expenses	3,068,641	1,060,116
Other	13,304	49,315
Insurance Damage Expenses	-	1,381,814
Base Increase Under the Law No. 7326	-	251,809
	<b>59,572,851</b>	<b>55,620,650</b>

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 26. INCOMES AND EXPENSES FROM INVESTING ACTIVITIES

##### 26.1 Incomes From Investing Activities

The details of income from investment activities for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Income from Fixed Asset Sales	92,786	2,699
Valuation Difference of Investment Properties	7,530,000	3,437,723
Dividend Incomes	-	2,797,200
	<b>7,622,786</b>	<b>6,237,622</b>

##### 26.2 Expenses from Investment Activities (-)

None.(31.12.2021: None)

#### 27. FINANCING EXPENSES AND INCOMES

##### 27.1 Financing Expenses (-)

The details of financing expenses for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Exchange Difference Expenses	48,211,485	63,718,917
Interest expenses due to leasing transactions	24,190,921	13,540,685
Loan Interest Expense	5,044,951	6,658,773
Bank Letter of Guarantee Commission	1,585,834	777,628
Credit Card Commission	1,674,358	600,270
Other Financing Expenses	742,428	682,749
	<b>81,449,977</b>	<b>85,979,022</b>

##### 27.2 Financing Incomes

The details of financing incomes for the periods of 31 December 2022 and 31 December 2021 were as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Exchange Difference Incomes	65,429,031	55,605,117
Interest Incomes	18,148,579	1,434,869
	<b>83,577,610</b>	<b>57,039,986</b>

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

#### 28. FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

	01.01.- 31.12.2022	01.01.- 31.12.2021
Fixed Assets held for Sale	-	2,772,277
	-	<b>2,772,277</b>

#### 29. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31.12.2022	31.12.2021
<b>Current Tax Liability</b>		
Provision for Current Corporate Tax (-)	(65,999,499)	(6,561,288)
Prepaid Taxes and Funds within the Period	34,698,795	2,375,472
<b>Net Tax Asset/(Liability) of Current Period</b>	<b>(31,300,704)</b>	<b>(4,185,816)</b>
	01.01.- 31.12.2022	01.01.- 31.12.2021
Current Tax Expense/Income	(65,999,499)	(6,561,288)
Deferred Tax Expense/Income	(3,606,561)	(467,073)
<b>Total Tax Income/(Expense)</b>	<b>(69,606,060)</b>	<b>(7,028,361)</b>

The Company is subject to corporate taxes applicable in Türkiye. Necessary provisions are allocated in the accompanying financial statements for the estimated tax liabilities based on the Company's operating results for the current accounting period.

The corporate tax rate to be accrued on taxable corporate income is calculated on the tax basis which is the remainder after adding the non-deductible expenses from the tax base in the determination of the commercial income and deducting the tax-exempt earnings, non-taxable incomes and other deductions (losses from the previous years, investment allowances and R&D center deduction, if any).

The corporate tax rate applicable in Türkiye is 23%. (2021: 25%). In Türkiye, temporary tax is calculated and accrued on a quarterly basis. During the taxation phase of the 2022 corporate earnings as of the temporary tax periods, a temporary tax of 23% was calculated on corporate earnings (2021: 25%).

The deferred tax activity table is as follows:

	01.01.- 31.12.2022	01.01.- 31.12.2021
Opening Balance as of 1st January	(10,244,033)	(321,111)
Deferred Tax Income/(Expense)	(3,606,561)	(467,073)
Actuarial (Gain)/Loss	982,993	191,399
Deferred tax of property, plant and equipment revaluation fund	(10,680,387)	(9,647,248)
<b>End of Period</b>	<b>(23,547,988)</b>	<b>(10,244,033)</b>



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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

