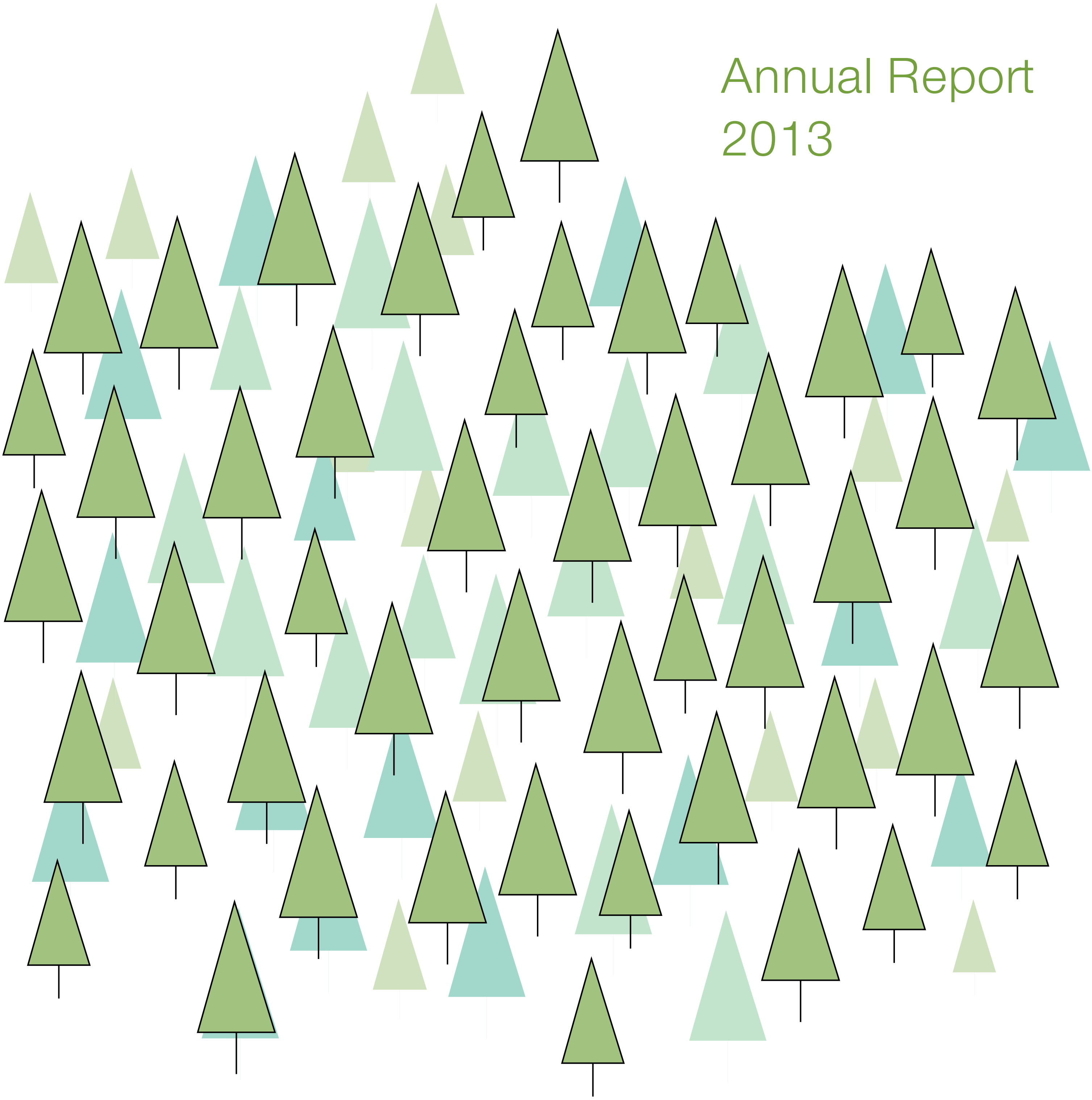
Kartonsan

Annual Report 2013



pak group

Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Agenda for the 2013 annual general meeting to be held on 27 March 2014

1. Opening the meeting and electing the presiding committee,
2. Reading and deliberating the Board of Directors' report concerning 2013 operations,
3. Reading and deliberating the independent auditors' report concerning 2013 operations,
4. Reading, deliberating, and approving the 2012 balance sheet and income statement,
5. Acquitting company directors of their fiduciary responsibilities for the Company's 2013 operations,
6. Providing information about donations made in 2013 and setting limits on such donations in 2014,
7. Approving, discussing any changes in, and approving or rejecting the Board of Directors' proposal concerning distribution of 2013 profits and the date of their distribution,
8. Election and approval of two members to seats on the Board of Directors as independent directors as required by the Capital Markets Board's corporate governance principles,
9. Determining remuneration to be paid to the members of the Board of Directors,
10. As required by Capital Markets Board Corporate Governance Principles, electing and approving members of the Board of Directors, at least two of whom must be independent directors
11. Informing the general assembly about the principles governing the emolument of Company directors and senior managers,
12. Presenting, pursuant to the Turkish Commercial Code (Statute 6102), for the general assembly's approval the independent auditors selected by the Board of Directors to audit the company's 2014 financial statements and reports pursuant to the Capital Markets Law (Statute 6362)
13. Informing the general assembly, pursuant to articles 395 and 396 of the Turkish Commercial Code and to relevant capital markets laws and regulations, that Company shareholders, directors, and senior managers who are in control of the Company's management as well as their spouses and their first- or second-degree relations, whether by blood or marriage, may engage in transactions that may involve conflicts of interest and/or their competing with the Company or with its subsidiaries or affiliates; obtaining the general assembly's approval for these individuals' involvement in such dealings.
14. Requests and comments.

Contents

Corporate profile

Europe's 5th biggest manufacturer of coated cardboard

37% market share

BIST Ticker: KARTN

As Europe's 5th biggest manufacturer of coated cardboard, Kartonsan is the undisputed leader of the coated cardboard market in Turkey.

In addition to commanding a 37% share of the Turkish coated cardboard market, Kartonsan also meets customer needs at its key export destinations including Ukraine, Bulgaria, Spain, Romania, Egypt and Italy.

Moving forward with its strong economic performance, Kartonsan is the undisputed leader in the coated cardboard market in Turkey.

Founded 43 years ago, Kartonsan is the leading player in the coated cardboard market in Turkey thanks to its,

- total production capacity,
- market share,
- amount of recyclable waste paper it can use in production.
- quality standards,
- logistic power.

Kartonsan was founded under challenging market conditions at a time when paper production was a state-controlled business. Its strategies and policies, which have been structured under a long term perspective, have carried Kartonsan to the current time as a sustainable and exemplary corporate citizen, going beyond the characteristics of being an industry leader.

Kartonsan distinguishes itself in the market both nationally and internationally by virtue of its unrivaled production and quality standards, superior customer satisfaction and its strengths in manufacturing, trading, and logistics.

Kartonsan products are used in many industries from food to pharmaceuticals for different needs - mostly packaging - and touch the lives of millions of people in their daily lives, in a variety different formats.

Having continued to generate value for its shareholders through a strong economic performance in 2013, Kartonsan commands a 37% share in the Turkish coated cardboard (WLC) market, the total size of which is estimated at around 350,000 tons, based on ECMA figures. Meanwhile, exports accounted for 25% of Kartonsan's total sales in the same period.

An industrial entity, completely meeting its environmental responsibilities

At Kartonsan, sustainability is key to a long term healthy performance. From this point of view, Kartonsan designates all of its strategies and policies taking into account the sustainability factor.

As a responsible industrial entity, Kartonsan pays specific attention to protecting the environment and respect for nature.
In today's global economic environment – where resources are scarce and total demand is increasing gradually – the Company acts with consideration of the fact that it operates at a critically important industry in terms of nature-production relation and interaction, and takes necessary steps.

Kartonsan recycles up to 99% of its paper in the production process, exceeding the sector average in Europe, employs the latest modern techniques to purify and re-use its waste water, generates its own energy, and utilizes the turbine exhaust gases effectively to produce steam.

For Kartonsan, social contribution is another unwavering axis of sustainability

Kartonsan's social contribution manifests itself in support for employment, corporate tax payments, interactive relation with its supply chain, and social support activities in different categories.

Attaching the greatest respect to human and working rights and working with the constant corporate targets of sustaining the modern working environment, maintaining a 'zero-accident' level in its production and continuously enhancing the total value presented to customers, Kartonsan also invests in the future of the community. Kartonsan undertakes a variety of social responsibility projects with a particular emphasis on education.

An affiliate of the Pak Group

The most important elements of Kartonsan's sustainable growth are its professional management team and competent human resources, production power supported by experience and technology, and robust corporate competencies, which all shape the Company's competitive edge.

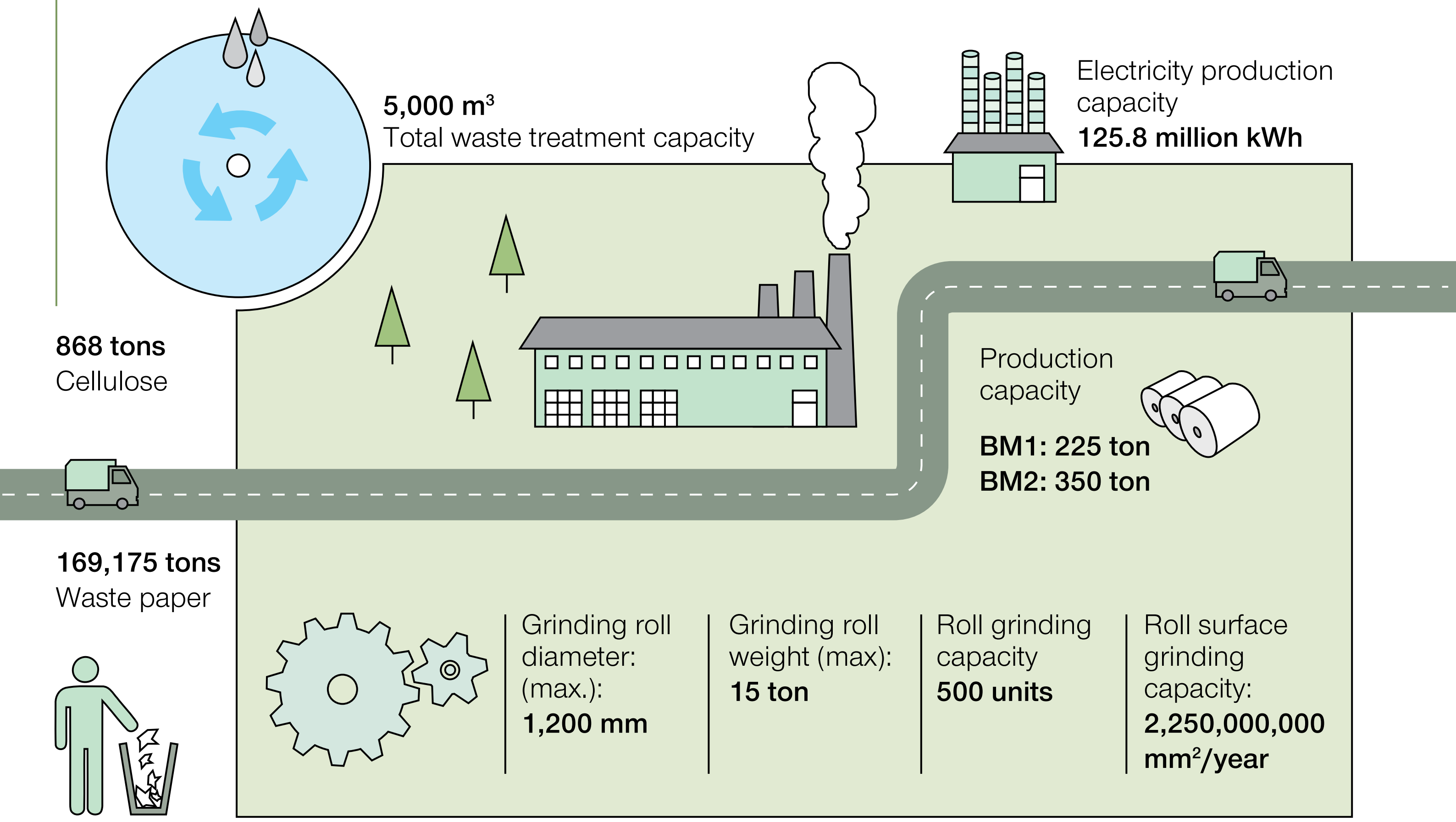
Kartonsan shares are traded on the BIST National Market under the "KARTN" ticker. Pak Group is the Company's major shareholder holding a 75.37% stake. Kartonsan's assets reached TL 282.8 million (US$ 132.5 million) at the end of 2013, according to the independently audited 2013 consolidated financial statements. Summarized information regarding Kartonsan shares is presented on page 112 of this report.

Kartonsan's strength in production

production capacity
180 thousand tons (BM1 & BM2)

electricity production capacity
480 thousand kWh/day
166 million kWh/year

grinding roll weight (max):
15 tons



438,660 m²
Total area

347,137 m²
Open area

91,523 m²
Enclosed area

unrivaled quality standards

superior customer satisfaction

manufacturing-trading-logistical strengths

NORMPRINT

Available gr/m² weights

200, 225, 280, 300, 320, 350, 400, 450, 500

EXPRINT

Available gr/m² weights

225, 250, 280, 300, 350, 400, 450

LUXTRIPLEX

Available gr/m² weights

225, 250, 280, 300, 350, 400, 450

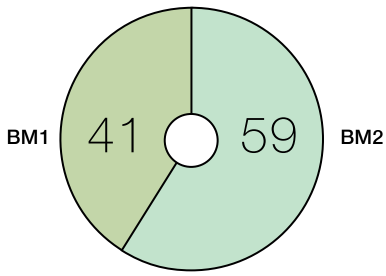
ULTRATRIPLEX

Available gr/m² weights

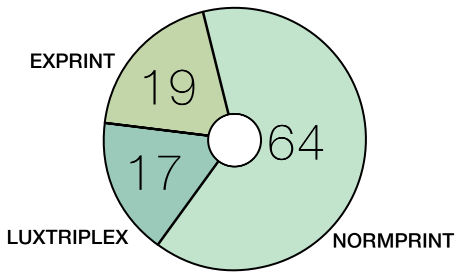
225, 250, 300, 350, 400, 450

Total Production
(thousand tons)

Breakdown of Production
(%)



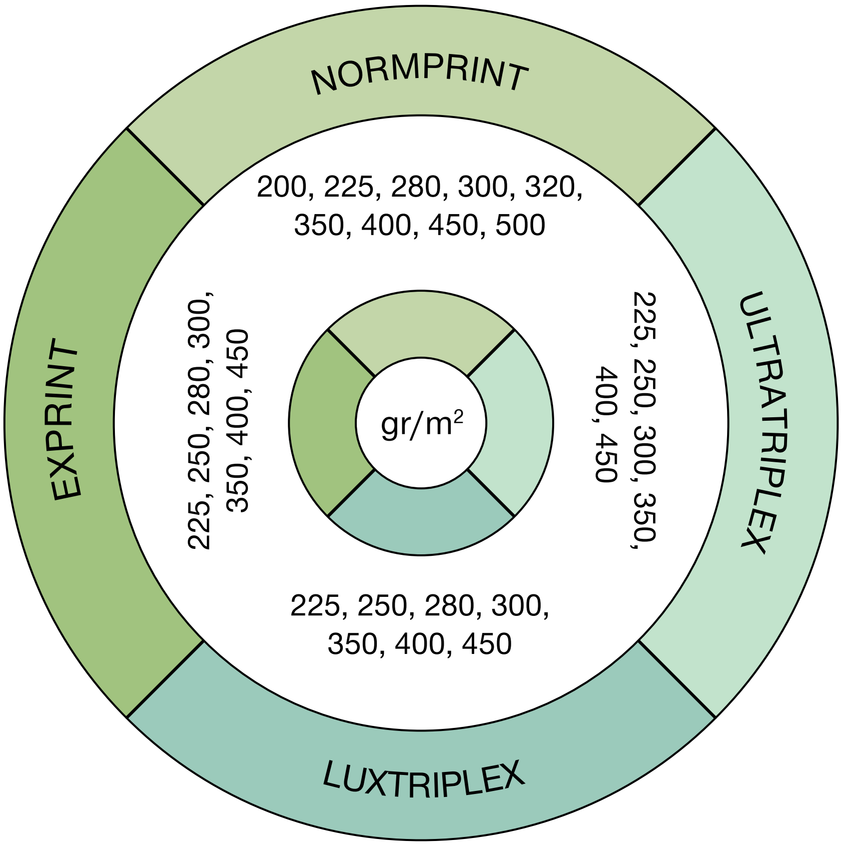
Breakdown of Production
(%)



Kartonsan products

"dublex (GD)"
"triplex (GT)"

The Normprint 320- and 500-gram cardboard introduced to the market last year is intended to better satisfy customer demand.



Headquartered in İstanbul, Kartonsan's manufacturing operations are carried out at the company's factory in Kullar Köyü in the adjacent province of Kocaeli.

The plant occupies 438,660 m^2 of which 91,523 m^2 is outdoors. It is where Kartonsan makes its main products consisting of coated cardboard manufactured from recycled paper and generally referred to in the industry as "duplex (GD)" and "triplex (GT)" coated cardboard.

In 2013 Kartonsan once again enriched its product line with the addition of new weight options. The Normprint 320- and 500-gram cardboard introduced to the market last year is intended to better satisfy customer demand.

Kartonsan's products are widely used in many different sectors as packaging for foods, pharmaceuticals, and cosmetics; they are also extensively used in the advertising/ public relations and printing industries.

Kartonsan products are certified;

- By the Ministry of Agriculture, Food and Livestock in terms of suitability for food packaging,
- By a number of reports issued by various international analytical laboratories for compliance with suggestions put forward by the BfR (the German Federal Institute for Risk Assessment), particularly in regard to their use in packaging which comes in direct with dry food.

In 2014 and the years that follow, Kartonsan will continue to keep a close watch on market demand and trends as it proactively seeks to further develop and diversify its product lineup.

Kartonsan's product portfolio and characteristics

Kartonsan's line of products and their features are summarized in brief on the right hand side. For further details and updates on prices for Kartonsan products, please visit our website at www.kartonsan.com.tr.

NORMPRINT

Normprint is a multi-coated cardboard with a blade top coat that provides brilliant printability with substantial ink economy and a high degree of varnishability. The backside is gray. Normprint can successfully be used for a wide range of different packaging applications.

EXPRINT

Exprint is a multi-coated cardboard with a blade top coat that provides brilliant printability with substantial ink economy and high varnishability. It also offers excellent creasability due to its structure. The backside is gray. Exprint is ideal for use in all types of packaging and also for detailed graphic printing.

LUXTRIPLEX

Luxtriplex is a multi-coated cardboard with a blade top coat that provides brilliant printability with substantial ink economy and high varnishability, Luxtriplex also offers excellent creasability due to its structure. The backside is white, which makes Luxtriplex ideal for all types of packaging. It is also preferred for greeting cards and advertising materials on which detailed printing is required.