	31.12.2022		31.12.2021	
	Total		Total	
	Temporary Differences	Deferred Tax Asset/Liability	Temporary Differences	Deferred Tax Asset/Liability
Impairment of Trade Receivables	1,639,548	377,096	1,034,208	258,552
Expense Accruals	2,510,423	571,980	2,482,726	565,610
Provision for Doubtful Receivables	136,240	29,973	136,240	29,973
Currency Valuation Differences	1,566,740	388,747	1,424,300	355,986
Provision for Leaves	7,553,657	1,705,341	3,766,744	834,351
Provision for Severance Pay	10,252,501	2,330,699	9,774,982	2,220,870
Provisions for Liabilities/Expenses	1,212,955	279,632	752,451	173,716
Impairment of Financial Investments	3,100,203	170,494	3,107,074	170,889
Operating Lease Transactions	69,309,371	15,941,155	29,645,063	7,411,266
Legal Case Provisions	3,106,482	701,385	1,653,094	367,106
<b>Deferred Tax Asset</b>	<b>100,388,120</b>	<b>22,496,502</b>	<b>53,776,882</b>	<b>12,388,319</b>
Impairment of Trade Payables	(3,842,961)	(862,219)	(3,236,121)	(743,330)
Operating Lease Transactions	(71,638,585)	(16,443,819)	(31,562,849)	(7,819,301)
Fixed Asset Depreciations	(197,008)	(41,400)	118,063	31,066
Fixed Asset Value Increments	(190,482,744)	(22,575,136)	(97,609,813)	(11,894,749)
Financial Investment Value Increments	(50,368,041)	(2,919,661)	(17,034,873)	(1,003,004)
Income Accruals	(2,578,519)	(590,753)	(1,414,102)	(322,937)
Valuation Difference of Real Estates for Sale	(10,967,723)	(2,591,331)	(3,437,723)	(859,431)
Other	(85,417)	(20,171)	(83,264)	(20,666)
<b>Deferred Tax Liability</b>	<b>(330,160,998)</b>	<b>(46,044,490)</b>	<b>(154,260,682)</b>	<b>(22,632,352)</b>
<b>Deferred Tax Asset (Net)</b>		<b>(23,547,988)</b>		<b>(10,244,033)</b>

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 30. EARNINGS PER SHARE

Earnings per share stated in the income statement have been calculated by dividing the net profit of the current period by the weighted average number of the shares that have been outstanding during the respective period.

Companies in Türkiye can increase their capital through "bonus shares" they distribute to their existing shareholders from previous year earnings and revaluation funds. Such "bonus share" distributions are treated as issued shares in the calculations of profits per share. Accordingly, the weighted average number of shares used in these calculations has been found by also calculating the retrospective effects of share distributions.

The calculations of earnings per share are carried out by dividing net income by the weighted average number of shares issued.

There are no financially preferred shares. Accordingly, profit/loss per share on the basis of shares is as follows.

	01.01.- 31.12.2022	01.01.- 31.12.2021
Net Profit/(Loss) for the Period	287,394,121	46,351,875
Weighted average number of shares in circulation (corresponding to a share with a value of 1 kuruş)	4,922,197,000	4,922,197,000
<b>Profit/(loss) per share with a nominal value of 1 kuruş</b>	<b>0.0584</b>	<b>0.0094</b>

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

#### 31. 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 customers 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 meets such risks by limiting average risk for the counterparty in each agreement and obtaining collateral when necessary. The management is not expecting any loss due to nonperformance of the parties.

As of 31 December 2022 and 31 December 2021, the credit risks, to which the company is exposed, by financial instrument types are as follows:

31.12.2022	Trade Receivables		Other Receivables		Cash and cash equivalent		
	Related Party	Other party	Related Party	Other party	Deposit in Banks	Repo and Funds	Other
<b>Maximum credit risk incurred as of reporting date (A+B+C+D+E)</b>	<b>166,442,252</b>	<b>23,179,735</b>	<b>23,307,738</b>	<b>761,292</b>	<b>204,594,470</b>	<b>-</b>	<b>138,988</b>
<i>Guaranteed part of maximum risk through security etc.</i>	-	-	-	-	-	-	-
A. Net carrying value of financial assets undue or not impaired	166,442,252	23,179,735	23,307,738	761,292	204,594,470	-	138,988
B. Carrying value of financial assets of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of overdue but not impaired assets	-	-	-	-	-	-	-
D. Net carrying values of impaired assets	-	-	-	-	-	-	-
Overdue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	266,031	-	-	-	-	-
Guaranteed part of net value through guarantee etc.	-	(266,031)	-	-	-	-	-
Undue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Guaranteed part of net value through guarantee etc.	-	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-	-

### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

31.12.2021	Trade Receivables		Other Receivables		Cash and cash equivalent		
	Related Party	Other party	Related Party	Other party	Deposit in Banks	Repo and Funds	Other
<b>Maximum credit risk incurred as of reporting date (A+B+C+D+E)</b>	<b>77,822,303</b>	<b>11,451,207</b>	<b>6,709,879</b>	<b>887,935</b>	<b>146,565,464</b>	<b>-</b>	<b>234,731</b>
<i>Guaranteed part of maximum risk through security etc.</i>	-	-	-	-	-	-	-
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 of which conditions have been re-discussed, otherwise which would be considered as overdue or impaired	-	-	-	-	-	-	-
C. Net carrying value of overdue but not impaired assets	-	-	-	-	-	-	-
D. Net carrying values of impaired assets	-	-	-	-	-	-	-
Overdue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	266,031	-	-	-	-	-
Guaranteed part of net value through guarantee etc.	-	(266,031)	-	-	-	-	-
Undue (gross carrying value)	-	-	-	-	-	-	-
Impairment (-)	-	-	-	-	-	-	-
Guaranteed part of net value through guarantee etc.	-	-	-	-	-	-	-
E. Elements involving off-balance sheet credit risk	-	-	-	-	-	-	-

**Liquidity risk:** It is 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.

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

As of 31 December 2022 and 31 December 2021, the table showing the liquidity risk arising from the Company's financial assets and liabilities is as follows:

#### 31.12.2022

Maturities as per Agreement	Carrying Value	Total cash outflows as per agreement (=I+II+III+IV)	Less than	Between	Longer	
			3 months (I)	3-12 months (II)	than 5 years (III)	
<b>Non-Derivative</b>						
<b>Financial Liabilities</b>	<b>492,849,381</b>	<b>496,692,342</b>	<b>79,987,264</b>	<b>345,591,476</b>	<b>71,113,602</b>	-
Financial Payables	135,065,435	135,065,435	19,144,865	44,806,968	71,113,602	-
Trade Payables	334,737,758	338,580,719	37,796,211	300,784,508	-	-
Other Payables	23,046,188	23,046,188	23,046,188	-	-	-
<b>Derivative Financial</b>						
<b>Liabilities</b>	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-

#### 31.12.2021

Maturities as per Agreement	Carrying Value	Total cash outflows as per agreement (=I+II+III+IV)	Less than	Between	Longer	
			3 months (I)	3-12 months (II)	than 5 years (III)	
<b>Non-Derivative</b>						
<b>Financial Liabilities</b>	<b>325,025,522</b>	<b>328,261,643</b>	<b>31,699,716</b>	<b>179,364,099</b>	<b>117,197,828</b>	-
Financial Payables	163,874,560	163,874,560	3,823,617	42,853,115	117,197,828	-
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	-	-	-
<b>Derivative Financial</b>						
<b>Liabilities</b>	-	-	-	-	-	-
Derivative Financial Instruments	-	-	-	-	-	-

**Currency Risk:** The effects that may arise from exchange rate movements in the case of foreign currency assets, liabilities and off-balance sheet liabilities are called exchange rate risk.