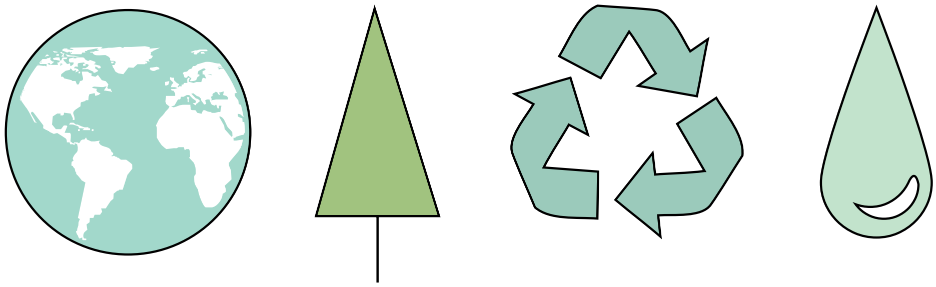
ULTRATRIPLEX

Manufactured from a blend of carefully selected recovered paper, Ultratriplex is a multi-coated cardboard that offers enhanced brightness on both sides. With a superior blade coating on the top surface, Ultratriplex allows for excellent printability, superior ink and varnish economy, and high creasability in addition to best-quality brightness and clarity values. A whiter back side and a single coating on the back side also make this product eminently suitable for printing.

Made from a blend of carefully selected recovered paper and high-quality virgin fibers and owing also to its high brightness values, Ultratriplex is far and away the best choice for luxury-item packaging and for the packaging of foods, pharmaceuticals, and cosmetics. It is also ideal for applications that require a high level of graphic detail such as advertising and promotional materials, book and notebook covers, postcards and greeting cards, and calendars.

Kartonsan and sustainability

Kartonsan's main principle is to be a corporate citizen aware of its responsibilities to the economy, the environment and society as a whole, by producing coated cardboard with a maximum utilization of recycled paper.



Sustainability and generating constant value are the major operational principles of Kartonsan

Kartonsan is well aware of its industry's negative impact on the environment. The Company acts with a sense of responsibility, striving to leave a sustainable world to future generations, and undertakes systematic studies in order to minimize the possible impacts of its operations on the environment.

Kartonsan provides to produce coated cardboard with a maximum utilization of recycled paper as a corporate citizen aware of its responsibilities to the economy and the environment.

A strategy and corporate goals shaped by the concept of sustainability

The scarcity and unsustainability of resources in the world have been an area which has been hotly debated worldwide, with the global population of over 7 billion and is projected to reach 10 billion in 2050.

In the last 25 years in particular, the concepts of economic growth and development have left humanity with something of a conundrum with multiple variables. In developing countries, including our country, large scale strategies are developed to increase per capita income, and these have ended up increasing dependence on fossil fuels, raising carbon emissions.

On the other hand, academics and international institutions such as the United Nations (UN) have repeated their warnings, while establishing multilateral initiatives and applying pressure on governments to decrease their carbon emissions.

The increase in greenhouse gas emissions and misuse of natural resources which accompanies the process of industrialization gives rise to major risks in Turkey, as in other developing countries. The business world and all economic players now have responsibilities in all of these issues, and the importance of sustainability is increasing day to day.

Sustainability in packaging materials now a significant factor in consumer preference

The concept of sustainability, which combines ecological balance and economic growth, is aimed at the effective use of natural resources and meeting today's needs without leaving future generations at risk from the depletion of these resources. Taking long term environmental conditions into account has a key role in determining Kartonsan's strategy and corporate goals.

Kartonsan's main goal is to maximize the use of waste paper in the production of coated cardboard in order to become a corporate citizen caring for the economy, the environment and society. Kartonsan used 169,175 tons of waste paper in 2013. Kartonsan's waste paper usage rate exceeded the European average, to be realized at 99.5% in 2013.

Kartonsan collaborates in the production and trade cycle with its customers, employees, business partners, regulatory bodies and other stakeholders.

Kartonsan supports the preservation and improvement of global forests, through the improvement work it has performed.

All of Kartonsan's activities comply with the Integrated Management System and the Company performs FSC-CoC certification work, as an indication of its environmental responsibility.

Kartonsan is still continuing its ISO 50001 compliance work.

A hub of recycling

Kartonsan uses waste paper in the production of coated cardboard, and accordingly carries the mission of being a recycling hub.

One of Kartonsan's most important aims is to work systematically and with its new projects, to reduce the use of natural resources and to increase the rate of recycling to the maximum level possible.

Kartonsan performs its production and operations with the aim consistently reducing the environmental impacts, in accordance with its integrated strategy. Kartonsan's ongoing expansion investments have led to greater efficiency in the use of energy and resources. Besides, when its expansion investments have been completed, the rate of water recycling, currently at 30%, will gradually increase to 60-80%.

In the scope of its sustainability cycle, Kartonsan has been collaborating with its suppliers, municipalities and waste collection centers. Details of such collaborations are provided on page 32 of this report.

Kartonsan, from past to present

domestically produced coated cardboard

Turkey was introduced to domestically produced coated cardboard when Kartonsan commenced its operations back in 1970. Today, Kartonsan is the fifth largest producer of coated cardboard in Europe.

1970

Kartonsan begins manufacturing coated cardboard for making boxes.

1980

Continuing to expand its capacity year after year, Kartonsan launches its second (BM2) production line.

1985

Kartonsan's waste treatment plant becomes operational.

25th year

1986

The BM2 line becomes operational and Kartonsan's production capacity increases by 160%.

Kartonsan's shares begin trading on the İstanbul Stock Exchange's national market.

1993

Computer-controlled production lines are installed.

The BM2 line's production capacity is increased to 300 tons/day through the addition of new investment and plant optimization.

1995

Kartonsan celebrates its 25th year with innovations and recognitions of its success.

Three turbines capable of being powered by natural gas and fuel oil begin generating the Company's own electricity.

Kartonsan's environmental awareness is acknowledged by the "Green Smokestack" award from the Kocaeli Chamber of Industry and the "Environmental Incentives" award from the İstanbul Chamber of Industry.

treatment plant

1996

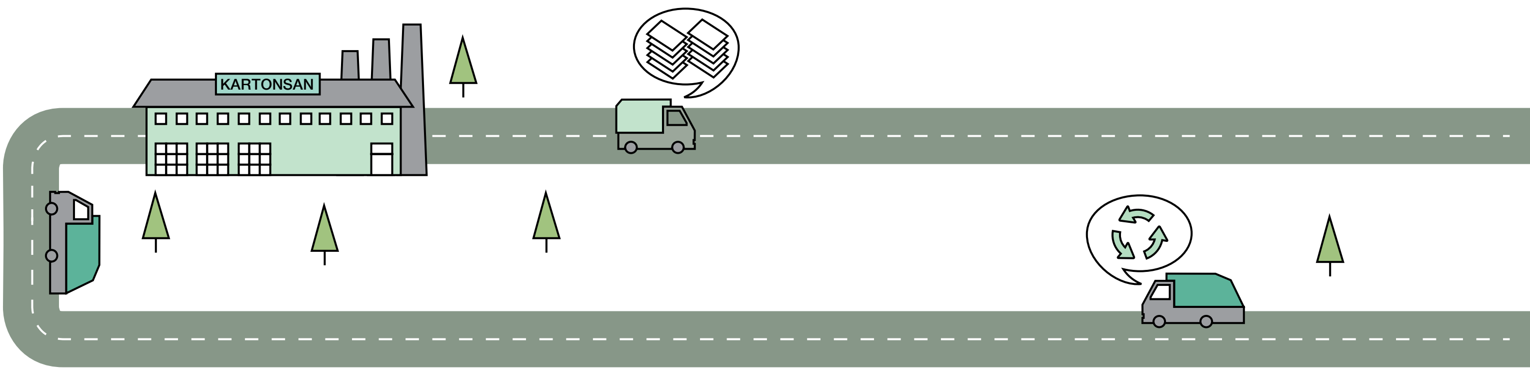
With the completion of an expansion investment at the power plant that raises its installed capacity to 19.2 MW, the Company begins generating electricity and steam.

1997

Work begins on projects to add a turbogenerator and a waste heat boiler at the Kartonsan power plant.

2002

Work is finished on a project to expand Kartonsan's treatment plant.



recyclable waste paper usage

2003

Kartonsan begins selling the surplus electrical power that it generates to the national grid.

Kartonsan's integrated management system (ISO 9001 Quality Management System + ISO 14001 Environmental Management System + OHSAS 18001 Occupational Health & Safety Management System) is audited and approved by Bureau Veritas.

2006

Kartonsan's pulp preparation operations are augmented with the addition of a bleaching plant. This represents an important step forward in the direction of environment-friendly manufacturing by significantly increasing the amount of recyclable waste paper that can be used in the Company's production.

Paper by Nature and FSC-CoC certifications

2009

The BM2 line's production capacity is increased by 50%. Kartonsan's total annual production capacity reaches 180 thousand tons.

The product line is expanded with the addition of NP 200, whose advantage is that it requires 10% less cardboard to be used compared with others employed for the same applications.

2010

The number of countries to which the Company exports reaches 25.

Projects are also launched to obtain Paper by Nature and FSC-CoC certifications in recognition of Kartonsan's commitment to environmental awareness and to the support of sustainable resource use.

2011

Kartonsan posts the best production, sales, and turnover results in its 41-year history.

In the 41 years since then, Kartonsan has become the fifth biggest maker of coated cardboard in Europe.

BM2 capacity increase investment

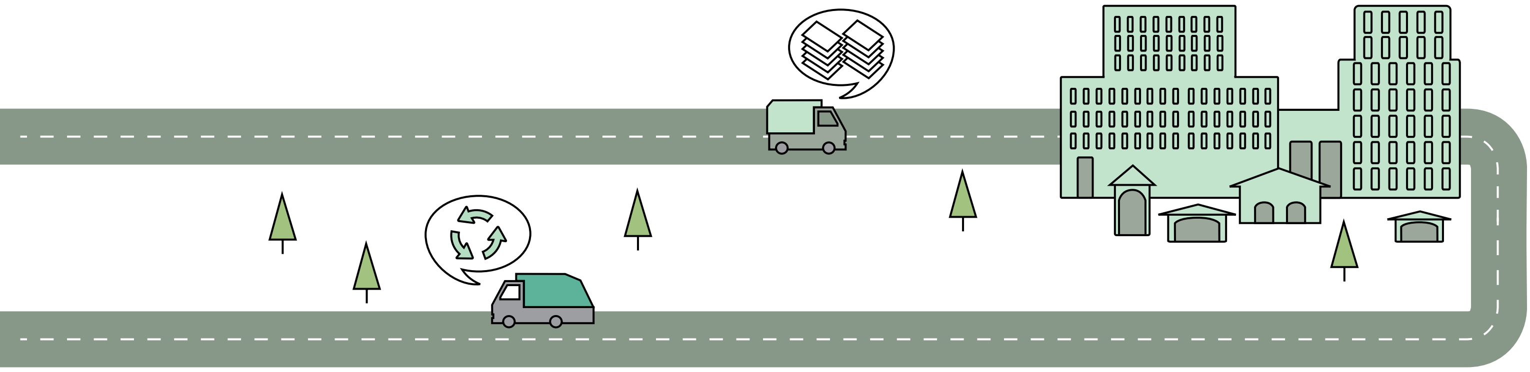
2012

A Letter of Intent, worth 16 million Euros, was signed with the Austrian Andritz AG to finance an increase in the BM2 capacity by approximately 50%.

The transition to the SAP system project was completed following FSC certification studies.

2013

Reaches a new record for sales volumes, at 172,000 tons. SAP system activated. BM2 investments continue.



Key financial figures at Kartonsan

Kartonsan met its budgetary and investment targets in 2013. The Company maintained its share in the Turkish coated cardboard market, with exports amounting to US$ 27 million.

Financial Highlights

(TL thousand)	2012	2013
Total net sales	207,178	224,216
Total exports	61,877	67,426
Total assets	251,124	282,842
Net profit	27,062	35,795

Earnings per Share (Consolidated / USD 1 par Value per Share)	2012	2013
Ordinary shares	9.54091	12.61723
Preferred (Group A) shares	9.54091	12.61723

Key Ratios

Liquidity ratios	2012	2013
Current ratio	6.54	5.14
Acid test ratio	4.53	3.55
Cash ratio	2.36	2.15

Profitability ratios	2012	2013
Pre-tax profit / net sales	19%	20%
Pre-tax profit / shareholders' equity	11%	14%

Financial structure ratios	2012	2013
Total liabilities / shareholders' equity	13%	13%
Short-term debt / shareholders' equity	11%	11%
Long-term debt / shareholders' equity	2%	2%

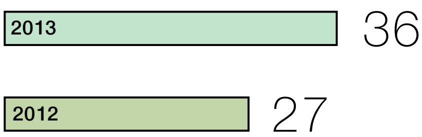
total assets:
TL 283 million

net profit:
TL 358 million

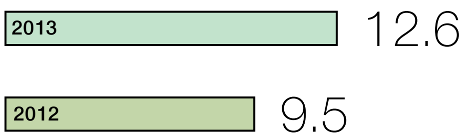
total exports:
TL 67.4 million

Total assets
(TL million)

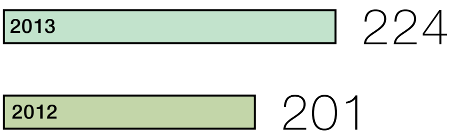
Net profit
(TL million)



Earnings per share
(TL)

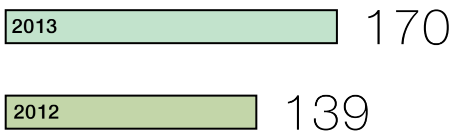


Total net sales*
(TL million)



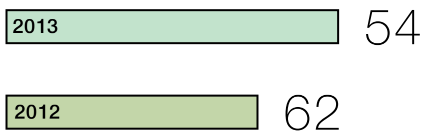
* Cardboard sales

Domestic sales*
(TL million)



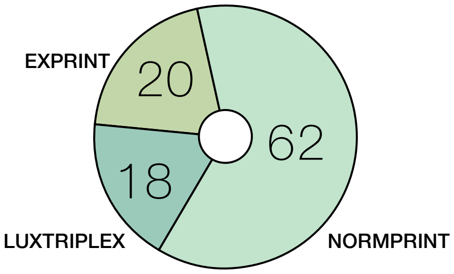
* Cardboard sales

Total exports*
(TL million)

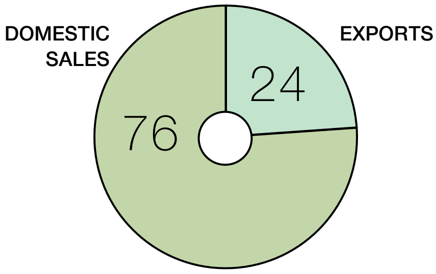


* Cardboard sales

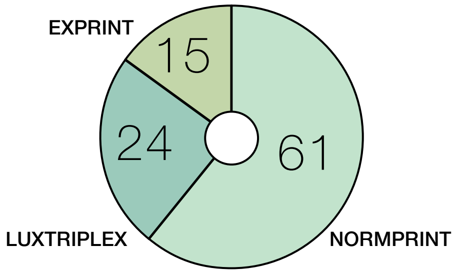
Sales by product type
(%)



Sales by geography
(%)



Domestic sales by product type
(%)



Chairman's message

Kartonsan, founded 43 years ago, strengthened its pioneering manufacturing position in coated cardboard in Turkey in 2013. As Europe's fifth largest cardboard producer, the Company continues to successfully export to the nearby region.

As the first privately held corporation in the sector, Kartonsan served its customers with its constantly developing products and services, strengthened its pioneering position and improved its export performance in 2013, supported by its innovative identity.

Esteemed shareholders, customers and employees,

Sustainable leadership and Kartonsan

It the 43rd year since its foundation, Kartonsan strengthened its pioneering manufacturing position in the coated cardboard in Turkey in 2013. As Europe's fifth largest cardboard producer, the Company continues to successfully export to the nearby region.

Acting with the awareness that its position of leadership also brings power and responsibilities, the Company has commanded a successful performance as the number one company in the sector, and become a symbol of stability and growth. The Company combines experience and strong modern corporate governance applications, while increasing its financial and operational success. The Company once gain realized its budget targets in 2013.

Kartonsan commands a 37% market share in Turkey's coated cardboard market, while the share of exports in total sales reached 25% in 2013.

Kartonsan has been in a pioneering position since its foundation, and has continued to add value to Turkey's economy and fulfill its responsibilities to society. With its transparent structure and compliance with ethical values, Kartonsan is fully aware of its responsibility as the pioneer in the market in all decision making processes.

Kartonsan possesses the key qualifications such as a deeply rooted corporate identity, superior production power, a healthy financial structure, high quality standards, a sense of responsibility for society and the environment, compliance with ethical working principles, determination to create value for the economy and society and a sustainable strategy. Backed by these qualifications, we will create permanent and powerful value and best serve our customers.

A changing world

The financial crisis began with the bankruptcy of Lehman Brothers on 15th September 2008, and has had detrimental effects not only on the financial structure but also on global trade. As a result of the deep and profound impacts of the financial crisis, business conduct, risk management methods and corporate governance approaches have been scrutinized and redefined during the course of the past five years. While recession has been observed in developed countries, expansion and growth has been seen in developing countries.

There has been a rapid and large scale change observed in our sector, as well as other sectors, as a result of financial crisis. While Far Eastern manufacturers have strengthened their position in the market, some players in Europe have exited the market, and competitive advantages have begun to switch to countries in the Far East. Global paper and cardboard production increased by 1% in 2012. While there was a shrinkage of 1.5% in the EU, the USA and Japan, the market expanded in China, India and Russia. Packaging board manufactures, in particular, have recorded a strong expansion, while blotting paper production has decreased constantly over the last eight years.

global crisis

In the global crisis period, which had profound effects on every industry, our business line has also seen rapid changes worldwide.

Re-cycled paper

Almost all paper and coated cardboard manufacturers have developed sustainable forest projects and focused on higher use of re-cycled paper.

4.4%

With 4.4% growth in the third quarter of the year, the Turkish economy recorded its 16th consecutive quarter of positive growth.

According to data released by the ECMA, production of cardboard boxes in Europe recovered in 2011, while there was decline of 1.3% during 2012. While there was relative recovery in the first half of 2013, projections have shown that cardboard box production increased by 0.4% and total sales volume increased by 0.7%. According to the same source, cardboard production in Turkey increased in 2013. The cardboard box manufacturing industry had achieved a record breaking 6.7% growth rate in 2011, followed by rates of growth of 2.6% in 2012 and 3% in 2013. Thanks to growing demand in the world and in our country, cardboard box production will also increase and the industry will expand.

In addition, the concept of sustainable packaging is increasingly affecting consumer behavior and preferences worldwide. Regardless of the sector, consumers look for environmentally friendly packaging products when basing their preferences. This especially affects coated cardboard producers, which are primary suppliers for the packaging industry. Firms should focus on R&D to manufacture efficient and environmentally friendly products.

Another trend affecting our sector is the sustainable environment approach. We are a member of a sector which affects the environment directly because of the raw material used. Almost every manufacturer of paper and cardboard in the world focuses on sustainable forest projects and using an increasing proportion of waste paper.

A new era for the global economic environment

The global economic performance in 2013 can be summarized as one of “limited recovery” and “differentiation between economies in terms of the recovery type and duration”.

According to the IMF, the components of global economic growth include downside risks for developing countries. A contractionary monetary policy in the USA and the fragile internal dynamics of developing countries imply a new economic balance worldwide.

The FED’s inconsistent declarations on asset purchases precipitated uncertainty in global monetary policies and volatility in capital flows in 2013. The FED signaled a tapering in the first half of 2013; however, the US economy failed to reach the expected level of growth, and hawkish declarations gave way to dovish declarations.

Global risk appetite followed a fluctuating course during 2013. Hot on the heels of first signals of tapering from the FED, came capital outflows in developing countries, which had been suffering especially from the account deficit.

The US economy posted its best performance of 2013 in the 3rd quarter, confirming projections that the recovery would be strengthened in 2014 and beyond.

With a growth rate of 4.4% in the 3rd quarter of 2013, the Turkish economy maintained its positive growth trend for a 16th quarter in succession. Although the causes of uncertainty are international, a strengthening local currency, falling interest rates at home, a decreasing contribution from net exports to growth, a strong increase in industrial production and a positive trend in the Production Confidence Index imply an economy in recovery with Turkey’s successful growth performance set to continue.

The Central Bank of Turkey (CBT) continues to implement a contractionary monetary policy. Besides, inflation is expected to exceed the targeted level due to the high level of volatility in the exchange rates. The CBT has decided to apply policies aimed at limiting the effects of this trend on pricing.

In light of the facts summarized above, 2014 looks set to be a broadly similar year to 2013. The world economy is close to entering a new era, in accordance with the FED’s asset purchase policies. In this scope, the Turkish economy is expected to grow further with its internal dynamics, in view of the current account deficit.

capacity increase

Operationally, the major development in 2013 was our capacity increasing investment.

target: 3rd place

Kartonsan's corporate target is to become Europe's 3rd biggest manufacturer of coated cardboard in terms of production capacity.

stable growth

We believe the Turkish economy will offer stable growth opportunities in the medium to long run.

Esteemed shareholders, customers and employees,

In view of the developments summarized above, our company has been successfully undertaking its proactive strategy in accordance with the sector's needs and macroeconomic phenomena.

One of the most important developments in the Company's operations was the increase in production capacity in 2013. In the scope of this project, we have performed our production-trade cycle without any interruption or malfunction.

Once our investments are completed in the end of 2nd quarter of 2014, our capacity will be increased by 30% and Kartonsan will be a supplier meeting approximately 50% of coated cardboard market's annual needs.

There is one issue, which was mentioned in last year's annual report, and which should be emphasized once again; Kartonsan, which reached 5th position in Europe in 2010, aims to be the third largest producer in terms of production capacity in Europe by 2015. In addition to the BM2 capacity increase investment, we will also consider organic growth opportunities.

The Company is not only strengthening its pioneering position in Turkey, but also aiming to have the most stabilized growth rate of any coated cardboard producer in Eurasia, thanks to our country's advantageous logistical location, the Company's qualified product range and a service approach which is focused on customer satisfaction.

Turkey offers sustainable growth potential. Its young population, rapidly growing national income and demographic characteristics provide long term growth opportunities for every sector, especially FMCG. As demand for FMCG increases, the need for packaging and our products will increase. The same analysis is relevant for developing countries in Eurasia.

In the light of these facts, Kartonsan focuses on utilizing all growth opportunities in the market, with the support of Pak Group and its shareholders, and undertakes the required preparations to this end. In our view, despite the short term volatilities in the market, Kartonsan will record consistent growth thanks to its strong and deeply-rooted corporate identity and backed by Turkey's mid and long term economic potential.

Kartonsan to remain a real example of sustainability

With its domestic and international customers, employees and suppliers, Kartonsan is the most well-known company in the sector and has a unique place in Turkish industry.

On behalf of myself and the Board of Directors, I would like to extend my sincerest gratitude and respect to all of those who have cooperated with us, supported us and chosen our products and services.

Regards,

S. Ercan Gülçur
Chairman

Board of Directors

Name / Surname	Position
Sinan Ercan Gülçur	Chairman
Aslı Balkır	Deputy Chairman
Ünal Bozkurt	Deputy Chairman
Babür Gökçek	Board Member
Mehmet İmregün	Board Member
Hatice Canan Pak İmregün	Board Member
Süleyman Kaya	Board Member
Ali Ersin Güredin	Independent Board Member
Tamer Koçel	Independent Board Member
Haluk İber	Board Member & General Manager

General Manager's assessment

Kartonsan's consolidated sales reached 172,000 tons in 2013. Total consolidated sales revenues amounted to TL 224 million, with a gross margin of 18% and consolidated net earnings of TL 35.8 million.

2013 marked a continuation of our successful performance and was a year of important steps taken towards increasing our total production capacity by 30%.

Esteemed business partners and dear colleagues,

The picture for the world economy remained a complicated one in 2013, with the US economy offering supportive signals in line with growth expectations, while the EU struggled to recover from recession. Economic growth in developing countries, including Turkey, decelerated but recorded positive growth.

The global cardboard sector generally mirrored these trends in 2013. There was no healthy and sustainable growth in the USA, Europe or Japan, while the acceleration in growth in Far Eastern manufacturers led the direction of the global cardboard sector.

The Turkish economy remained on a growth trend. The CBT's contractionary monetary policy, which had been applied for the previous 2 years, led to a slowdown in domestic trade. On the other hand, the Turkish Lira depreciated - especially in the second half of the year when the value of the currency had fallen by as much as 20% - and strengthened the competitiveness of exporting sectors and triggered an increase in exports.

The appreciation of the local currency affected the import-export balance of the coated cardboard sector. In the first half of the year, the volume of imported products increased, while the exchange rate turned to the advantage of domestic producers in the second half of the year.

Kartonsan foresaw the change in the market with good timing; thanks to its strong production capacity, effective logistical power and operational efficiency, the Company performed successfully in the conjuncture summarized above.

Gross production amounted to 171,243 tons in 2013, with Kartonsan commanding a market share of 37% in Turkey's coated cardboard sector, maintaining its leadership in the market.

Kartonsan's consolidated sales reached 172,000 tons in 2013. The Company's total consolidated sales revenues amounted to TL 224 million, with a gross margin of 18% and consolidated net earnings of TL 35.8 million.

Kartonsan recorded a consolidated ROE of 14%, a consolidated ROA of 13% and consolidated EPS of TL12.60 in 2013.

Volatility in raw material prices continued, rendering the task of accurate forecasting in the market an increasingly difficult one in 2013. Kartonsan carefully tracked the changes in the market, and based its pricing policy and production planning on the market and customers' expectations.

Kartonsan took customers satisfaction into account by applying trade friendly policies, which contributed to customers' loyalty. Thanks to well-planned sales activities, production-stock management was balanced at an optimal level and the balance between the domestic and international markets was well managed. In view of the higher efficiency and profitability, 75% of total sales by volume are made to the domestic market.

40,000 tons of exports in 2013

Kartonsan has consistently performed strongly in exports. Kartonsan's exports amounted to 25% of total sales volumes in 2013, implying a 14% increase in terms of volume when compared to 2013.

Our company sells its products to more than 20 countries, with Egypt being the largest new export market in 2013. The Company has also entered connections with new customers, from especially Italy and France in order to strengthen its position in European markets.

40,000 tons

Exports accounted for 25% of Kartonsan's total sales in 2013. Export volumes increased by 14% YoY to 40,000 tons.

30%

The expansion investment at the BM2 production line will increase Kartonsan's total annual installed capacity by 30% to 240,000 tons once completed.

reel cutting

Another major step within Kartonsan's capacity expansion investment was the purchase of a paper reel cutting machine.

According to our international marketing and export strategy, Kartonsan is focused on establishing long-term relations with cardboard packaging consumers in international markets. As one of the main suppliers of cardboard in the Eurasia region, Kartonsan will maintain a proactive approach and serve the market efficiently in 2014.

A stronger Kartonsan after the capacity increase

Kartonsan is accepted as a pioneering manufacturer in both the domestic and international markets on the basis of its production capability, quality standards and logistics power. Kartonsan has taken determined and sustainable steps in its pioneering mission since its foundation.

Working to the mission of producing and creating value, the Company took steps towards realizing its aim of achieving the strongest and most consistent growth of any company in the market, and embarked on an expansion project, envisaging a 30% increase in total production capacity. The cost of the capacity increase for the BM2 production line is estimated at TL100m. Once this investment is completed, our total capacity will have increased by 30% from 180,000 tons to 240,000 tons. The capacity of the BM2 production line will increase by 60%.

With a realization that growth will be derived from innovation, Kartonsan selected Andritz, a well-known company based in Austria, as its supplier in the capacity increase project. The order to purchase machinery was undertaken after the EIA report was received in May 2013; the engineering work, supplementary facilities and related purchase orders had all been completed by the end of 2013.

A bobbin cutting machine was one of the important purchases in the capacity increase investment. Kartonsan selected the Germany based VOITH Paper, the sector leader, for the machinery.

As a necessary part of the investment project, production will be ceased in June 2014 and the new capacity process will be undertaken. The BM1 line will begin production in July, and BM2 will begin production with the whole capacity up and running in August. The reason for the production process being halted is the preparation of supplementary facilities, such as energy system and waste water treatment system for our new capacity. Note that during this preparation situation, Kartonsan will continue to supply its products to customers, on the basis of its long-term relations approach and has set out its inventory plans accordingly.

Kartonsan only uses equity to finance the planned capacity increase, thanks to the strong financial support of its shareholders. This support will strengthen the Company's brand value and market position during the investment period.

Once the investment is complete, Kartonsan's annual production capacity will approach 250 million tons, and strengthen its position in both the domestic and international markets, while boosting its commercial activities.

Kartonsan is determined to use new production models, and increase and improve its manufacturing efficiency. This determination serves the Company's mid-term goals and consistently increases the value of the Company. This current capacity increase does not only imply a large scale capacity increase, but also an improvement in efficiency, quality and resource usage.

competition

Innovation, change, foresight and planning have undisputed importance in Kartonsan's corporate culture. These pillars provide us with strength in the face of global competition.

mega trends

Our industry is affected by the mega trends in the global economy and regional developments.

customer satisfaction

Kartonsan will distinguish itself in competition and continue to be successful with its strong product mix as long as it maintains and improves customer satisfaction.

Kartonsan is already ready for the competition of the future.

It would be appropriate to recap on some points regarding our company; innovation, change, foresight and planning are significant components of our corporate culture. Considering these issues, the Company continues to maintain its competitive identity while also improving its production and commercial power by realizing necessary updates.

Efficiency in the use of resources, reducing costs to the minimum possible levels, and increasing overall efficiency and quality are Kartonsan's main goals in strengthening its competences. These characteristics of Kartonsan serve the corporate mission and bring the Company closer to its future goals.

Some of the effects of global economic crisis still continue. We think a new equilibrium will be seen in the market in 2014 and beyond. Developing countries commanding important positions in the global economy will gradually return to a path of sustainable growth. The indicators of this phenomenon were observed in economic activity, the consumer confidence index and related economic data during 2013. These developments, on the other hand, may result in some deceleration in the rates of economic growth in developing countries, including Turkey.

During this process, our sector will be affected by global trends and regional developments. The recovery in Europe will support us positively. Social and political developments occurring in the neighboring region also have an important impact on us, and we have followed these developments closely. Besides, developments in Turkey's monetary and capital markets will affect our exports and financial balances.

With the ability to manage all of these variables together and simultaneously, Kartonsan is ready for the competitive environment of the future. The increase in our capacity will strengthen our position in both the domestic and international markets in case demand grows.

I believe Kartonsan will maintain its successful performance by continuing its policies focused on consumer satisfaction, enhancing its product range and differentiation in a competitive market, in the medium and long term. To maximize long term profitability, the Company should be efficient and effective. We are a company with all necessary specialities and competences.

Kartonsan's sustainable growth is composed of:

- transparency and accountability
- sincerity and reliability
- responsibility for the environment and society
- maintaining quality

These principles are shared by all of Kartonsan's stakeholders. Our corporate culture is built on these principles. Kartonsan, as a strong and well-known company in the sector, will work harder with the awareness of its missions and responsibilities. I would like to extend my sincerest gratitude and respect to all of those who have cooperated with us, supported us and chosen our products and services.

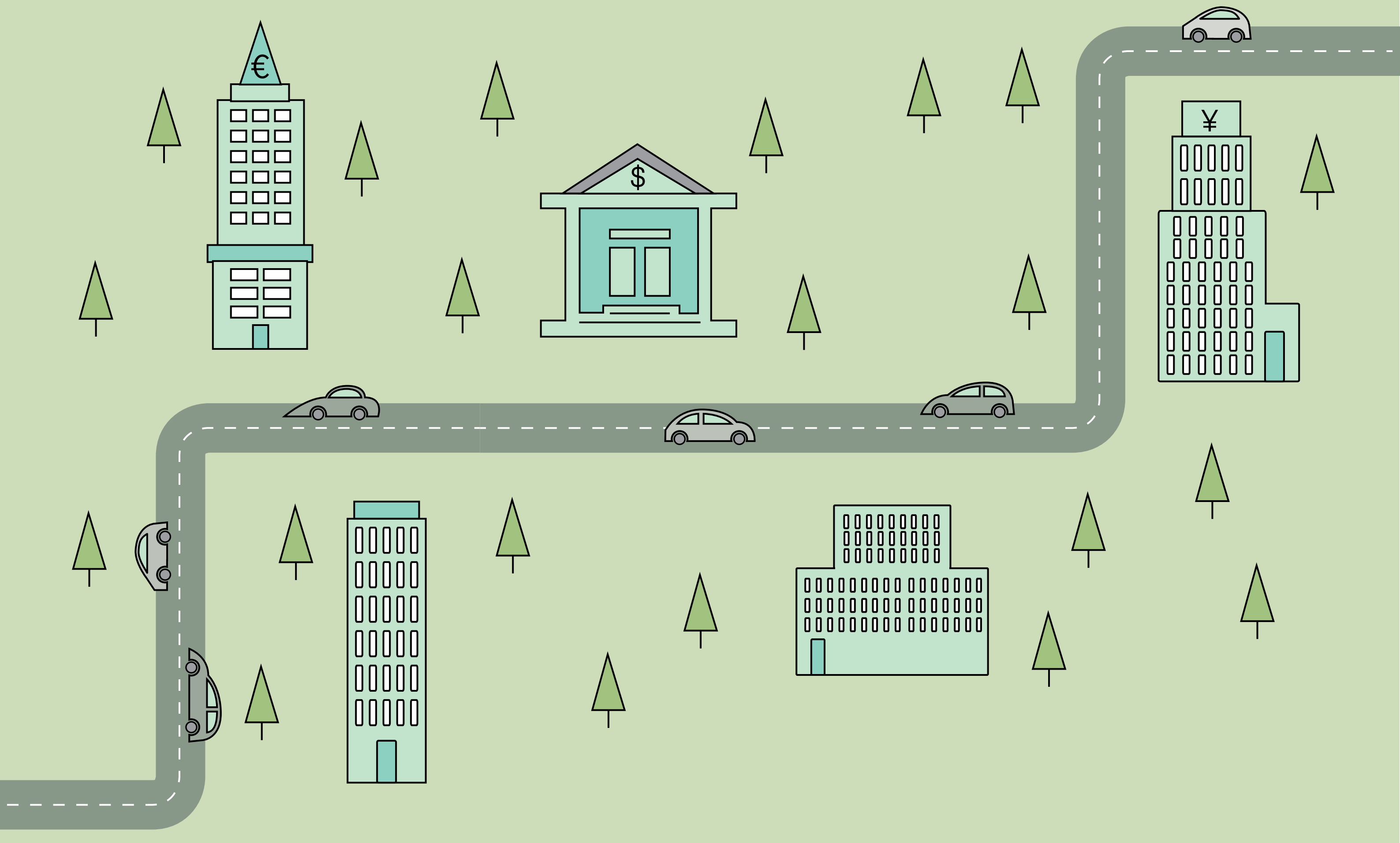
Haluk İber
Member of Board of Directors and
General Manager

Senior Management

Name / Surname	Position
Haluk İber	General Manager
Ümit Özkan	Production Manager
Raşit Kemal Özkırım	Marketing Manager
Yalçın Özel	Production Services Manager, Human Resources & Quality Systems Manager
Atiye Tuğtekin	Procurements Manager
İlker Bodur	Technical Services Manager
Bülent Koru	Financial Affairs Manager

The world and the Turkish economy, industry-specific developments

The relative recovery observed in developed countries and slowdown in developing economies in 2013 indicates a more balanced trend in terms of growth for 2014 and beyond.



Fed

With the steps it takes, the Fed will be steering the world economy in 2014.

asset purchases (Quantitative Easing)

The asset purchase program, which has been applied in the USA for five years, played a key role in the economic recovery.

recession

The Eurozone continues to be mired in recession, although some signs of recovery have been observed.

WORLD ECONOMY

While there were signs of a recovery in developed countries, developing countries lost momentum in terms of growth in 2013.

Yellen takes the reigns at the Fed

The Fed will change its governor in January 2014. While the era of Ben Bernanke is ending, Janet Yellen will be in charge of the Fed, the World's most important central bank. Janet Yellen will face a critical mission in the recovery phase for the U.S. economy. The Dow Jones Index, which was at 16,000 when this report was written, offered its support for Yellen.

The quantitative easing (QE) policy which has been applied in the USA for five years has played a key role in its economic recovery. Bernanke's opponents, who had argued that the expansionary monetary policy had led higher inflation now appear to have been mistaken with inflation still below 2%. The Fed has increased the money supply by approximately USD2bn over the five year period and relieved the economy. Another criticism was that the economic recovery had remained relatively weak in view of the volume of quantitative easing which had been applied. However, this argument has also been shown to be false. The rate of unemployment is currently 7%; without QE, it would have been in double digits.

USA monetary policy now at a critical juncture as we head into 2014

At this stage, there was the possibility that the QE's positive effects had remained short of the negative effects associated with the program.

There are two points to consider at this stage. The first is related to the very low interest rates. A prolonged period of very low interest rates could lead to decrease in capital usage and inhibit the potential of the economy. The second point is that an increasing price of assets leads to a lowering in risk premiums. It is the natural outcome of QE, since it aims at sustaining companies' balance sheets in a relieved position. Investors seeking higher returns move to higher risk levels, precipitating risk - especially for corporate bond markets. A rapid increase in risky assets will bring the market into a position of insufficient compensation for the risk.

The most critical stage for the US economy will be exit to exit the QE process in 2014. Yellen will have to achieve this without raising alarm bells in the markets. This issue will not only affect the global economy, but the Turkish economy as well.

Euro Zone: The deflationary wave continues

The deflationary wave affecting the Eurozone is likely to continue in 2014. Most European governments and companies facing high debts are striving to lower their debt ratios. This represents one of the most important obstacles facing the Eurozone.

The Banking sector, being the trigger to the economy, is also suffering from a number of problems. Although most European banks have completed their period of strengthening, they are now faced with stress tests and the Basel III capital criteria, which are increasing the pressure on the banks credit capacities. Banks prefer orthodox policies and are unable to extend sufficient support to the private sector.

The economic crisis has given rise to long-term problems for European economies. In a period of falling productive capital, the Natural Unemployment Rate (NAIRU) has increased. The pressure from public policies and structural unemployment has led to a decrease in Europe's economic potential. Under such circumstances, the economic recovery is likely to take more time. Any comparison with the post-war boom after World War II would be misleading.

ECB

The European Central Bank (ECB) is expected to take steps in 2014 which will determine the economic performance of the Eurozone.

The internal devaluation policy, implemented to trigger a competitive advantage, may result in deflationary risks and raise the possibility of becoming a "Japanese economy" for European economies. In such a case, unemployment would remain high; pressure on consumer expenditures and debt payback would be increased.

Considering these expectations, the ECB has a key role to play in steering the Eurozone economy away from deflationary obstacles. Considering the ECB's conventional monetary policy tool is at its limits, the ECB should now consider unorthodox policies. For example, Long Term Refinance Operations (LTROs) may be used, and the purchase of private sector securities could be an option. However, this approach could imply an excessively expansionary policy for Germany and other more efficiently working economies. This could trigger a risk of deflation for Germany, while increasing tensions between Northern and Southern Europe.

China

In the short run, economic growth in China will remain dependent on infrastructure and real estate investments, exports and credit policies.

China: The 2020 reform program

The Communist Party of China declared an assertive reform program related to its 2020 vision in the 18th Central Committee, 3rd Plenary Session.