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### Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

As of 31 December 2022 and 31 December 2021, the Company's foreign currency position in original currency is as follows:

#### 31 December 2022

	Equivalent in TL (Functional currency)								
		USD	EURO	CHF	JPY	GBP	BGN	RUB	CNY
1. Trade Receivables	145,688,462	24,699	7,165,671	26	-	110,344	-	-	-
2a. Monetary Financial Assets (including Cash and Bank Accounts)	466,513,406	13,009,116	10,260,601	13	22	846,810	396	-	8
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>612,201,868</b>	<b>13,033,815</b>	<b>17,426,272</b>	<b>39</b>	<b>22</b>	<b>957,154</b>	<b>396</b>	<b>-</b>	<b>8</b>
5. Trade Receivables	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	14,853,103	-	745,604	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-
<b>8. Fixed Assets (5+6+7)</b>	<b>14,853,103</b>	<b>-</b>	<b>745,604</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>627,054,971</b>	<b>13,033,815</b>	<b>18,171,876</b>	<b>39</b>	<b>22</b>	<b>957,154</b>	<b>396</b>	<b>-</b>	<b>8</b>
10. Trade Payables	138,182,416	60,487	6,771,476	7,457	-	64,556	-	-	-
11. Financial Liabilities	59,441,620	-	2,971,977	-	-	-	-	-	-
12a. Other Monetary Financial Assets	47,976,442	741,332	312,917	-	-	1,152,481	-	6,620,123	-
12b. Other Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
13. Derivative Financial Instruments	-	-	-	-	-	-	-	-	-
<b>14. Short-Term Liabilities (10+11+12)</b>	<b>245,600,478</b>	<b>801,819</b>	<b>10,056,370</b>	<b>7,457</b>	<b>-</b>	<b>1,217,037</b>	<b>-</b>	<b>6,620,123</b>	<b>-</b>
15. Trade Payables	-	-	-	-	-	-	-	-	-
16. Financial Liabilities	71,113,609	-	3,555,556	-	-	-	-	-	-
17a. Other Monetary Financial Assets	-	-	-	-	-	-	-	-	-
17b. Other Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-
<b>18. Long-Term Liabilities (14+15+16)</b>	<b>71,113,609</b>	<b>-</b>	<b>3,555,556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19. Total Liabilities</b>	<b>316,714,087</b>	<b>801,819</b>	<b>13,611,926</b>	<b>7,457</b>	<b>-</b>	<b>1,217,037</b>	<b>-</b>	<b>6,620,123</b>	<b>-</b>
<b>20. Net asset/liability position of off-balance sheet derivatives (19a-19b)</b>									
20a. Total Amount of Hedged Assets	-	-	-	-	-	-	-	-	-
20b. Total Amount of Hedged Liabilities	-	-	-	-	-	-	-	-	-
<b>21. Net asset/liability position in Foreign Currency (9-18+19)</b>	<b>310,340,884</b>	<b>12,231,996</b>	<b>4,559,950</b>	<b>(7,418)</b>	<b>22</b>	<b>(259,883)</b>	<b>396</b>	<b>(6,620,123)</b>	<b>8</b>
<b>22. Monetary Items Net asset/liability position in Foreign Currency (=1+2a+5+6a-10-11-12a-14-15-16a)</b>									
23. Import <sup>(1)</sup>	283,724,321	739,406	13,505,405	21,152	-	10,782	-	-	-
24. Export <sup>(2)</sup>	485,734,528	2,501,060	20,993,168	-	-	910,315	-	-	-

<sup>(1)</sup> 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 2022.



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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

31 December 2021	Equivalent in TL (Functional currency)	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	-	-	-	-	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>217,571,950</b>	<b>3,913,517</b>	<b>10,589,496</b>	<b>2,024</b>	<b>22</b>	<b>321,044</b>	<b>427</b>	<b>8</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
<b>8. Fixed Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>217,571,950</b>	<b>3,913,517</b>	<b>10,589,496</b>	<b>2,024</b>	<b>22</b>	<b>321,044</b>	<b>427</b>	<b>8</b>
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 Financial Assets	16,729,791	311,011	165,663	-	-	556,357	-	-
12b. Other Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
13. Derivative Financial Instruments	-	-	-	-	-	-	-	-
<b>14. Short-Term Liabilities (10+11+12)</b>	<b>129,537,393</b>	<b>847,836</b>	<b>7,092,841</b>	<b>-</b>	<b>2,650</b>	<b>599,207</b>	<b>-</b>	<b>-</b>
15. Trade Payables	-	-	-	-	-	-	-	-
16. Financial Liabilities	117,197,833	-	7,742,730	-	-	-	-	-
17a. Other Monetary Financial Assets	-	-	-	-	-	-	-	-
17b. Other Non-Monetary Financial Assets	133,731	10,000	-	-	-	-	-	-
<b>18. Long-Term Liabilities (14+15+16)</b>	<b>117,331,564</b>	<b>10,000</b>	<b>7,742,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19. Total Liabilities</b>	<b>246,868,957</b>	<b>857,836</b>	<b>14,835,571</b>	<b>-</b>	<b>2,650</b>	<b>599,207</b>	<b>-</b>	<b>-</b>
20. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-	-	-	-	-	-
<b>20a. Total Amount of Hedged Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20b. Total Amount of Hedged Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>21. Net asset/liability position in Foreign Currency (9-18+19)</b>	<b>(29,297,007)</b>	<b>3,055,681</b>	<b>(4,246,075)</b>	<b>2,024</b>	<b>(2,628)</b>	<b>(278,163)</b>	<b>427</b>	<b>8</b>
<b>22. Monetary Items Net asset/liability position in Foreign Currency (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(29,297,007)</b>	<b>3,055,681</b>	<b>(4,246,075)</b>	<b>2,024</b>	<b>(2,628)</b>	<b>(278,163)</b>	<b>427</b>	<b>8</b>
<b>23. Import <sup>(*)</sup></b>	<b>140,592,823</b>	<b>559,750</b>	<b>9,066,053</b>	<b>10,255</b>	<b>-</b>	<b>4,202</b>	<b>-</b>	<b>-</b>
<b>24. Export <sup>(*)</sup></b>	<b>206,313,611</b>	<b>199,881</b>	<b>13,364,738</b>	<b>-</b>	<b>-</b>	<b>429,414</b>	<b>-</b>	<b>-</b>

(\*) 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.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### Exchange Rate Risk Sensitivity Analysis

As of 31 December 2022, if the TL changes by 20% against the following foreign currencies, the income statement will be affected as follows. While performing the analysis, it is assumed that all other variables, especially interest rates, remain constant.

As of 31 December 2022 and 31 December 2021, the exchange rate sensitivity analysis table is presented below:

Table of Exchange Rate Risk Sensitivity Analysis				
As of 31 December 2022				
	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<b>If the US Dollar changes by 20% against TL</b>				
1- Net asset/liability in USD	45,699,447	(45,699,447)	45,699,447	(45,699,447)
2- The portion hedged against the USD risk (-)	-	-	-	-
<b>3- USD Net Effect (1+2)</b>	<b>45,699,447</b>	<b>(45,699,447)</b>	<b>45,699,447</b>	<b>(45,699,447)</b>
<b>If the Euro changes by 20% against TL;</b>				
4- Net asset/liability in Euro	17,950,415	(17,950,415)	17,950,415	-17,950,415
5- The portion hedged against the Euro risk (-)	-	-	-	-
<b>6- Euro Net Effect (4+5)</b>	<b>17,950,415</b>	<b>-17,950,415</b>	<b>17,950,415</b>	<b>-17,950,415</b>
<b>If the British Pound changes by 20% against TL;</b>				
7- Net asset/liability in GBP	(1,208,720)	1,208,720	(1,208,720)	1,208,720
8- The portion hedged against the GBP risk (-)	-	-	-	-
<b>9- British Pound Net Effect (7+8)</b>	<b>(1,208,720)</b>	<b>1,208,720</b>	<b>(1,208,720)</b>	<b>1,208,720</b>
<b>If the Bulgarian Lev changes by 20% against TL;</b>				
10- Net asset/liability in Bulgarian Lev	803	(803)	803	(803)
11- The portion hedged against the Bulgarian Lev risk (-)	-	-	-	-
<b>12- Bulgarian Lev Net Effect (10+11)</b>	<b>803</b>	<b>(803)</b>	<b>803</b>	<b>(803)</b>
<b>If the Chinese Yuan changes by 20% against TL;</b>				
13- Net asset/liability in Chinese Yuan	0	(0)	0	(0)
14- The portion hedged against the Chinese Yuan risk (-)	-	-	-	-
<b>15- Chinese Yuan Net Effect (13+14)</b>	<b>0</b>	<b>(0)</b>	<b>0</b>	<b>(0)</b>
<b>If Swiss Franc changes by 20% against TL;</b>				
16- Net asset/liability in Swiss Franc	(30,211)	30,211	(30,211)	30,211
17- The portion hedged against the Swiss Franc risk (-)	-	-	-	-
<b>18- Swiss Franc Net Effect (16+17)</b>	<b>(30,211)</b>	<b>30,211</b>	<b>(30,211)</b>	<b>30,211</b>
<b>If the Japanese Yen changes by 20% against TL;</b>				
19- Net asset/liability in Japanese Yen	1	(1)	1	(1)
20- The portion hedged against the Japanese Yen risk (-)	-	-	-	-
<b>21- Japanese Yen Net Effect (19+20)</b>	<b>1</b>	<b>(1)</b>	<b>1</b>	<b>(1)</b>
<b>If the Japanese Yen changes by 20% against TL;</b>				
22- Net asset/liability in Japanese Yen	(343,558)	343,558	(343,558)	343,558
23- The portion hedged against the Japanese Yen risk (-)	-	-	-	-
<b>24- Swiss Franc Net Effect (19+20)</b>	<b>(343,558)</b>	<b>343,558</b>	<b>(343,558)</b>	<b>343,558</b>
<b>TOTAL (3+6+9+12+15+18+21+24)</b>	<b>62,068,177</b>	<b>(62,411,735)</b>	<b>62,411,735</b>	<b>(62,411,735)</b>

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

Table of Exchange Rate Risk Sensitivity Analysis

	As of 31 December 2021			
	Profit/Loss		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
<b>If the US Dollar changes by 20% against TL</b>				
1- Net asset/liability in USD	8,130,989	(8,130,989)	8,130,989	(8,130,989)
2- The portion hedged against the USD risk (-)	-	-	-	-
<b>3- USD Net Effect (1+2)</b>	<b>8,130,989</b>	<b>(8,130,989)</b>	<b>8,130,989</b>	<b>(8,130,989)</b>
<b>If the Euro changes by 20% against TL;</b>				
4- Net asset/liability in Euro	(12,982,064)	12,982,064	(12,982,064)	12,982,064
5- The portion hedged against the Euro risk (-)	-	-	-	-
<b>6- Euro Net Effect (4+5)</b>	<b>(12,982,064)</b>	<b>12,982,064</b>	<b>(12,982,064)</b>	<b>12,982,064</b>
<b>If the British Pound changes by 20% against TL;</b>				
7- Net asset/liability in GBP	(1,014,808)	1,014,808	(1,014,808)	1,014,808
8- The portion hedged against the GBP risk (-)	-	-	-	-
<b>9- British Pound Net Effect (7+8)</b>	<b>(1,014,808)</b>	<b>1,014,808</b>	<b>(1,014,808)</b>	<b>1,014,808</b>
<b>If the Bulgarian Lev changes by 20% against TL;</b>				
10- Net asset/liability in Bulgarian Lev	655	(655)	655	(655)
11- The portion hedged against the Bulgarian Lev risk (-)	-	-	-	-
<b>12- Bulgarian Lev Net Effect (10+11)</b>	<b>655</b>	<b>(655)</b>	<b>655</b>	<b>(655)</b>
<b>If the Chinese Yuan changes by 20% against TL;</b>				
13- Net asset/liability in Chinese Yuan	3	(3)	3	(3)
14- The portion hedged against the Chinese Yuan risk (-)	-	-	-	-
<b>15- Chinese Yuan Net Effect (13+14)</b>	<b>3</b>	<b>(3)</b>	<b>3</b>	<b>(3)</b>
<b>If Swiss Franc changes by 20% against TL;</b>				
16- Net asset/liability in Swiss Franc	5,885	(5,885)	5,885	(5,885)
17- The portion hedged against the Swiss Franc risk (-)	-	-	-	-
<b>18- Swiss Franc Net Effect (16+17)</b>	<b>5,885</b>	<b>(5,885)</b>	<b>5,885</b>	<b>(5,885)</b>
<b>If the Japanese Yen changes by 20% against TL;</b>				
19- Net asset/liability in Japanese Yen	(61)	61	(61)	61
20- The portion hedged against the Japanese Yen risk (-)	-	-	-	-
<b>21- Japanese Yen Net Effect (19+20)</b>	<b>(61)</b>	<b>61</b>	<b>(61)</b>	<b>61</b>
<b>TOTAL (3+6+9+12+15+18+21)</b>	<b>(5,859,401)</b>	<b>5,859,401</b>	<b>(5,859,401)</b>	<b>5,859,401</b>