Three main concepts will support reforms: to change the government's role in the economy, to improve market mechanisms and support deregulation. These three concepts are highly important for the future of China, and will determine the success of its reforms. The liberalization in the financial sector and in interest rates, the financing of local governments, the improvement in corporate governance of state-owned enterprises and the liberalization of the energy market are the main economical subjects of the reforms.

In the short-term, economic growth in China will remain dependent on infrastructural and real estate investments, exports and credit policies. Some slowdown in the economic recovery, an increase in inflation and a tightening in credit terms is likely to be observed in the following year.

In the long-run, the declared reforms will set the stage for a switch to a sustainable economic growth model which paves the way for the removal of social inequalities supported by the market and consumption.

IMF

The IMF expects the Turkish economy to grow by 3.8% in 2013.

THE TURKISH ECONOMY IN 2013

Uncertainties in global monetary policies, observed especially from the 2nd quarter of 2013, led to capital outflows from developing countries, including Turkey

The most important issue in 2013 was the deterioration in the risk outlook in developing countries and increase in exchange rate volatility for developing countries

The Turkish Lira was the least volatile currency in developing countries with the current account deficits in recent years; however this trend subsequently changed, especially in the second half of 2013, and the Turkish Lira depreciated. This resulted from Turkey's sensitivity to external financing. The Turkish Lira was one of five most depreciated currencies of developing countries in 2013.

Economic activity gains momentum from the 2nd quarter of 2013

The improvement in economic activity continued in the first nine months of 2013. GDP increased by 3% in the 1st quarter, 4.5% in the 2nd quarter and 4.4% in 3rd quarter of 2013. According to these results, GDP increased by 4% in the first three quarters of 2013, comparing with a 2.2% rate of GDP growth in 2012, implying a positive GDP growth rate 16 quarters in succession. The IMF estimated that the Turkish economy grew by 3.8% in 2013.

9.9%

The rate of unemployment stood at 9.9% in September 2013; the seasonally adjusted rate of unemployment was 10.2% in the same period.

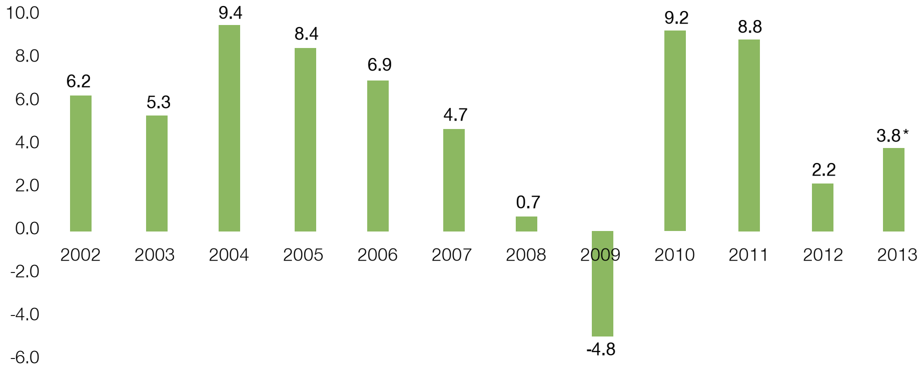
It is observed that private sector investment and consumption demand increased gradually over the quarters, while public spending, which had a significant role in the first quarter growth rate, decreased. Inventory changes contributed most to growth in the 2nd quarter. Due to the increasing import demand, net external trade had a negative effect on growth, especially from 2nd half of the year; this trend was then changed, with a positive contribution to growth.

Turkey was one of the countries to recover from the 2008 global economic crisis most rapidly, and was one of the countries to be least affected by the current uncertainties in the global economy. Between 2002 and 2012, Turkey realized an average annual growth rate of 5.2%.

The unemployment rate was 9.9%, with a seasonally adjusted unemployment rate of 10.2% as of September 2013. The seasonally adjusted unemployment rate was 12.1% in the Eurozone and 10.9% in the EU-28 as of October 2013. According to recent data, Turkey is in a better economic condition than the 13 countries in the Eurozone.

Growth performance of the Turkish economy

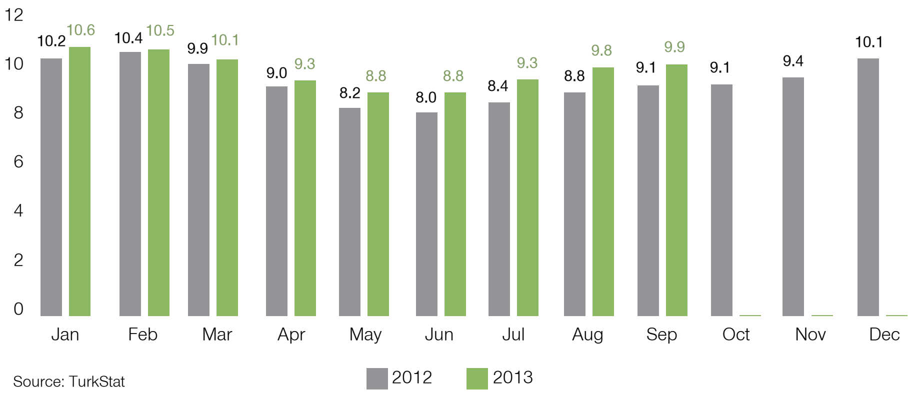
(2002-2013)



* IMF estimate

Unemployment

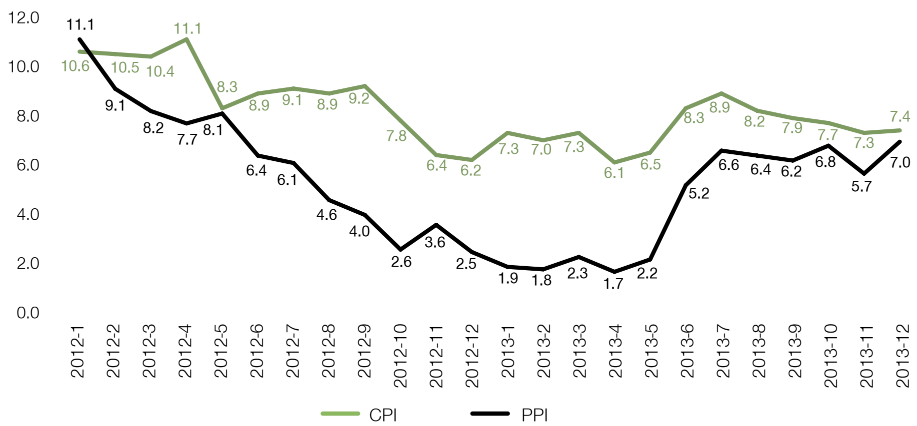
(2012-2013)



Source: TurkStat

Inflation

(2012-2013)



CBT

The CBT applied a prudent monetary policy concerning inflation indicators and risks stemming from global uncertainties in 2013.

Europe

There was no consolidation or shutdown in the cardboard industry in Europe during 2013.

in the first half of the year

The strength of the local currency in the first half of the year raised the competitive position of imported cardboards in Turkey.

Current account deficit exceeds expectations in 2013

The Current Account deficit, which stood at US$ 49 billion in 2012, reached US$ 52 billion in the January-October period in 2013. The recovery in domestic demand and the base effect in the gold trade were the factors behind the increase in the current account deficit. Exports shrunk by 1.2% in the January-October 2013 period, while imports grew by 5.8% when compared to 2012. The trade deficit widened by 18.5% to reach US$ 82.6 billion. The trade deficit, excluding energy imports, stood at US$ 42.2 billion in the same period. The export coverage ratio decreased from 64.5% in 2012 to 60.1% in the January-October 2013 period.

The rate of CPI inflation, which had declined to 6.1% as of April 2013, followed an upward trend during the rest of the year. As of November 2013, the rate of CPI inflation had climbed to 7.32%. The rate of PPI inflation was 5.67% in the same period.

The CBT applied a prudent policy in view of both the inflation indicators and the risks stemming from the global uncertainties in 2013. Accordingly, additional monetary tightening continued to limit the negative impacts of the above-target inflation on pricing behavior. The upper band of interest rate corridor was raised in August by increasing the overnight lending rate from 7.25% to 7.75%, in a bid to increase the effectiveness of the additional monetary tightening.

Uncertainty surrounding the global economy and volatility in capital flows will remain a key threat to financial stability in the coming period.

OUTLOOK FOR THE SECTOR

Turkey retains its position as the country to have achieved an increasing rate growth in cardboard manufacturing and sales of cardboard packaging among 11 European countries

While economic growth in Europe edged tentatively into positive territory in 2013, coated cardboard manufacturers have been affected by economic conditions which vary from one country to another. Demand for coated cardboard in Europe increased, especially after the first quarter of the year. This development also resulted in lower exports from Europe to Turkey.

There was no consolidation or shutdown in the cardboard sector in Europe during 2013. Against the backdrop of an increase in demand, albeit a very limited one, manufacturers maintained production without limiting their capacities. According to the ECMA's data, cardboard box manufacturing - which had recorded an improvement in 2011 - shrunk by 1.3% in 2012, while posting a recovery in the first half of 2013. Estimates indicate that total cardboard box manufacturing increased by just 0.4% and the volume of total cardboard packaging sales grew by 0.7%.

Cardboard packaging manufacturing in Turkey continuing to develop in line with the Turkish economy

According to the ECMA's data, the cardboard box sector in our country maintained its growth in 2013. Cardboard box manufacturing, which posted 6.9% growth in 2011 recorded 2.6% growth in 2012 and 3% growth in 2013.

Changes in packaging formats also contributed to the increase in the consumption of cardboard packaging. For example, the transition of fresh vegetable and fruit cases from old style wooden cases or plastic cases to perforated cardboard cases, and the use of multi colored printed packaging resulted in the consumption of cardboard for plastering.

For the Turkish coated cardboard industry, 2013 can be divided in two periods marked by opposite conditions

Higher competitive power of imported cardboards in the first half of the year

The relative strength of the local currency in the first half of the year raised the competitive power of imported cardboards. The appreciated TL allowed imported goods to compete with domestic goods as well as adversely affecting domestic manufacturers by limiting their exports. Exports were realized with very small or zero profit margins. GC grade cardboard, which is produced entirely with virgin fiber and is one of the cardboards imported from the Far East, increased its market share in Turkey in 2013. On the other hand, the share of Far East based imports was limited in GD grade cardboards, which are manufactured from recyclable paper. As a result of new production capacities which gradually came on stream in China, the share of Far East based imports in GD grade cardboards may increase in Turkey in the coming years.

in the second half of the year

As a result of the fall of the Turkish Lira against foreign currencies, domestic products started to gain the competitive edge.

ECMA

According to the ECMA, cardboard box production in 11 countries decreased by 5% in the 2007-2012 period

packaging

According to a research study conducted by PROCARTON, packaging plays an important role in consumers' purchasing decisions.

Developments in the second half of the year lead to a reversal of market conditions

The situation was reversed in the second half of the year. As a result of the depreciation of the TL against foreign currencies, the competitive advantage turned to the advantage of domestic producers. This situation was reflected into sales volumes, and there was an increase in domestic manufacturers' sales to the domestic market. The weakness of the local currency positively affected the export performances of domestic manufacturers, and exports became profitable.

Cardboard packaging industry significantly affected by general economic growth

The Turkish economy is estimated to have grown by 3.8% in 2013 with cardboard consumption estimated to have increased by 1%. It is thought that the difference between these growth rates stems from decline in inventory levels. Due to the weakness in the Turkish Lira against foreign currencies and concerns regarding economic growth, both final users and cardboard manufacturers have started to operate with reduced inventory levels.

New capacity to come on-stream in China

According to the latest data from RISI (www.risiinfo.com), China produces 13 million tons of total cardboard each year. According to the same resource, global demand for cardboard boxes will record a CAGR of 3.6% over the 2012-2014 period. China is expected to launch 3 million tons of Bristol capacity and 3 million tons of recycled new capacity.

Long term trends and expectations

According to the ECMA, coated cardboard box production in 11 countries decreased by 5% in the 2007-2012 period, as a result of the 2008 global crisis. Sales volumes of cardboard packaging followed a similar trend and decreased by 6% in the same period. Expectations for the 2012-2017 period are positive, with growth of 7% and 8% expected in coated cardboard production and cardboard packaging sales volumes, respectively.

Environmental sustainability and consumer preferences

Changing consumer preferences are one of the factors that affect the cardboard packaging industry. A research study carried out by the ECMA examined consumer purchasing power and behavioral patterns, and found that the transition to cardboard packaging in many product segments from food to pharmaceuticals continued with the strong impact of sustainability and environment.

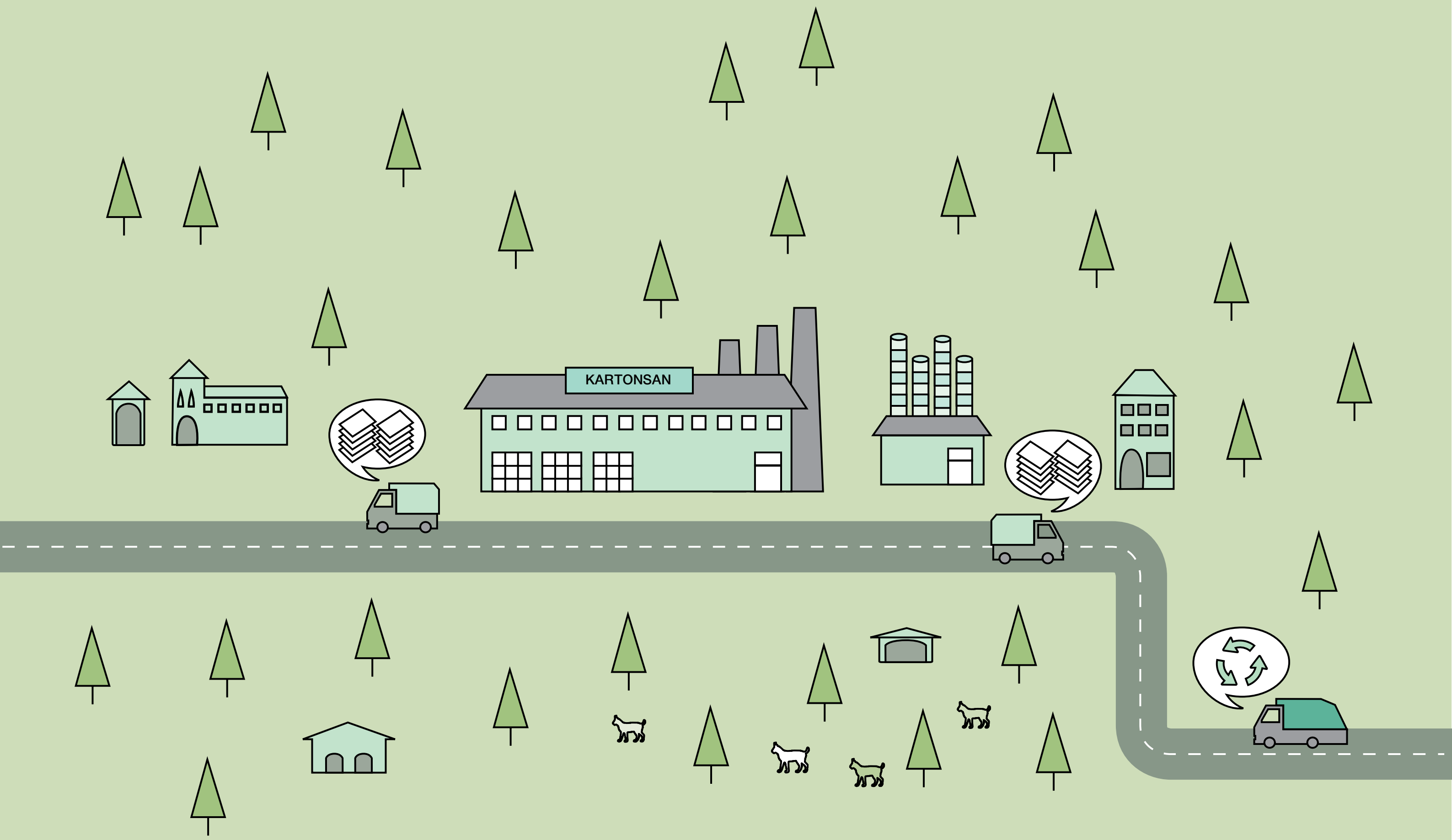
According to another research study conducted by PROCARTON, packaging plays an important role on consumers' purchase decisions; 75% of the survey's participants give priority to the packaging being recyclable and using the minimum possible amount of packaging materials. 55% of participants emphasize that the packaging should include a minimum amount of plastics as possible. Within the scope of the survey, cardboard packaging was preferred among all packaging types as being an ecologically friendly material.

Outlook for the future

The cardboard manufacturing and cardboard packaging industry in the world and in Turkey will move in parallel with general economic developments. The new capacity which has gradually come on-stream in China and sustainability trends will be the most important developments that will affect the supply-demand balance and pricing levels in the medium to long term.

Kartonsan's activities in 2013

2013 was a successful and productive year for Kartonsan. Performing in line with its annual targets, the Company registered growth in total sales, turnover and exports while raising its consolidated net income by 32%.



strong performance

Kartonsan's consistent and proactive sales policies, unrivaled marketing power, advanced production technology and strong corporate structure played an important role in sustaining its growth.

172,000 tons

Kartonsan's sales volumes reached 172,000 tons in 2013. The Company recorded gross production of 171,243 tons, while registering coated cardboard sales of TL 224.2 million.

efficiency

The way to sustain and increase profitability in short and medium term is to enhance efficiency.

In 2013 Kartonsan maintained its leadership of its sector by supplying 37% of all the coated cardboard manufactured from recycled paper in Turkey.

2013 was a successful and productive year for Kartonsan. Performing in line with its annual targets, the Company registered rises in total sales, turnover, and exports while increasing its consolidated net income by 32%.

In the Turkish coated cardboard market, the year 2013 can be considered as a year comprising of two periods with opposite dynamics. Kartonsan's consistent and proactive sales policies, unrivaled marketing power, advanced production technology and strong corporate structure all played an important role in sustaining its growth. The Company once again demonstrated its competence in creating long term persistent value under different market conditions with the sound financial and operational performance it recorded in 2013.

Kartonsan, a leader in our country and the 5th largest producer in Europe, has the following targets:

- To become one of the principal export suppliers to markets in Turkey's hinterland,
- To continue to deliver a fast, high-quality service to customers,
- To raise production process efficiencies,
- To take a regional-supplier approach to production capacity increases,
- To achieve the highest possible level of sustainable profitability for shareholders.

Kartonsan, which structured its corporate strategy within the framework of these goals, maintained its leading position in the sector during 2013 by producing 37% of all the coated cardboard manufactured from recycled paper in Turkey.

The strength of the local currency in the first half of the year and the volatility in waste paper prices put pressure on Kartonsan's operating profitability. However, the Turkish Lira then depreciated in the second of the year on the back of the prevailing market conditions, and Kartonsan increased its domestic and export sales while reflecting the business opportunities presented by the conjuncture into its performance.

Kartonsan realized sales volumes of 172,000 tons in 2013. The Company's gross production stood at 171,243 tons, while coated cardboard sales were realized at TL 224.2 million.

As in previous years, Kartonsan evaluated domestic and export markets under a flexible approach. The Company developed its marketing policy in view of the ongoing market conditions.

Domestic sales accounted for 75% of Kartonsan's sales in 2013. The Company met domestic demand without facing any problems in its production or inventory management. Effective sales policies, marketing power, production technology and a strong corporate structure were the main factors behind the strong 2013 results.

A performance supported by an efficient production approach

The main characteristic of the coated cardboard industry is that production capacities increase slowly and over long periods, due to volume and the size of the investment. In view of this fact, Kartonsan is aware that the way to sustain and increase profitability in the short and medium term is to increase efficiency and keep costs down as much as possible.

Kartonsan's unwavering target is to formulate a sales profile that will maximize both its turnover and its output. To this end, the Company prioritizes keeping planned and unplanned production shutdowns to a minimum and to undertake investments that will cut costs. In 2013, Kartonsan effectively managed production shutdowns and was able to optimally meet market demand.

13%

Kartonsan's export volumes increased by 13% in 2013.

240,000 tons

Kartonsan's total capacity will reach 240,000 tons in 2014 with the completion of the BM2 expansion investment.

investment process

Kartonsan will continue to offer a continuous service to its customers during its investment process.

Kartonsan recorded 40,000 tons of exports in 2013

Kartonsan's export volumes exceeded 40,000 tons, an increase from the 36,000 tons of exports in 2012. Kartonsan's export tonnage recorded 13% growth when compared to 2012. The Company's export revenues reached US$ 27 million in the same period.

Looking at the Company's export breakdown by product category, Normprint accounted for the highest (65%) share last year. This was followed in turn by Exprint (27%) and Luxtriplex (8%) as the most sought-after products.

Kartonsan sells its products to more than 20 countries. Ukraine and Bulgaria accounted for the highest shares in Kartonsan's export markets, followed by Spain, Romania, Egypt and Italy.

There was an increase in sales to Egypt, among the Company's export markets, in 2013. The Company took serious steps towards improving its trade relations with Italy and France for the coming periods by contacting new customers in these markets.

Kartonsan's constant aim in export markets is to establish long term relations with printing houses which are cardboard packaging manufacturers and to be one of their permanent suppliers. The Company, within this aim, focuses on offering quality and effective service and makes continuous improvements as part of works to meet customers' needs. Kartonsan followed the most favorable shipping conditions and aimed efficiency in export performance as part of exports works.

The Company is determined to closely follow trends and competition conditions that affect global cardboard market and to increase its export performance.

60% capacity increase for BM2, and 30% for total capacity

Kartonsan, which became the 5th largest producer in the Europe region, launched its investment project in 2012 which will increase its total capacity by 30%.

Once the BM2 capacity investment is complete, Kartonsan's total capacity will rise to 240,000 tons. The stages planned for 2013 for the BM2 investment, which will provide a 60% capacity increase, were completed successfully.

Kartonsan will conduct the final phases of capacity investment in 2014. In this stage, other projects required in the undertaking of the capacity increase will be completed. The improvement, renovation and capacity work of several support units, including the waste water processing unit and the power plant, will be conducted. Due to the work being carried out in the support units, production will be completely suspended in Kartonsan's factories in June 2014. Following the completion of the necessary work, the BM1 and BM2 lines are expected to be fully operational in June and August, respectively.

Kartonsan completed all necessary inventory planning to prevent any cut in product shipments during the period in which production will be shut down. The Company's initial aim is to maintain a continuous service to those customers with whom it has well established business relations with, especially in May, when production will be completely shut down.

responsibility

Kartonsan conducts applications which increase the value added that the Company is able to offer its customers as a responsible manufacturer.

Measures to support customer satisfaction

Kartonsan believes the necessity to fairly allocate the value added generated with stakeholders and long term customer relations. The Company will maintain its determination to be a responsible manufacturer by continuously following market conditions.

Kartonsan continued its work to increase customer satisfaction in 2013.

Kartonsan continued direct sales including shipping in 2013 by using its logistical competitive advantage. Meanwhile, Kartonsan offered customers the option to pay by credit card in advance or by installments, while also offering its customers longer terms for payment in a bid to help customers overcome the squeeze in the business cycle resulting from the adverse market conditions.

Another measure to support customer satisfaction was the offering of sub-grammage products, which were developed in line with market demand.

product mix

Kartonsan improves its product mix in view of the market's demand conditions.

Developments in the product mix

Normprint was the best-selling product among Kartonsan's range in 2013, accounting for 62% of total sales last year with the remainder consisting of Luxtriplex (20%) and Exprint (18%).

The biggest increase in demand during 2013 was seen in Normprint cardboard. The increased use of cardboard boxes for fresh fruit and vegetables, particularly in exports, led to a rise in demand for Normprint cardboard.

Kartonsan added Normprint 320 and 500 gram to its product mix 2013. The Company met customer demand with a much broader product mix.

The importance and value of customer satisfaction

Kartonsan's market experience and know-how in production and trade, along with its strong corporate and financial structure, constitutes the driving forces for its sustainable growth.

Kartonsan:

- has the power to follow the market proactively and satisfy demand
- utilizes technology intensively in all processes, including the decision making and production processes
- commands a structure which operates with an effective process approach in the cost-efficiency-profitability axes
- attaches great importance on managing market, foreign exchange and production risks and which operates in pursuance with ethical values
- views protecting the environment and increasing awareness in this area as one of fundamentals of corporate responsibility
- does not compromise on sustainable quality and customer satisfaction.

ISO50001

Kartonsan aims to complete the ISO50001 certification process in 2014.

Kartonsan's 2014 targets:

- One of Kartonsan's main targets for 2014 is to increase total production capacity by 30% with the increased capacity in the BM2 line.
- Kartonsan will maintain its activities to keep its current position in the domestic and export markets and to penetrate new markets in 2014.
- The primary activities which Kartonsan plans to continue in line with this target are customer visits in domestic and export markets, visits to fairs, transferring the advantages of its logistic and product quality to its customers.
- Supporting sustainability has played a major role in determining Kartonsan's 2014 targets. The primary goals for 2014 are the following: Energy efficiency and keeping energy use under control by completing 50001 Energy Management System certification activities and increasing water recovery rates by conducting renewal work with new technology in the Waste Water Treatment Plant.
- Increasing standards of living by ensuring a healthy and safe work environment designed for employees and activities within the context of social responsibility, increasing customer and employee satisfaction will be other Kartonsan's targets for next year.

Kartonsan and the environment

protecting the environment

Protecting the environment is one of the fundamental components of Kartonsan's economic and commercial activity cycle.

169,175 tons of waste paper

Kartonsan uses waste paper at a rate of up to 99% in its coated cardboard production.

132 million kWh of electricity

Kartonsan generates electricity from four turbo generators, along with waste heat recovery boilers and steam the from exhaust gas emitted from the turbines.

Kartonsan continues activities in line with its responsibilities to the natural environment, through the following:

- **using the maximum amount of waste paper in the production stage,**
- **generating its own power and steam,**
- **cleaning waste water with the most advanced techniques**

Protecting the environment is one of the fundamental components of Kartonsan's economic and commercial activity cycle.

Climate change remains a fundamental global threat that will affect the future of humanity. Climate change also brings many risks which affect the coated cardboard industry. Manufacturers who are able to manage these risks will minimize risks as well as utilizing opportunities such as meeting changing customer demands.

Kartonsan believes that climate change is a strategic issue which deserves full integration with business processes and decision making mechanisms. Kartonsan maintains its activities connected to its responsibility to the natural environment by taking the following measures:

- maximizing its use of waste paper in the production stage,
- generating its own power and steam,
- cleaning waste water with the most advanced techniques,
- conducting work with the aim of controlling greenhouse gas emission

Kartonsan considers these factors in the production process and evaluates the environmental dimension in all stages from input to output. Accordingly, Kartonsan develops environmental policies, and designs and applies action plans. Reducing the consumption of natural resources is one of the top targets determined within the scope of Kartonsan's Integrated Management System.

Use of waste paper

With its production processes in which waste paper and packaging is used as a raw material, and acting in accordance with the purpose of its existence, Kartonsan undertakes its duty of supporting the natural environment.

Kartonsan uses waste paper at a rate as high as 99% in coated cardboard production. The Company closely cooperates in the organization and supply of waste paper with its subsidiary, Dönkasan. Kartonsan holds an Environment Permit and License as given by the Ministry of Environment and Urban Planning. The Company utilized total of 169,175 tons of waste paper in its production during 2013.

The accompanying chart provides a breakdown of Kartonsan's use of cellulose and waste paper.

Kartonsan's use of cellulose and recovered paper (tons)

	Total gross production	Total cellulose consumption	Total waste paper consumption
2009	138,773	2,348	145,846
2010	169,633	2,092	180,654
2011	177,003	2,452	175,690
2012	174,573	1,223	172,544
2013	171,243	868	169,175

Energy generation

Kartonsan generates its own energy. Kartonsan generates electricity from four turbo generators and waste heat recovery boilers and steam from the exhaust gas emitted from the turbines. Kartonsan sells surplus generation of electricity to the market through an interconnected system.

Kartonsan generated 132 million kWh of electricity while selling 23 million kWh in 2013. Steam generation in the same year totaled 305,705 tons.

Waste water

Kartonsan is focused on the most effective use of limited natural resources in the production process. Accordingly, Kartonsan plans water consumption carefully and conducts work to increase the recovery rates of waste water.

The recovery rate for waste water, currently 45%, is targeted to increase to 60% following once work on the capacity increasing investment is completed, which is scheduled for 2014. The investment aims to double the treatment capacity from the current level of 5,000 m3 to 10,000 m^3 / day.

integrated management system

ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health & Safety Assessment

551 personnel

Kartonsan provided occupational health and safety training to its 551 personnel in 2013.

certification activities

FSC-CoC certification was successfully completed with the audit in 2013.

Solid waste

The elimination and / or recovery of solid waste in our country is regulated by Ministry of Environment and Urban Planning with relevant legislation. Kartonsan, which has structured its processes pursuant to the relevant legislation, views the elimination and / or recovery of solid waste as an important part of its sustainability approach. It also conducts activities aimed at the elimination and / or recovery of solid waste arising from its procurement and operations.

Kartonsan's Integrated Management System

Kartonsan carries out all of its activities under an integrated management system (ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001 Occupational Health & Safety Assessment Series).

One of Kartonsan's primary goals is to operate with a production process that respects the environment and minimizes the consumption of natural resources and pollution in its integrated management system policy.

Kartonsan continued to provide its personnel with training in 2013 on issues such as occupational health and safety, job related accident awareness, personal safety equipment and its use and environmental awareness. A total of 12 hours of training on occupational health issues was provided to 54 individuals by the personnel of the Company's own infirmary. A total of 551 people received 93 hours of training on occupational health and safety issues provided by occupational safety specialists.

On 7-8 November, 2013, Kartonsan's integrated management system underwent and successfully passed an intermediary audit.

ISO 5001 standard – controlling greenhouse gas emissions

Kartonsan started to receive ISO 50001 training as part of the target of controlling the consumption of natural resources and reducing greenhouse gas emissions, and for their systematic follow up and improvement.

The Company started application activities in this vein, which envisaged the following; completion of greenhouse gas calculations and verification work in a timely manner in pursuance with legislation, and the completion of the certification process for 50001 Energy Management System in 2014.

Paperby Nature and FSC-CoC certification activities

Keeping the use of raw material resources under control, and procuring them with accurate methods are of high importance for living in a sustainable environment.

Kartonsan that has this awareness completed Paper by Nature and FSC-CoC certifications. By doing so, the Company certified its sensitivity in such topics.

Necessary activities to ensure continuity of these certifications were completed fully in 2013, too. For FSC - CoC certification, BM Trada audited the Company.

The goals of FSC-CoC certification, as an international standard, are to ensure that the world's forestry resources are correctly managed, to define applicable methods and standards for this, to ensure that any forestry products used are from responsibly harvested and verified sources, and to prevent undocumented forest products from entering the supply chain of certified products at any point.

Kartonsan and its human resources

266 personnel

34% of Kartonsan's personnel are white-collar and 66% are blue-collar employees, while 24 of the employees are women and 242 are men.

an average of 14 hours of training provided per employee

occupational health and safety

Kartonsan's target for occupational safety is to achieve a zero rate of accidents in the workplace.

Kartonsan continues its activities with the contribution of its human resources who believe in innovation, who are devoted to honesty, patience and the target of advancing quality, and who are always willing to improve.

Kartonsan's employees are the architects of the Company's success. The systematic investments undertaken in human resources account for a large share in the reputation of the Kartonsan brand.

Kartonsan's constant corporate aim is to sustain modern work which respects human rights.

In 2013, Kartonsan had 266 people on its payroll. 13% of Kartonsan's personnel were employed at the head office, while the remaining 87% work in the Kartonsan plant in Kocaeli. Some 38% of Kartonsan's personnel are white-collar employees and 62% are blue-collar employees; 24 of the employees are women and 242 are men.

As of the end of 2013,

- 17 of Kartonsan's employees were 25 years of age, or younger;
- 132 were between the ages of 26 and 35;
- 74 were between the ages of 36 and 45;
- 40 were at least 46 years of age.

Training activities

Kartonsan conducts its training activities with the vision of raising the sector's best human resources and perpetuating the improvement of its employees. Employees' performance, their career developments and the Company's sustainable performance are supported by programs designed according to personnel needs and competencies.

Kartonsan continued to provide its employees various occupational and technical training opportunities in 2013. An average of 14 hours of training was provided to each employee with 44 different training activities conducted.

Developments in labor relations

Kartonsan is a role model with a long history of labor-union relations and which carefully examines this issue. A total of 60% of Kartonsan's employees are members of a labor union. In 2012, the terms of the collective bargaining agreement were fully followed for employees that are members of labor unions. The collective bargaining agreement, which is valid between September 1, 2012 and August 31, 2014 was signed on June 28, 2013.

The Workplace environment and employee satisfaction at Kartonsan

One of Kartonsan's fundamental corporate objectives is to ensure the continuation of a workplace environment which encourages employee participation and which fully respects human rights. To this end, Kartonsan strives to ensure the sustainable existence of a workplace environment which rewards success, incentivizes individual development and taking initiatives, and which is healthy and safe.

A corporate-culture recognition and employee-satisfaction survey in Kartonsan was held during October 2013. The results of the survey were reported to the upper management.

Occupational health and safety at Kartonsan

In its head office and at the factory, Kartonsan aims to achieve full compliance with occupational health and safety standards in place in Turkey. At the same time, the Company conducts innovative applications by closely following contemporary occupational health and safety applications throughout the world.

The Human Resources and Quality Systems department and Production Services Department at Kartonsan are responsible for occupational health and safety matters.

Risk assessment regarding occupational health and safety was restructured with a competent team put in place during 2013. The new structure was announced in a manner which ensured that all employees were informed of it. As part of its occupational health and safety efforts, Kartonsan continues the following activities in 2014; developing information and warning systems by checking the factory's physical and technical equipment and conditions and generating necessary solutions by detecting problematic areas.

As a result of the effective work of Kartonsan Occupational Health and Safety Committee, the Company continues its corrective and preventative activities, such as training, with the aim of decreasing work-related accidents, improvements and employee health screenings.

In 2013, there was no loss of life in work-related accidents. Necessary precautions and corrective actions were taken with evaluations made after any work-related accidents. Kartonsan's occupational safety goal is to achieve and maintain a zero accident rate at its workplaces.

Kartonsan's policy on quality, the environment and occupational health and safety

Seeking to maintain its stature as a leader in Turkey and its competitive position in world markets, Kartonsan has adopted and adheres to a policy on quality, the environment and occupational health and safety that is committed to:

- Continuously improving the effectiveness of its quality, environment, and occupational health and safety management systems through the use of the right human resources, appropriate technology, and essential financial resources;
- Continuously developing its product and service quality in line with customers' wishes and expectations;
- Attaching importance to health and safety in all of its employees' activities in order to prevent work-related accidents and illnesses and to be an organization which is transparent, participates and which learns and develops through constant training;
- Preventing environmental pollution, making effective and productive use of natural resources, using recycled inputs and manufacturing recyclable products
- Complying with the requirements of applicable laws and regulations and abiding by the criteria and prescriptions of ISO 9001 Quality Management, ISO 14001 Environmental Management, and OHSAS 18001 Occupational Health & Safety Assessment system standards;
- Engaging in multilateral communication in order to ensure the ongoing confidence and satisfaction of its customers, its suppliers, its employees, its business partners, and its community.

HR: Basic indicators*	2012**	2013
Total number of employees	440	429
Contractor personnel	176	163
Kartonsan	264	266
Men	240	242
Women	24	24
Average age (years)	35	36
HR: Educational background indicators		
Master's degree or doctorate	10	10
Bachelor's degree	34	39
Vocational high school	58	58
High school	143	138
Elementary school	19	21
Competency in one foreign language	52	56
Competency in two or more foreign languages	8	8

* Number of persons unless otherwise stated.
** Average figures for year. (As of December 2012 year-end)

Kartonsan and corporate social responsibility

education and the environment

Education and the environment are two main fields in which Kartonsan conducts corporate social responsibility activities.

cooperation with Kocaeli University

Activities conducted with Kocaeli University are a good example of cooperation between the private sector and universities.

21%

SELKA, which reached its 2013 targets, increased its revenue by 21% when compared to previous year.

Through corporate social responsibility activities, Kartonsan is able to reach society - which is its broadest stakeholder

Education and the environment are two main fields in which Kartonsan undertakes social responsibility activities. A summary of the activities that took place in these fields is provided below.

Başiskele Primary School Project

In the first quarter of 2012, Kartonsan completed the construction of a primary school in Kocaeli's district of Başiskele where its factory is located. The school, which has 16 classrooms and a capacity for 500 school pupils, opened its doors in the 2012-2013 academic year.

Kartonsan Primary school - Kullar Village, Kocaeli

Kartonsan has been continuously supporting the Kartonsan Primary School in the village of Kullar, located in the province of Kocaeli, where its factory is located.

Cooperation with Kocaeli University and private sector

Kartonsan continued its cooperation with Kocaeli University in 2013.

In this context, Kartonsan's workplace doctor provided 249.5 hours of applied and theoretical tuition to 81 students from the Faculty of Medicine at Kocaeli University. In another program conducted as part of cooperation with the university, 10 students from the Cellulose and Paper Technology Departments of Kocaeli University were given 2.5 hours of applied and theoretical tuition.

As for cooperation with private sector entities, Kartonsan production and quality control process training was offered to 16 personnel at Yıldız Holding in 2013.

Support for recycling of packaging waste

In accordance with packaging waste control regulations in Turkey, Kartonsan - which also operates as a packaging waste recycling firm - collects packaging waste generated from its operations and which it is unable to utilize in its structure, and hands such wastes to licensed recycling firms.

Donations by Kartonsan - TL (as of 31 December 2013)		
Donations to primary and secondary schools, and universities	9,870.34	429
Donations to foundations (educational, sports, and social)	162,000.00	163
Donations to other institutions	4,872.03	266
Total	176,742.37	242

SELKA İç ve Dış Ticaret A.Ş.

SELKA İç ve Dış Ticaret A.Ş. is a subsidiary of Kartonsan. SELKA is Kartonsan's largest supporter in the marketing of customized products while also providing Kartonsan with logistical services through its storage facilities located in İstanbul-Sefaköy.

SELKA achieved all of its sales targets in 2013 and registered a 21% YoY increase in its sales revenues.

Compliance opinion

CONVENIENCE TRANSLATION INTO ENGLISH OF
INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT
ON THE ANNUAL REPORT

To the Board of Directors Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi ("the Company") prepared as of 31 December 2013 are consistent with the audited consolidated financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with "the Communique on Determining the Minimum Contents of Company Annual Reports".

3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited consolidated financial statements on which we have expressed our opinion dated 21 February 2014.

   Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 ("TCC"). Those principles and procedures require that an audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited consolidated financial statements and the information obtained during the audit.