**Price Risk:** In order not to be exposed to price risk, the company performs sales, cost and profitability analyses. It takes the price risk under control by taking into account the changing market conditions.

## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

**Interest Risk:** Changes in market interest rates cause fluctuations in the prices of financial instruments, which necessitates the Company to cope with interest rate risk. The Company's sensitivity to interest rate risk is related to the mismatch in the maturities of asset and liability accounts. This risk is managed by covering the assets affected by interest rate changes with the same type of liabilities.

		Interest Position Table	
		Fixed Rate Financial Instruments	
		31.12.2022	31.12.2021
Financial Liabilities	Bank Loans	45,803,418	56,133,730
Financial Liabilities	Credit Cards	236,677	36,223
Banks	Time Deposits	177,564,244	132,912,641
		Variable Rate Financial Instruments	
Financial Liabilities	Bank Loans	89,025,340	107,704,607

### 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 to maximize share values and support its businesses. The Company manages its capital structure and makes adjustments in the light of changes in economic conditions.

The company monitors capital using the debt/total capital ratio. This ratio is found by dividing net debt by total capital. Net debt is calculated by deducting cash and cash equivalents from the total debt amount. Total capital is calculated by adding equity and net debt as shown in the statement of financial position.

As of 31 December 2022 and 31 December 2021, the consolidated net debt/equity ratios were as follows:

	31.12.2022	31.12.2021
Total liabilities	708,955,438	427,484,347
Minus: Liquid Assets (assets readily convertible to cash)	(205,354,810)	(147,111,619)
Net Liabilities	503,600,628	280,372,728
Total equity	574,064,507	207,950,699
Equity + Net Liabilities	1,077,665,135	488,323,427
Net Liabilities/(Equity + Net Liabilities)	47%	57%

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

### 32. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND DISCLOSURES WITHIN THE FRAMEWORK OF FINANCIAL AND HEDGE ACCOUNTING)

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 are practically possible:

#### Financial Assets

Monetary assets, whose fair value approximates its carrying value:

- Foreign currency balances are converted at the end of period exchange rate.
- It is assumed that the fair values of some financial assets (cash-bank), which are shown at cost price in the financial status table, are approximate to their balance sheet values.
- The fair value of trade receivables is estimated to be close to their carrying value after provisions are allocated.

#### Financial Liabilities

Monetary liabilities, whose fair value approximates its 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 rates 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, are approximate to their market values.

#### Fair value measurements hierarchy table

The fair value measurements of financial instruments, which are reflected at fair value in the financial statements, according to the source of the inputs of each financial instrument class, are classified by using a three-level hierarchy, as follows.

First level: Financial assets and liabilities are valued at stock prices traded in active markets for identical assets and liabilities.

Second level: Financial assets and liabilities are valued from inputs used to find the price of the related asset or liability that can be observed directly or indirectly in the market, 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.

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## Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022

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

The Company's assets and liabilities measured at fair value as of 31 December 2022 and 31 December 2021 are as follows:

### 31 December 2022

Assets	Level 1	Level 2	Level 3	Total
Financial Investments	-	-	325,696,720	325,696,720
<b>Total Assets</b>	-	-	<b>325,696,720</b>	<b>325,696,720</b>
Liabilities	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging purposes	-	-	-	-
<b>Total Liabilities</b>	-	-	-	-

### 31 December 2021

Assets	Level 1	Level 2	Level 3	Total
<b>Assets</b>	-	-	26,299,065	26,299,065
Financial Investments	-	-	26,299,065	26,299,065
<b>Total Assets</b>	-	-	<b>26,299,065</b>	<b>26,299,065</b>
Liabilities	Level 1	Level 2	Level 3	Total
Derivative instruments for hedging purposes	-	-	-	-
<b>Total Liabilities</b>	-	-	-	-

### 33. OTHER ISSUES SIGNIFICANTLY AFFECTING FINANCIAL STATEMENTS OR REQUIRED TO BE DISCLOSED FOR FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND UNDERSTANDABLE.

None. (31 December 2021: None.)



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## **Footnotes Regarding the Financial Statements for the Account Period Ended on 31 December 2022**

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

### **34. THE FEES REGARDING THE SERVICES OBTAINED FROM INDEPENDENT AUDITING FIRM**

The explanation regarding the fees for the services offered by the independent audit firms, which is prepared by the Company pursuant to the Board Decision of the Public Oversight Authority (Kamu Gözetimi Kurumu - KGK) published in the Official Gazette on 30 March 2021, and the preparation principles of which are based on the KGK letter, dated 19 August 2021, are given below.

The independent audit fee for the reporting period stood at TL 150,000. (31 December 2021: TL 94,500.)

There is no service other than the audit received from the independent audit firm.

### **35. EVENTS AFTER THE BALANCE SHEET DATE**

Within the scope of compliance with the Declaration of Global Goals for Sustainable Development, it has been decided to establish a Solar Power Plant (SPP) at the Leather Production Factory with a closed area of 20,000 m<sup>2</sup>, located at Marmaracık OSB Mahallesi Kuzey 2. Sokak No 5/1 Ergene, Tekirdağ, in order to achieve the goal of using clean energy.

In this context, the Company signed a SPP investment contract for the production of clean energy with a power of 641.25 kWp in the roof area of 3300 m<sup>2</sup> of the Leather Production Factory. It is planned that the investment, which will amount to approximately TL 8,750,000, will meet 90% of the electricity needs of the factory.

# Contact

## Head Office and Factory

Halkalı Cad. No: 208 34295 Sefaköy /  
Küçükçekmece / İstanbul

**Telephone:** (+90 212) 473 18 00 (pbx)  
/ (+90 212) 698 98 12 - 697 57 96

## Çorlu Leather Production Facility

Marmaracık OSB Mahallesi Kuzey  
2. Sokak No:5/1 Ergene - Tekirdağ  
**Telephone:** (+90 282) 686 31 39-40 /  
(+90 282) 686 40 11

## Düzce Factory

İstiklal OSB - 1 Mahallesi 1. Cadde  
No: 13 Beyköy Beldesi Merkez - Düzce  
**Telephone:** (+90 380) 553 73 01  
(7 lines) / (+90 380) 553 73 08

**Italy Factory:** Via Erbosa, 23 Porrena,  
Poppi AR, 52014 Italy.

**E-mail:** [info@desainternazionale.it](mailto:info@desainternazionale.it)

**Phone:** +39 345 306 67 25

## DESA Communication Line

444 33 72 (444 DESA)

[www.desa.com.tr](http://www.desa.com.tr) - [desa@desa.com.tr](mailto:desa@desa.com.tr)

## DESA Internazionale

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