   We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Director's in the accompanying annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi are consistent with the audited consolidated financial statements as at 31 December 2013.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Cihan Harman
Partner, SMMM

Istanbul, 28 February 2014

Corporate governance and financial Information

To the Board of Directors of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

1. We have audited the accompanying consolidated balance sheet of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi, its Subsidiary and its joint venture (collectively referred to as the ''Group'') as at 31 December 2013 and the accompanying consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Group Management's responsibility for the financial statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Turkish Accounting Standards ("TAS") published by the Public Oversight Accounting and Auditing Standards Authority ("POA") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Görüş

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the TAS (Note 2).

Reports on independent auditor's responsibilities arising from other regulatory requirements

5. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Grup's bookkeeping activities for the period 1 January - 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
6. Pursuant to Article 378 of Turkish Commercial Code no. 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 9 April 2013 and it is comprised of 3 members. The committee has met 4 times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Cihan Harman, SMMM
Partner
Istanbul, 21 February 2014

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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Consolidated Statements of the financial position at 31 December 2013 and 2012 (balance sheets)

(Convenience translation into English of consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	*Restated (Note 2)* Audited 31 December 2013	Audited 31 December 2012
ASSETS			
Current assets			
Cash and cash equivalents	6	61.216.664	84.822.151
Trade receivables			
- Due from related parties	7	779.696	222.193
- Other trade receivables	8	33.709.420	26.242.943
Other receivables			
- Other receivables	9	2.569.007	2.099.941
Inventories	10	45.317.018	50.917.170
Prepaid expenses	18	2.909.182	901.465
Other current assets		19.276	76.303
Total current assets		**146.520.263**	**165.282.166**
Non-current assets			
Other receivables			
- Other receivables	9	5.630	6.447
Investments accounted for under equity accounting	4	10.207.664	9.592.968
Investment properties	11	229.270	229.270
Property, plant and equipment	12	67.989.499	75.240.496
Intangible assets			
- Other intangible assets	13	1.216.330	171.522
Prepaid expenses	18	56.673.604	601.519
Total non-current assets		**136.321.997**	**85.842.222**
Total assets		**282.842.260**	**251.124.388**

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

Consolidated Statements of the financial position at 31 December 2013 and 2012 (balance sheets)

(Convenience translation into English of consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	*Restated (Note 2)* Audited 31 December 2013	Audited 31 December 2012
LIABILITIES			
Current liabilities			
Short term borrowings		382.630	327.409
Trade payables			
- Due to related parties	7	10.979.747	10.228.309
- Other trade payables	8	10.755.810	9.822.694
Liabilities for employee benefits		189.143	179.635
Other payables			
- Due to related parties	7	8.310	208.179
- Other payables	9	2.145.491	2.138.029
Current income tax liabilities	25	2.524.808	1.200.528
Short term provisions			
- Short term provisions for employee benefits	15, 17	456.705	225.850
- Other short term provisions	15	1.075.169	928.872
Total current liabilities		**28.517.813**	**25.259.505**
Non-current liabilities			
Long term provisions			
- Long term provisions for employee benefits	17	3.618.718	3.601.990
Deferred income tax liabilities	25	765.175	988.062
Total non-current liabilities		**4.383.893**	**4.590.052**
EQUITY			
Equity attributable to owners of the parent		**249.884.922**	**221.228.290**
Paid-in capital	19	2.837.014	2.837.014
Adjustment to paid-in capital	19	93.298.657	93.298.657
Share premiums/discounts		7.529	7.529
Other comprehensive income/expense not to be reclassified to profit or loss			
- Other losses		(260.289)	-
Legal reserves		24.897.857	24.253.234
Retained earnings		93.308.885	73.770.237
Net income for the year		35.795.269	27.061.619
Non-controlling interest		**55.632**	**46.541**
Total equity		**249.940.554**	**221.274.831**
TOTAL LIABILITIES AND EQUITY		**282.842.260**	**251.124.388**

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

Consolidated statements of the comprehensive income for the years ending 31 December 2013 and 2012

(Convenience translation into English of consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2013	*Restated (Note 2)* 1 January 31 December 2012
Sales	20	224.216.211	207.177.784
Cost of sales (-)	20	(184.121.277)	(164.377.386)
Gross profit		**40.094.934**	**42.800.398**
Share of profit/(loss) of investments accounted for under equity method	4	351.840	(176.312)
General administrative expenses (-)	21	(7.472.936)	(9.040.952)
Marketing expenses (-)	21	(10.209.122)	(7.191.680)
Other operating income	23	9.989.144	7.367.911
Other operating expenses (-)	23	(3.544.945)	(4.196.417)
Operating profit		**29.208.915**	**29.562.948**
Income from investing activities	24	18.482.297	8.490.285
Expenses from investing activities (-)	24	(1.541.431)	(3.118.498)
Operating profit before financial expense		**46.149.781**	**34.934.735**
Financial expenses (-)		(1.225.861)	(1.040.742)
Profit before tax from continued operations		**44.923.920**	**33.893.993**
Tax expense from continued operations (-)	25	**(9.118.511)**	**(6.826.293)**
- Taxes on income (-)	25	(9.270.866)	(7.131.657)
- Deferred income tax credit	25	152.355	305.364
Profit for the period		**35.805.409**	**27.067.700**
Attributable to:		**35.805.409**	**27.067.700**
- Non-controlling interest		10.140	6.081
- Equity holders of the parent		35.795.269	27.061.619
Earnings per share	**26**	**12.61723**	**9.54091**
- Earnings per share from continued operations		12.61723	9.54091
Other comprehensive income	17	(282.127)	-
Other comprehensive income of associate accounted for under equity accounting	4	21.838	-
Total comprehensive income		**35.545.120**	**27.067.700**
Attributable to		**35.545.120**	**27.067.700**
- Non-controlling interest		10.140	6.081
- Equity holders of the parent		35.534.980	27.061.619

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

Consolidated statements of the cash flows for the years ending 31 December 2013 and 2012

(Convenience translation into English of consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	1 January- 31 December 2013	Restated 1 January - 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES		**37.307.636**	**40.062.577**
Net profit for the period		**35.805.409**	**27.067.700**
Adjustments to reconcile net profit:		**13.853.408**	**21.443.751**
Adjustments for depreciation and amortization		10.034.740	11.258.209
Adjustments for changes in provisions		410.874	865.748
Adjustments for interest income and expenses		(5.619.114)	2.543.776
Adjustments for tax expenses	25	9.118.511	6.826.293
Gains from sales of tangible assets		(91.603)	(50.275)
Changes in net working capital:		**(4.144.306)**	**(1.041.043)**
Decreases/(increase) in inventories		5.600.152	(3.020.407)
Increases in trade receivables		(8.574.057)	(4.875.775)
Increases in trade payables		1.465.517	2.514.651
Decreases in other payables		(2.010.945)	3.422.857
Other increases/decreases in net working capital		(624.973)	917.631
Cash flows from operating activities		**45.514.511**	**47.470.408**
Taxes Paid		(7.946.586)	(7.407.831)
Other cash inflows/outflows		(260.289)	-
CASH FLOWS FROM INVESTING ACTIVITIES		**(54.089.638)**	**(9.473.664)**
Proceeds from sale of tangible and intangible assets		99.047	122.424
Purchases of tangible and intangible assets		(3.835.995)	(7.087.661)
Advances given	18	(56.072.085)	135.909
Interest given		(2.516.157)	(2.566.618)
Interest received		8.235.552	(77.718)
CASH FLOWS FROM FINANCING ACTIVITIES		**(6.824.176)**	**(8.858.608)**
Cash outflows related to borrowings		55.221	295.095
Dividends paid		(6.879.397)	(9.153.703)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		**(23.606.178)**	**21.730.305**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6**	**84.614.980**	**62.884.675**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**61.008.802**	**84.614.980**

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

Consolidated statements of changes in equity for the years ending 31 December 2013 and 2012

(Convenience translation into English of consolidated financial statements originally issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

Audited	**Paid-in capital**	**Adjustment to share capital**	**Share premiums/ discounts**	**Other losses**	**Legal reserves**
1 January 2012	2.837.014	93.298.657	7.529	-	23.348.454
Transfers	-	-	-	-	904.780
Total comprehensive income	-	-	-	-	-
Dividends	-	-	-	-	-
31 December 2012	**2.837.014**	**93.298.657**	**7.529**	**-**	**24.253.234**

Audited	**Paid-in capital**	**Adjustment to share capital**	**Share premiums/ discounts**	**Other losses**	**Legal reserves**
1 January 2013	2.837.014	93.298.657	7.529	-	24.253.234
Transfers	-	-	-	-	644.623
Total comprehensive income	-	-	-	(260.289)	-
Dividends	-	-	-	-	-
31 December 2013	**2.837.014**	**93.298.657**	**7.529**	**(260.289)**	**24.897.857**

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

Retained earnings				
Retained earnings	Net income for the year	Attributable to equity holders of the parent	Non-controlling interest	Total equity
46.873.952	36.953.717	203.319.323	41.511	203.360.834
36.048.937	(36.953.717)	-	-	-
-	27.061.619	27.061.619	6.081	27.067.700
(9.152.652)	-	(9.152.652)	(1.051)	(9.153.703)
73.770.237	**27.061.619**	**221.228.290**	**46.541**	**221.274.831**

Retained earnings				
Retained earnings	Net income for the year	Attributable to equity holders of the parent	Non-controlling interest	Total equity
73.770.237	27.061.619	221.228.290	46.541	221.274.831
26.416.996	(27.061.619)		-	-
-	35.795.269	35.534.980	10.140	35.545.120
(6.878.348)	-	(6.878.348)	(1.049)	(6.879.397)
93.308.885	**35.795.269**	**249.884.922**	**55.632**	**249.940.554**

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s (the "Company" or "Kartonsan") principal activity is the production and trade of coated cardboard. Kartonsan is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE") since 1985. All shares are quoted on ISE. Kartonsan's 24.83% shares are free floating. The Company's ultimate controlling party is PAK Family members through PAK Group Companies (Note 19).

The Company's registered address is Prof. Dr. Bülent Tarcan Cad/Sok. No: 5 Pak İş Mrk. Kat: 3 Gayrettepe/ISTANBUL. The Company's headquarters is located in Istanbul and it has a manufacturing plant located in Kullar Köyü 41001 Kocaeli.

Selka İç ve Dış Ticaret A.Ş.'s ("Selka"), the subsidiary of the Company located in Istanbul, principal activity is the trade of coated cardboard.

Dönkasan Dönüşen Kağ. Ham. San. ve Tic. A.Ş.'s ("Dönkasan"), the joint venture of the Company located in Istanbul, principal activity is to purchase, classify, bale, pack, store scrap of every kind of paper, cardboard, metallic glass etc., to subcontract and/or be a subcontractor to these activities and to perform marketing activities.

Hereafter, the Company, its subsidiary and joint venture will be referred as the "Group" in the consolidated financial statements and notes thereto.

As of 31 December 2013, the number of employees of the Group is 281 people (31 December 2012: 275) excluding the subcontracted employees.

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2014-02 on 21 February 2014 and signed on its behalf by, Haluk İber, General Manager and Board Member and Ünal Bozkurt, Vice Chairman of the Board of Directors.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Applied financial reporting standards

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The financial statements of the consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's consolidated financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Group (and its subsidiaries and Joint Ventures registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance and principles issued by CMB. Subsidiaries, joint ventures and associates operating in foreign countries have prepared their statutory financial statements in accordance with the laws and regulations of the country in which they operate. The interim consolidated financial statements, except for the financial asset and liabilities presented with their fair values, are maintained under historical cost conversion in TRY. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

2.1.2 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in TL.

2.1.3 Comparatives and restatement of prior periods' financial statements

In order to allow for the determination of the financial situation and performance trends, the Group's consolidated financial statements have been presented comparatively with the previous year. When the presentation and classification of the consolidated financial statements change, the comparative financial information is reclassified to enable conformity with the presentation of the current period financial statements.

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

In accordance with the decision taken in the CMB meeting numbered 20/670 held on 7 June 2013, and in compliant with the announcement related to the format of financial statements and its accompanying notes, comparative figures have been reclassified to conform to the changes in presentation in the current period.

The Impact of TFRS 11 "Joint Arrangements"

Effective from 1 January 2013, this standard invalidated the application of TAS 31 "Interest in Joint Ventures". The standard splits the joint arrangements into two categories as joint ventures and joint operations and it requires joint ventures to be accounted for as equity accounting method.

Joint ventures were consolidated by way of proportionate consolidation method whereby, the Group's share of the assets, liabilities, income and expenses of the joint venture was combined line by line with similar items in the Group's financial statements at 31 December 2012. With the impact of the standard,

Group restated the previous year consolidated financial statements however joint ventures to be consolidated by way of equity accounting method.

In accordance with the amendment in this standard, the disclosures of "Related Party Disclosures", "Financial Instruments and Financial Risk Management" and "Financial Instruments (Fair Value and Hedge Accounting)" were restated retrospectively.

As of 31 December 2012, some reclassifications in the statement of cash flows were made with the purpose of compliance with the TAS 1 "Presentation of Financial Statements" and TAS 7 "Statements of Cash Flows".

The reconciliations of the consolidated statement of financial position as of 31 December 2012 and consolidated statement of income for the period ended 31 December 2012, which were restated as of 31 December 2013, are as follows:

Assets	**Previously Reported 31 December 2012**	**Impact of Change in the CMB Format**	**Impact of Amendment in TFRS-11**	**Restated 31 December 2012**
Cash and cash equivalents	85.021.211	-	(199.060)	84.822.151
Trade receivables				
- Due from related parties	222.193	-	-	222.193
- Other trade receivables	27.634.976	-	(1.392.033)	26.242.943
Other receivables	2.365.943	-	(266.002)	2.099.941
- Other receivables	2.365.943	-	(266.002)	2.099.941
Inventories	52.659.749	-	(1.742.579)	50.917.170
Prepaid expenses	-	901.465	-	901.465
Other current assets	1.651.268	(901.465)	(673.500)	76.303
Current assets	**169.555.340**	**-**	**(4.273.174)**	**165.282.166**
Other receivables	6.447	-	-	6.447
- Other receivables	6.447	-	-	6.447
Investments accounted for under equity accounting	-	-	9.592.968	9.592.968
Investment properties	229.270	-	-	229.270
Property, plant and equipment	77.727.080	-	(2.486.584)	75.240.496
Intangible assets	188.887	-	(17.365)	171.522
Other non-current assets	601.519	(601.519)	-	-
Prepaid expenses	-	601.519	-	601.519
Non-current assets	**78.753.203**	**-**	**7.089.019**	**85.842.222**
TOTAL ASSETS	**248.308.543**	**-**	**2.815.845**	**251.124.388**

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

Liabilities	Previously Reported 31 December 2012	Impact of Change in the CMB Format	Impact of Amendment in TFRS-11	Restated 31 December 2012
Short term borrowings	363.539	-	(36.130)	327.409
Trade payables				
- Due to related parties	5.128.794	-	5.099.515	10.228.309
- Other trade payables	10.971.223	-	(1.148.529)	9.822.694
Liabilities for employee benefits	-	245.038	(65.403)	179.635
Other payables	2.948.897	(245.038)	(357.651)	2.346.208
Due to related parties	208.179	-	-	208.179
Other payables	2.740.718	(245.038)	(357.651)	2.138.029
Current income tax liabilities	1.216.331	-	(15.803)	1.200.528
Short term provisions				
- Short term provisions- for employee benefits	-	248.673	(22.823)	225.850
- Other short term provisions	1.207.336	(248.673)	(29.791)	928.872
Total current liabilities	**21.836.120**	**-**	**3.423.385**	**25.259.505**
Long term provisions				
- Long term provisions for employee benefits	4.226.720	-	(624.730)	3.601.990
Deferred income tax liabilities	970.872	-	17.190	988.062
Total non-current liabilities	**5.197.592**	**-**	**(607.540)**	**4.590.052**
Equity holders of the parent	**221.228.290**	**-**	**-**	**221.228.290**
Paid-in capital	2.837.014	-	-	2.837.014
Adjustment to paid-in capital	93.298.657	-	-	93.298.657
Share premiums/discounts	7.529	-	-	7.529
Legal reserves	24.253.234	-	-	24.253.234
Retained earnings	73.770.237		-	73.770.237
Net income for the year	27.061.619	-	-	27.061.619
Non-controlling interest	**46.541**	**-**	**-**	**46.541**
Total equity	**221.274.831**	**-**	**-**	**221.274.831**
TOTAL LIABILITIES	**248.308.543**	**-**	**2.815.845**	**251.124.388**

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

	Previously Reported 1 January- 31 December 2012	Impact of Change in the CMB Format	The Impact of Amendment in TFRS-11	Restated 1 January- 31 December 2012
Sales	213.009.879	-	(5.832.095)	207.177.784
Cost of sales (-)	(169.984.183)	-	5.606.797	(164.377.386)
Gross profit	**43.025.696**	**-**	**(225.298)**	**42.800.398**
Share of profit/(loss) of associates	-	-	(176.312)	(176.312)
General administrative expenses (-)	(8.512.063)	(1.272.531)	743.642	(9.040.952)
Marketing expenses (-)	(7.191.680)	-	-	(7.191.680)
Other operating income	2.043.610	1.050.303	4.273.998	7.367.911
Other operating expenses (-)	(2.692.041)	(31.921)	(1.472.455)	(4.196.417)
Operating profit	**26.673.522**	**(254.149)**	**3.143.575**	**29.562.948**
Income from investing activities	-	13.284.337	(4.794.052)	8.490.285
Expenses from investing activities (-)	-	(4.762.075)	1.643.577	(3.118.498)
Operating profit before financial income	**26.673.522**	**8.268.113**	**(6.900)**	**34.934.735**
Financial income	14.334.640	(14.334.640)	-	-
Financial expenses (-)	(7.114.758)	6.066.527	7.489	(1.040.742)
Profit before tax from continued operations	**33.893.404**	**-**	**589**	**33.893.993**
Tax expense from continued operations (-)	**(6.825.704)**	**-**	**(589)**	**(6.826.293)**
-Taxes on income (-)	(7.162.842)	-	31.185	(7.131.657)
- Deferred income tax charge	337.138	-	(31.774)	305.364
Profit for the period	**27.067.700**	**-**	**-**	**27.067.700**
- Non-controlling interest	**6.081**	**-**	**-**	**6.081**
- Equity holders of the parent	**27.061.619**	**-**	**-**	**27.061.619**

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

2.1.4 Consolidation

Consolidation Principles

The consolidated financial statements include the accounts of the parent company, its subsidiaries (collectively referred to as the "Group") on the basis set out in sections below. The financial statements of the groups included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of subsidiaries and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Subsidiaries are companies over which the Company has power to control the financial and operating policies for the benefit of Kartonsan either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights, otherwise by having the power to exercise control over the financial and operating policies.

The balance sheets and statements of income of the subsidiaries are consolidated by way of full consolidation method on a line-by-line basis and the carrying value of the investment held by the Kartonsan and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Kartonsan and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Kartonsan in its subsidiaries are eliminated from equity and income for the period, respectively.

Group includes the subsidiaries in the consolidation scope since control on the activities are transferred to Group and the subsidiaries excludes from consolidation scope when control on the activities disappeared. The non-controlling interest shares in the net assets and operating results of subsidiaries are separately classified in the consolidated balance sheets and statements of income as "Non-controlling Interest".

The details of the subsidiaries to be consolidated by way of full consolidation method are as follows:

	31 December 2013		**31 December 2012**	
	Selka		**Selka**	
	Ownership (%)	**Registered TL**	**Ownership (%)**	**Registered TL**
Kartonsan	99,27	1.240.839	99,27	1.240.839
Other	0,73	9.161	0,73	9.161
Total equity	**100**	**1.250.000**	**100**	**1.250.000**

Joint ventures

Joint ventures are companies in respect of which there are contractual arrangements through which an economic activity is undertaken subject to joint control by Kartonsan and its subsidiaries together with one or more other parties. Group exercises such joint control through direct and indirect ownership interest held by itself. Joint ventures are consolidated by way of equity accounting method.

Under equity accounting method, the financial statements of joint ventures are recorded initially at cost and the balance increases or decreases up to Group's share of profit or loss of joint ventures. Profits and losses arising from the transactions between Group and joint ventures are reflected financial statements as about the share of non-group investors of joint ventures. Unrealized losses are eliminated when the transaction is not indicated an impairment in the transferred asset.

The details of the joint ventures to be consolidated by way of equity accounting method are as follows:

	31 December 2013		**31 December 2012**	
	Dönkasan		**Dönkasan**	
	Ownership (%)	**Registered TL**	**Ownership (%)**	**Registered TL**
Kartonsan	50	75.000	50	74.999
Selka	-	-	-	1
Other	50	75.000	50	75.000
Total equity	**100**	**150.000**	**100**	**150.000**

2.2 New standards, amendments and IFRICs

a) Standards, amendments and IFRICs effective for annual periods beginning on after 1 January 2013:

- Amendment to TAS/IAS 1, 'Financial statement presentation', regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
- Amendment to TASIAS 19, 'Employee benefits'; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- Amendment to TFRS/IFRS 1, 'First time adoption', on government loans; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
- Amendment to TFRS/IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.
- Amendment to TFRS/IFRSs 10, 11 and 12 on transition guidance ̧; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to TFRS/IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before TFRS/IFRS 12 is first applied.
- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013.These annual improvements, address six issues in the 2009-2011 reporting cycle. It includes changes to:
  - TFRS/IFRS 1, 'First time adoption'
  - TAS/IAS 1, 'Financial statement presentation'
  - TAS/IAS 16, 'Property plant and equipment'
  - TAS/IAS 32, 'Financial instruments; Presentation'
  - TAS/IAS 34, 'Interim financial reporting'
- TFRS/IFRS 10, 'Consolidated financial statements'; is effective for annual periods beginning on or after 1 January 2013. The objective of TFRS/IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls as the basis for consolidation. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. It also sets out the accounting requirements for the preparation of consolidated financial statements.
- TFRS/IFRS 11, 'Joint arrangements'; is effective for annual periods beginning on or after 1 January 2013. TFRS/IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- TFRS/IFRS 12, 'Disclosures of interests in other entities'; is effective for annual periods beginning on or after 1 January 2013. TFRS/IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- TFRS/IFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. TFRS/IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- TAS/IAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- TAS/IAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- TFRYK/IFRIC 20, 'Stripping costs in the production phase of a surface mine' is effective for annual periods beginning on or after 1 January 2013. This interpretation sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine. The interpretation may require mining entities reporting under IFRS to write off existing stripping assets to opening retained earnings if the assets cannot be attributed to an identifiable component of an ore body.

b) New IFRS standards, amendments and IFRICs effective after 1 January 2014

- Amendment to TAS/IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in TAS/IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to TFRS/IFRS 10, 12 and TAS/IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.
- Amendment to TAS/IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- Amendment to TAS/IAS 39 'Financial Instruments: Recognition and Measurement' - 'Notation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.
- TFRYK/IFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of TAS/IAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS/IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- TFRS/IFRS 9 'Financial instruments' - classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. TFRS/IFRS 9 has two measurement categories: amortised cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortised-cost accounting for most financial liabilities, with bifurcation of embedded derivatives.
- The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.
- Amendments to TFRS/IFRS 9'Financial instruments', regarding general hedge. These amendments to TFRS/IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.
- Amendment to TAS/IAS 19 regarding defined benefit plans; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
  - TFRS/IFRS 2, 'Share-based payment'
  - TFRS/IFRS 3, 'Business Combinations'
  - TFRS/IFRS 8, 'Operating segments'
  - TAS/IAS 16, 'Property, plant and equipment' and TAS/IAS 38'Intangible assets'
  - TFRS/IFRS 9, 'Financial instruments', TAS/IAS 37, 'Provisions, contingent liabilities and contingent assets'
  - TAS/IAS 39, Financial instruments - Recognition and measurement'
- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:
  - TFRS/IFRS 1, 'First time adoption'
  - TFRS/IFRS 3, 'Business combinations'
  - TFRS/IFRS 13, 'Fair value measurement' and
  - TAS/IAS 40, 'Investment property'

The Company will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date. It is expected that the application of the standards and the interpretations except for the ones the impacts of which were disclosed above will not have a significant effect on the consolidated financial statements of the Group.

2.3 Changes in accounting policies

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements.

In accordance with "TAS 19 Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the equity whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under equity. However, the calculation of the provision for employment termination benefits related to the January 1 to December 31 of actuarial loss arising at during of reporting period 2012 has not a significant impact on the consolidated financial statements. Service costs, interest costs, actuarial gains and losses related to during reported period of 2012 were recognised in the consolidated income statements.

The effects of the other changes are explained in Note 2.1.3.

2.4 Changes in accounting estimates and errors

The effect of changes in accounting estimates are recognized in financial statements prospectively and correlating with profit and loss in the periods explained below:

- The effect of changes in accounting estimates affecting the current period is recognised in the current period; or
- The effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

The significant estimates used in preparation of interim financial statements of the period between 1 January and 31 December 2013 are consistent with the estimates in preparation of financial statements of the period between 1 January and 31 December 2012.

Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements.

2.5 Summary of significant accounting policies

Offsetting

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

Revenue recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the Group. Net sales represent the invoiced value of goods sold less sales returns and discounts.

The Group's sales of goods are coated cardboard and scrap paper sales and the revenues from sale of goods are accounted for when the following criteria are met:

- The Group transfers to the buyer the significant risks and rewards of ownership of the goods,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Group's service revenues consist of revenues from roll-stoning. The Group sells electricity under its auto producer license. The revenues from rendering services are recognized when the amount of revenue can be measured reliably by reference to the stage of completion of the transaction. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Interest income is recognised on a time-proportion basis using the effective interest rate method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset (Note 20).

Rental income from investment properties is recognized on a straight-line basis over the term of the respective lease.

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis (Note 20).

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

Inventories

The Group raw material inventories mainly comprise of chemical materials, operating supplies and scrap paper, while finished goods comprise of coated cardboard ready for sale.

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct labor. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The costs of inventories are determined on monthly moving weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale (Note 10).

Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial statements at their acquisition costs less accumulated depreciation and any impairment losses if exists; acquisition cost being the restated cost to the equivalent purchasing power of 31 December 2004 for the property, plant and equipment acquired prior to 1 January 2005 and the historical cost for the property, plant and equipment acquired subsequent to 1 January 2005.

Depreciation is calculated using the straight-line method to reduce the cost of each item to its residual value over their useful lives taking into consideration the following rates:

Type	2013 Rate (%)	2012 Rate (%)
Buildings	2 - 2,5	2 - 2,5
Leasehold Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67- 25	6,67- 25
Furniture and Fixtures	20 - 25	20 - 25
Vehicles	20-25	20-25

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. If repairs and maintenance clearly improves an item of property, plant and equipment, they are recognized in the carrying amount of that item (Note 12).

Intangible Assets

The Group's intangible assets comprise of acquired computer software. Intangible assets are stated at their acquisition costs less accumulated amortization and any impairment losses if exists; acquisition cost being the restated cost to the equivalent purchasing power of 31 December 2004 for the intangible assets acquired prior to 1 January 2005 and the historical cost for intangible assets acquired subsequent to 1 January 2005. Intangible assets are amortized over their estimated useful lives using the straight-line method. The amortization rates are between 33% and 20%. The estimated useful lives and amortization method are reviewed annually for the possible effects of any changes in estimates and changes in estimates are accounted for prospectively (Note 13).

Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that a depreciable asset may be impaired. If any such indication exists, the recoverable amount of such asset is estimated. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

An impairment loss recognized in prior period for an asset is reversed if the subsequent increase in the asset's recoverable amount is caused by a specific event since the last impairment loss was recognized. Such a reversal amount cannot be higher than the previously recognized impairment loss and shall not exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. Such a reversal is recognized as income in the consolidated financial statements. No indicators of impairment exist in the current and prior period.

Leases

The Group does not have finance leases. The Group has real estate rental transactions as a lessee and lessor under operating leases.

Group as a lessee:

Operating lease

An operating lease is a lease that lessor does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. The Group's most important operating lease is for its headquarters. The rent expense relating to the headquarters amounting to TL394.800 (2012: TL372.000) is accounted for under operating expenses.

The Group as lessor:

Operating lease

The Group presents assets subject to operating leases in the balance sheet according to the nature of the asset. Lease income from operating leases is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by lessors to earn lease income are included as expense in the statement of income in the period they are incurred. The Group does not have a material operating lease contract as lessor.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which does not entertain significant value change (Note 6).

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 8).

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 8).

Foreign currency transactions

Foreign currency transactions are translated into Turkish lira using the exchange rates prevailing at the dates of the transactions during the year. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the statement of income.

Earnings per share

Earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares in issue during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 26).

Subsequent events

Subsequent events are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. When there is new evidence that such events existed at the balance sheet date or such events arose after the balance sheet date, the Group discloses such events in the notes financial statements.

The Group adjusts the amounts recognized in the financial statements to reflect the adjusting events after the balance sheet date.

Provisions, contingent liabilities and contingent assets

The Group provides for its obligations in the financial statements when it is a present obligation from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed to determine whether it become probable that an outflow of resources embodying economic benefits will be required. If it became probable that that an outflow of resources embodying economic benefits will be required to settle the contingent liabilities, such contingent liabilities are provided for in the financial statements in the period when the probability changed except for the cases where the amount of the obligation cannot be measured with sufficient reliability.

The Group discloses the contingent liabilities in the notes to the financial statements when an outflow of resources embodying economics become probable but the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed in the notes where an inflow of economic benefits is highly probable.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received and the amount of the reimbursement is calculated reliably. The reimbursement shall be treated as a separate asset (Note 15, 16).

Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, their families and companies controlled by/or affiliated with them, affiliates and joint ventures are considered and referred to as related parties. The balances and transactions with related parties are disclosed in Note 7.

Government grants and assistance

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in profit or loss over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Income from government grants are accounted for as a reduction to related expenses (Note 14).

Income taxes

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

The tax expense for the period comprises current income tax expense and deferred tax expense (or deferred tax income).

Current income tax

Current income tax charge is calculated on the taxable income for the period. Taxable income excludes income which is taxable or expenses which are deductible in other years and permanently non-deductable or non-taxable item, therefore it differs from the reported income in the statement of comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax

Deferred income tax liabilities or assets are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred income tax liabilities and assets are not recognised on temporary differences if they arise from the initial recognition of an asset or liability that does not affect either accounting nor taxable profit or loss except for goodwill and business combinations.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The tax impact of the Group's estimated methods to recover the carrying amounts of its assets or to settle its liabilities are taken into consideration in the calculation of deferred income taxes.

Current and deferred income taxes

Current and deferred taxes are recognised as income or an expense and included in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity (in such case deferred income tax relating to the transaction or event is also recognized in equity) or initial recognition of a business combination. Tax effects in the business combinations, goodwill determination and the determination of excess of purchase consideration over the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities are taken into consideration.

Taxes in the financial statements include the changes in the current and deferred income taxes. The Group calculates current and deferred income taxes on the current period results.

Offsetting income tax assets and liabilities

The current income taxes payable are netted off with relating prepaid current income taxes in the balance sheet. Deferred income tax assets and liabilities are also netted off (Note 25).

Retirement and employment termination benefits

In accordance with Turkish Labor Law, employment termination benefits are provided in the financial statements when the termination indemnities become eligible. In accordance with revised IAS 19 "Employee Benefits", such payments are classified as defined retirement plans.

The provision for employment termination benefits in the consolidated financial statements is the present value of the future liability which will be paid for the retired personnel calculated using a discount rate adjusted for the inflation. The interest cost associated with the provision for employment termination benefits is accounted for as part of the employment termination expenses in the current period results.

In accordance with "TAS 19 Employee Benefits" effective before 1 January 2013, the actuarial gains/losses were recognised in the equity whereas the amendment, effective as of 1 January 2013, requires the actuarial gains/losses to be recognised under equity. However, the calculation of the provision for employment termination benefits related to the January 1 to December 31 of actuarial loss arising at during of reporting period 2012 has not a significant impact on the consolidated financial statements. Thus, service costs, interest costs, actuarial gains and losses related to during reported period of 2012 were recognised in the consolidated income statements.

Consolidated financial statements of the period 1 January- 31 December 2013 have been restated, actuarial gains and losses of this reporting period are recognized under equity (Note 17).

Cash flow statement

Cash and cash equivalents are carried at cost in the balance sheet. For the purposes of cash flow statement, cash and cash equivalents include cash in hand, bank deposits and highly liquid investments. In the cash flow statement, cash flows for the period are presented under operating, investing and financing activities (Note 6).

Investment properties

The Group's investment properties comprise of land.

Investment properties are properties held to earn rentals or for capital and are carried at their cost values in the financial statements.

Investment properties are eliminated from the balance sheet on disposal or when the investment property is permanently withdrawn from use. Gains or losses arising from disposal of investment properties are recognised in the profit or loss (Note 11).

Equity and dividends

Ordinary shares are classified as equity. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

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

NOTE 3 - BUSINESS COMBINATIONS

The Group does not have a transaction that should be considered as a business combination in the current period.

NOTE 4 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING

The summary of financial statements of Dönkasan, which is included in consolidated financial statements by using equity accounting method, are as follows:

	2013	2012
Cash and cash equivalents	118.073	398.119
Trade receivables	15.709.613	12.983.098
Inventories	3.956.910	3.485.157
Other current assets	1.066.544	1.879.004
Current assets	**20.851.140**	**18.745.378**
Short term borrowings	(101.670)	(72.260)
Trade payables	(3.007.363)	(2.297.058)
Other current liabilities	(1.012.779)	(982.939)
Total current liabilities	**(4.121.812)**	**(3.352.257)**
Total non-current assets	**5.955.453**	**5.042.274**
Total non-current liabilities	**(2.269.454)**	**(1.249.460)**
Net assets	**20.415.327**	**19.185.935**
Investments accounted for under equity accounting (%50)	**10.207.664**	**9.592.968**

The summary statements of comprehensive income of Dönkasan, which is included in consolidated financial statements by using equity accounting method, are as follows:

	2013	2012
Sales	71.186.557	70.538.082
Cost of sales (-)	(69.116.188)	(69.822.769)
General administrative expenses (-)	(1.763.449)	(1.533.251)
Other operating income - net	1.155.598	729.104
Profit/(loss) before tax	**1.462.518**	**(88.834)**
Tax expense	(276.803)	1.176
Profit/(loss) for the period	**1.185.715**	**(87.658)**
Other comprehensive income (after tax)	43.677	-
Total comprehensive income/(expense)	1.229.392	(87.658)
Share of profit/(loss) of associates (%50)	614.696	(43.829)

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

Movements in investment accounted for under equity accounting in the reporting period are as follows:

	2013	2012
1 January	**9.592.968**	**9.636.797**
Actuarial gains	21.838	-
Share of current period profits/(losses) from the investments valued by the equity method	592.858	(43.829)
Total comprehensive profits/losses of the investments valued by the equity method	614.696	(43.829)
31 December	**10.207.664**	**9.592.968**

Reconciliation of the share of profits and losses from the investments valued by the equity method and associated with the profit and loss table are as follow:

Share of current period profits/(losses) from the investments valued by the equity method	592.858	(43.829)
Inventory profit elimination	(241.018)	(132.483)
Share of profit/(loss) from the investments accounted for under equity method	**351.840**	**(176.312)**

NOTE 5 - SEGMENT REPORTING

The principal activity of the Group which is established in Turkey is production and trade of coated cardboard. The Group’s principal activities, the nature and economic characteristics of the products, production processes, risk-based classification of customers and methods used to distribute products are similar. Furthermore, the Group’s structure has been established to manage one business activity rather than managing different business activities under separate segments. Therefore, the business activities of the Group are considered as one operating segment and Group’s operating results, determination of funds to be allocated to these operations and assessment of the performance of operations are evaluated within this context.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash in hand	71.232	47.299
Due from banks	60.398.309	82.120.432
- Demand Deposits - TL	431.457	451.117
- Demand Deposits - Foreign currency	651.767	107.869
- Time Deposits - TL	40.628.823	32.259.161
- Time Deposits - Foreign currency	18.686.262	49.302.285
Credit Card Receivables	747.123	2.654.420
Total	**61.216.664**	**84.822.151**

Average maturity of time deposits is 22 day as of 31 December 2013 (31 December 2012: 15 days).

The annual interest rate of time deposits that are TL denominated and amounted to TL 40.628.823 as of 31 December 2013 ranged from 9.55% to 8.10% (31 December 2012: TL 32.259.161 (31 December 2012: between 7,25% and 8,20%).

The maturity of time deposits is one month and/or shorter than one month.

Cash and cash equivalents include the following for the purposes of the statements of cash flow at the end of 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Cash and cash equivalents	61.216.664	84.822.151
Interest accrual (-)	(207.862)	(207.171)
Cash and cash equivalents in the statement of cash flow	**61.008.802**	**84.614.980**

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

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2013	31 December 2012
a) Trade receivables due from related parties		
Mell Macedonian Paper	779.696	222.193
Total	**779.696**	**222.193**
b) Trade payables due to related parties		
Dönkasan	10.907.336	10.199.030
Ece Plaza Yönetim Hizmetleri A.Ş.	60.344	-
Pak Gıda Üretim ve Paz. A.Ş.	7.669	247
Pak Holding A.Ş.	4.398	4.119
Asil Gıda ve Kimya San. ve Tic. A.Ş. (“Asil Gıda”)	-	24.913
Total	**10.979.747**	**10.228.309**
c) Other payables due to related parties		
Shareholders (Dividend)	8.310	208.179
Total	**8.310**	**208.179**
d) Sales of goods and services to related parties		
Dönkasan	1.795.460	1.503.677
Mell Macedonian Paper	1.437.133	368.782
Total	**3.232.593**	**1.872.459**
e) Purchases of goods and services from related parties		
Dönkasan	57.557.719	58.874.391
Mell Macedonian Paper	6.661.230	3.132.059
Asil Gıda (**)	450.283	553.131
Ece Plaza Yönetim Hizmetleri A.Ş. (**)	144.873	-
Intermat Amb. A.Ş.	26.260	-
Pak Holding A.Ş. (*)	20.771	4.320
Pak Gıda A.Ş.	10.908	27.757
Total	**64.872.044**	**62.591.658**

(*) Comprises of legal consultancy service.
(**) Comprises of dues for Pak İş Merkezi.

f) Key management benefits

	1 January - 31 December 2013	1 January - 31 December 2012
Key management benefits	1.087.748	1.496.714

Key management benefits between during the reporting period 2013 and 2012 are short term benefits and include wage and salaries, premiums, termination benefits and other payments. Post-employment benefits, share-based payments and other long-term benefits are not available in top management benefits at the reporting period 2013 and 2012.

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties	31 December 2013	31 December 2012
Receivables	33.334.308	25.375.223
Note receivables	1.423.943	1.834.723
Less: Unaccrued finance expense	(276.219)	(211.385)
Less: Provision for doubtful receivables	(772.612)	(755.618)
Total	**33.709.420**	**26.242.943**

Average maturity of trade receivables are 29 days (31 December 2012: 30 days), the effective interest rates are as follows:

	31 December 2013	31 December 2012
TL denominated receivables	10%	8%
USD denominated receivables	3,50%	3,19%
EUR denominated receivables	3,60%	3,20%

Maximum credit risk value at the balance sheet date is as much as the net book value of receivables groups defined above. Group holds mortgages and other guarantees obtained for trade receivables that are about TL 21.080.302 at the end of reporting period 2013 (31 December 2012: TL 19.242.401).

b) Trade payables to third parties	31 December 2013	31 December 2012
Payables	10.891.269	9.994.291
Less: Unaccrued finance income	(135.459)	(171.597)
Total	**10.755.810**	**9.822.694**

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

Other Short-Term Receivables of the Group at the end of the reporting periods are as follows:

c) Other short term receivables from third parties	31 December 2013	31 December 2012
VAT receivables from tax office	2.553.327	2.089.791
Receivables from personnel	15.680	10.150
Total	**2.569.007**	**2.099.941**

Other Long-Term Receivables of the Group at the end of the reporting periods are as follows:

d) Other long term receivables from third parties

Deposits and Guarantees Given	5.630	6.447
Total	**5.630**	**6.447**

e) Other payables to third parties

Taxes, dues and fees payable	1.319.553	1.521.616
Order advances received	499.465	355.222
SSI premiums payable	315.877	253.764
Other miscellaneous payables	10.596	7.427
Total	**2.145.491**	**2.138.029**

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

NOTE 10 - INVENTORIES

	31 December 2013	31 December2012
Raw materials and supplies	16.623.699	15.781.585
Work-in-process	268.189	204.961
Finished goods	25.941.805	33.593.156
Trade goods	2.513.710	1.405.414
Provision for impairment on inventories (-)	(30.385)	(67.946)
Total	**45.317.018**	**50.917.170**

Cost of inventories is about TL 136.792.302 were recognised within cost of sales at the reporting period between 1 January - 31 December 2013 (1 January - 31 December 2012: TL 107.272.692) (Note 20 and 22).

Movements in provision for impairment on inventories:

	2013	2012
1 January	**(67.946)**	**(5.947)**
Realized due to sale of inventory	67.946	5.947
Current period provisions (-)	(30.385)	(67.946)
31 December	**(30.385)**	**(67.946)**

The table relating to the cost, net realizable value and the provision of the impaired inventories is as follows:

	31 December 2013	31 December 2012
Cost	(855.055)	(632.327)
Net realizable value	824.670	564.381
Provision	**(30.385)**	**(67.946)**

There are no inventories pledged as security for the liabilities.

The cost of inventories recognized as expense within the period is disclosed in Note 20.

NOTE 11 - INVESTMENT PROPERTIES

Carrying Amount	1 January 2013	Additions	Disposals/Transfers	31 December 2013
Land	229.270	-	-	229.270
Total	**229.270**	**-**	**-**	**229.270**

Carrying Amount	1 January 2012	Additions	Disposals/Transfers	31 December 2012
Land	229.270	-	-	229.270
Total	**229.270**	**-**	**-**	**229.270**

Investment properties are carried at cost in the financial statements. The fair value of the investment properties is TL249.000. The fair values of the investment properties were estimated by the Group management taking into consideration the values determined in the appraisal report dated 22 February 2008 prepared by TSKB Gayrimenkul Değerleme A.Ş., which is licensed by CMB. The fair value determined by TSKB Gayrimenkul Değerleme A.Ş. is TL249.000 and the Group management is in the opinion that there are no changes in the fair value of the investment properties since 22 February 2008.

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

NOTE 12 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2013	Additions	Disposals	Transfers	31 December 2013
Cost:					
Land	4.436.794	-	(1.292)	-	4.435.502
Land improvements	5.393.217	26.326	-	18.470	5.438.013
Buildings	42.993.526	-	-	311.459	43.304.985
Plant, machinery and equipment	330.092.046	831.597	-	2.837.366	333.761.009
Vehicles	865.530	20.791	(179.534)	-	706.787
Furniture and fixtures	10.427.963	568.019	(8.000)	-	10.987.982
Leasehold improvements	302.939	-	-	-	302.939
Other tangible assets	9.285	-	-	-	9.285
Construction in progress	3.648.578	1.301.775	-	(3.167.295)	1.783.058
	398.169.878	**2.748.508**	**(188.826)**	**-**	**400.729.560**
Accumulated depreciation:					
Land improvements	(4.150.465)	(144.341)	-	-	(4.294.806)
Buildings	(20.020.585)	(927.928)	-	-	(20.948.513)
Plant, machinery and equipment	(289.045.504)	(8.392.637)	-	-	(297.438.141)
Vehicles	(695.921)	(71.650)	176.715	-	(590.856)
Furniture and fixtures	(8.826.201)	(420.225)	4.667	-	(9.241.759)
Leasehold improvements	(181.421)	(35.280)	-	-	(216.701)
Other tangible assets	(9.285)	-	-	-	(9.285)
	(322.929.382)	**(9.992.061)**	**181.382**	**-**	**(332.740.061)**
Net book value	**75.240.496**				**67.989.499**

	1 January 2012	Additions	Disposals	Transfers	31 December2012
Cost:					
Land	4.436.794	-	-		4.436.794
Land improvements	4.750.257	642.960	-		5.393.217
Buildings	42.498.660	494.866	-		42.993.526
Plant, machinery and equipment	325.984.726	2.770.498	(536.344)	1.873.167	330.092.047
Vehicles	969.375	394	(104.239)		865.530
Furniture and fixtures	9.722.900	748.890	(50.057)	6.229	10.427.962
Leasehold improvements	186.764	116.175	-		302.939
Other tangible assets	9.285	-	-		9.285
Construction in progress	3.369.922	2.158.052	-	(1.879.396)	3.648.578
	391.928.683	**6.931.835**	**(690.640)**	**-**	**398.169.878**
Accumulated depreciation:					
Land improvements	(4.051.284)	(99.181)	-	-	(4.150.465)
Buildings	(19.159.894)	(860.691)	-	-	(20.020.585)
Plant, machinery and equipment	(279.729.945)	(9.841.791)	526.234	-	(289.045.502)
Vehicles	(669.535)	(74.497)	48.111	-	(695.921)
Furniture and fixtures	(8.554.331)	(316.018)	44.146	-	(8.826.203)
Leasehold improvements	(149.043)	(32.378)	-	-	(181.421)
Other tangible assets	(9.285)	-	-	-	(9.285)
	(312.323.317)	**(11.224.556)**	**618.491**	**-**	**(322.929.382)**
Net book value	**79.605.366**				**75.240.496**

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

There is no machinery and equipment acquired through financial leasing as of 31 December 2013 and 31 December 2012.

TL 9.292.919 of depreciation expense was included in cost of sales (1 January - 31 December 2012: TL 10.400.546), TL 245.171 of depreciation expense was included in marketing expense (1 January - 31 December 2012: TL 245.469, TL 117.890 of depreciation expense was included in general administrative expense (1 January - 31 December 2012: TL 97.831) and TL 336.081 of depreciation expense was included in idle time expenses and losses and inventory cost (1 January - 31 December 2012: TL 480.710).

NOTE 13 - INTANGIBLE ASSETS

	1 January 2013	Additions	Disposals	31 December 2013
Cost:				
Rights and computer software	1.249.826	1.087.487	-	2.337.313
	1.249.826	**1.087.487**	**-**	**2.337.313**
Accumulated amortization:				
Rights and computer software	(1.078.304)	(42.679)	-	(1.120.983)
	(1.078.304)	**(42.679)**	**-**	**(1.120.983)**
Net book value	**171.522**			**1.216.330**

	1 January 2012	Additions	Disposals	31 December 2012
Cost:				
Rights and computer software	1.094.000	155.826	-	1.249.826
Total	**1.094.000**	**155.826**	**-**	**1.249.826**
Accumulated amortization:				
Rights and computer software	(1.044.651)	(33.653)	-	(1.078.304)
Total	**(1.044.651)**	**(33.653)**	**-**	**(1.078.304)**
Net book value	**49.349**			**171.522**

All of the amortization expense amounted to TL 42.679 was included in cost of sales (1 January - 31 December 2012: TL 33.653)

NOTE 14 - GOVERNMENT GRANTS AND ASSISTANCE

Group decided to investment in order to invest renovation and modernization of carton production line numbered 2. Investment incentive certificate numbered 10178 and dated 13 May 2013 was regulated by Economy Ministry. With regard to investment in the scope of investment incentive certificates is made;

- Support employers' share of insurance premiums:2 Years
- VAT exemption
- Customs taxes indemnity
- Tax discount rate 50 % YKO: 15 %

Total investment in the scope of investment incentive certificate is TL 97.179.000, it was agreed that the investment to be financed from equity.

Group has given advances amounted to EUR 19.009.850 in scope of investment incentive certificate as of 31 December 2013 (31 December 2012: None).

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

i) Short term provisions for employee benefits

	31 December 2013	31 December 2012
Provision for personnel premiums	112.255	85.089
Provision for personnel unused vacations	344.450	140.761
Total	**456.705**	**225.850**

ii) Other short term provisions

	31 December 2013	31 December 2012
Provision for commissions	395.730	371.809
Provision for tax and penalty	109.708	-
Provision for litigations	56.727	-
Provisions for other payables and debts	513.004	557.063
Total	**1.075.169**	**928.872**

The movements in provisions for litigations in the reporting period are as follows:

	2013	2012
1 January	**-**	**109.531**
Payments and released provisions	-	(109.531)
Additional provisions	56.727	-
31 December	**56.727**	**-**

The movements in other provisions in the reporting period are as follows:

	2013	2012
1 January	**928.872**	**478.461**
Payments and released provisions	(928.872)	(478.461)
Additional provisions	1.018.442	928.872
31 December	**1.018.442**	**928.872**

b) Contingent Assets and Liabilities

31 December 2013

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favor of the Group as of 31 December 2013 are as follows:

1. The Group filed a lawsuit against Istanbul Metropolitan Municipality and Küçükçekmece Municipality on Istanbul 9th Administrative Court with file number 2008/1503 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy District is located and its basis, the Execution Zoning Plan scaled 1/1000 approved on 22 September 2005 and Istanbul Sefaköy Master Zoning Plan scaled 1/5000 dated 18 August 2004. With court decision numbered 2010/957 at 24 September 2010, the implementation, the subject of the litigation, was cancelled for the plaintiff's parcel, subject to being open to appeal. The case was upheld to a higher court and the court's decision has been appealed in favor of the respondents, Küçükçekmece Municipality and the Istanbul Metropolitan Municipality. Defendant Küçükçekmece Municipality has decided to go for a correction and the case is being investigated with the State Council's 210/11961E numbered file belonging to the 6th court and its not been finalized yet.

2. The Group filed a lawsuit against Istanbul Metropolitan Municipality on Istanbul 4th Administrative Court with file number 2012/2331 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis, the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/5000 dated 16 August 2012.

The lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

3. The Group filed a lawsuit against Istanbul Metropolitan Municipality on Istanbul 5th Administrative Court with file number 2013/2369 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis, the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/1000 dated 19 May 2013.

The lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

4. The Governorship of Kocaeli filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2010/419 E, with the claim of TL 2.500.000 as rehabilitation compensation. In accordance with the Group's objections, the lawsuit was dismissed on the ground that the Governorship of Kocaeli is not eligible to file a lawsuit relating to village pasture on 1 February 2011. However, Turkish Treasury filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2011/13 E. with the claim of TL 2.500.000 as rehabilitation compensation. In January 2013, the court has decided on partial acceptance and partial rejection of the case. According to the decision, TL 56.727 compensation has been accepted and TL 2.443.273 has been rejected. The Case was upheld by the Supreme Court. Prosecutor side has made another application before the Supreme Court. Revision of the correction process is being expected; Group Management provisioned TL 56.727 regarding the case. Group Management took into account the views of experts when evaluating the process.

5. The Group filed a lawsuit on Istanbul 1st Tax Court with file numbers 2010/4108 E. for the cancellation of the payment orders amounting to TL549.826 notified by Boğaziçi Kurumlar Tax Office relating to the VAT periods 3, 5, 6, 7, 8 and 11th in 2006. The court with file number 2010/2187 E. was concluded in favour of the Group and since the defendant appealed the decision, the case is currently at Supreme Court.

6. As a result of the tax inspection by Ministry of Finance related to 1 January-31 December 2007 fiscal period, tax and penalty assessments in the total amount of TL14,928,436, which comprises of original corporate income tax amounting to TL4,165,805 and tax penalty amounting to TL10,762,631 was notified to the Group. The subject of this tax and ax penalty is the accounting applications relating the merger of Kartonsan and its subsidiary Selka Holding A.Ş. in the related year.

Group Management is in the opinion that accounting applications that were critized in Tax Inspection Reports are compliant with the legal arrangements and communiqué, circular and tax ruling of Ministry of Finance. Nonetheless, the Group plans to use its legal rights against the claims in the Tax Inspection Report. The Group did not provide provision in the consolidated financial statements since no reliable estimation could be made related to the cash outflows from the Group with respect to these tax inspections at the current stage.

Group has applied to Ministry of Finance in order to become too specialized in January, 2013, however Ministry of Finance has not returned yet.

7. The group requested conciliation before assessment with respect to investigation that conducted by Ministry of Finance. As a result of the conciliations, payment of TL 79.478 was accepted under the title of corporate tax, loss of tax penalty and special irregularity penalty. Due date of the related tax and tax penalties was announced as 28.02.2014. With delay penalty of the related payment, a provision in the amount of TL 109.708 was made in consolidated financial statements.

8. By the decision number 12-21/560-158 of Competition Board which made on 24 April 2012, an investigation opened in order to identify violation of the law on protection of competition. With the decision number 13-42/538-238 of Competition Board which made on 08 July 2013, in order to investigate whether required documents for exportation have been given mutually between the ventures that operate in the field of recycling of waste paper and ventures that want to export waste papers. As a result of the investigation, decision was made on 7 firms included The Group for violation of the article number 4 of act number 4054 about Protection of Competition. However, on condition of determination of the objective criteria to mentioned implementation, a decision was made about reorganization of individual exemption for three years after June 2011 which is the date that the notification was started to implement and commissioning of the Ministry of Finance in order to determine objective criteria. Since there was no criminal action applied, file has been closed from the point of The Group.

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

31 December 2012

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favor of the Group as of 31 December 2012 are as follows:

1. The Group filed a lawsuit against Istanbul Metropolitan Municipality and Küçükçekmece Municipality on Istanbul 9th Administrative Court with file number 2008/1503 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy District is located and its basis, the Execution Zoning Plan scaled 1/1000 approved on 22 September 2005 and Istanbul Sefaköy Master Zoning Plan scaled 1/5000 dated 18 August 2004. With court decision numbered 2010/957 at 24 September 2010, the implementation, the subject of the litigation, was cancelled for the plaintiff's parcel, subject to being open to appeal. Küçükçekmece Municipality, one of the defendants, appealed the decision and the case is currently at Council of State. The Group management is in the opinion that the decision by the Istanbul 9th Administrative Court will be approved by the Council of State.

2. The Group filed a lawsuit against Istanbul Metropolitan Municipality on Istanbul 4th Administrative Court with file number 2012/2331 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis, the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/5000 dated 16 August 2012. The lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

3. The Governorship of Kocaeli filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2010/419 E, with the claim of TL2,500,000 as rehabilitation compensation. In accordance with the Group's objections, the lawsuit was dismissed on the ground that the Governorship of Kocaeli is not eligible to file a lawsuit relating to village pasture on

1 February 2011. However, Turkish Treasury filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2011/13 E. with the claim of TL2,500,000 as rehabilitation compensation. This lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements. The Group management also considered expert opinions in its assessments.

4. The Group filed a lawsuit on Istanbul 1st Tax Court with file numbers 2010/4108 E. and 2010/2187 E. for the cancellation of the payment orders amounting to TL730,411 notified by Boğaziçi Kurumlar Tax Office relating to the VAT periods 3,5,6,7,8,9,10 and 11th in 2005 and 3,5,6,7,8 and 11th in 2006. The subject of these payment orders is the Group's deferred VAT amounts on its sales under VAT Law Provisional Article 17 in 2005 and 2006. The court with file number 2010/4108 E was concluded in favour of the Group since payment orders were cancelled by the related Tax Office. The court with file number 2010/2187 E. was concluded in favour of the Group and since the defendant appealed the decision, the case is currently at Supreme Court.

5. As a result of the tax inspection by Ministry of Finance related to 1 January-31 December 2007 fiscal period, tax and penalty assessments in the total amount of TL14,928,436, which comprises of original corporate income tax amounting to TL4,165,805 and tax penalty amounting to TL10,762,631 was notified to the Group. The subject of this tax and ax penalty is the accounting applications relating the merger of Kartonsan and its subsidiary Selka Holding A.Ş. in the related year.

Group Management is in the opinion that accounting applications that were critized in Tax Inspection Reports are compliant with the legal arrangements and communiqué, circular and tax ruling of Ministry of Finance. Nonetheless, the Group plans to use its legal rights against the claims in the Tax Inspection Report. The Group did not provide provision in the consolidated financial statements since no reliable estimation could be made related to the cash outflows from the Group with respect to these tax inspections at the current stage.

c) Ratio of the collaterals, pledges and mortgages to equity

The details of collaterals, pledges and mortgages received ("CPM") of the Group at 31 December 2012 and 2011 are as follows:

		31 December 2013		31 December 2012	
	Original Currency	**Original Amount**	**TL Equivalent**	**Original Amount**	**TL Equivalent**
CPM Received	TL	17.308.927	17.308.927	16.563.000	16.563.000
	USD	2.226.320	4.751.635	2.082.538	3.712.332
	EUR	12.330.000	36.207.045	11.565.000	27.197.410
Total			**58.267.607**		**47.472.742**

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

The details of collaterals, pledges and mortgages given ("CPM") of the Group at 31 December 2012 and 2011 are as follows:

		31 December 2013		31 December 2012	
	Original Currency	Original Amount	TL Equivalent	Original Amount	TL Equivalent
A.CPM given on behalf of the Company's legal personality	TL	9.139.268	9.139.268	8.096.141	8.096.141
	USD	-	-	-	-
	EUR	-	-	-	-
B. CPM given for continuation of ordinary economic activities on behalf of third parties		-	-	-	-
C. Total amount of other CPM given					
i. Total amount of CPM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of B		-	-	-	-
Total			**9.139.268**		**8.096.141**

The ratio of other CPMS given by the Group to equity of the Group is 3,66% as of 31 December 2013 (2012: 3,66%).

NOTE 16 - COMMITMENTS

The Group's Commitments at 31 December 2013 and 2012 are as follows:

a) Raw materials purchase agreements

	31 December 2013	31 December 2012
In one year	1.340.142	1.251.348
Total	**1.340.142**	**1.251.348**

b) Machinery and equipment purchase agreements

	31 December 2013	31 December 2012
In one year (*)	24.151.449	1.494.080
Total	**24.151.449**	**1.494.080**

(*) TL 21.049.821 of machinery and equipment unpaid purchase agreements contains renewal and modernization investment of cartoon production line 2.

c) Service purchase agreements

	31 December 2013	31 December 2012
In one year	512.311	241.973
Total	**512.311**	**241.973**

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

NOTE 17 - EMPLOYEE BENEFITS

Short term provisions for employee benefits

	31 December 2013	31 December 2012
Provision for personnel premiums	112.255	85.089
Provision for personnel unused vacations	344.450	140.761
Total	**456.705**	**225.850**

Movements in provision for personnel wages, salaries and premiums in the reporting period are as follows:

	2013	2012
1 January	**225.850**	**86.403**
Provision expense	456.705	225.850
Payments	(225.850)	(86.403)
31 December	**456.705**	**225.850**

Long term provisions for employee benefits

	31 December 2013	31 December 2012
Provisions of termination benefits	3.618.718	3.601.990
Total	**3.618.718**	**3.601.990**

Provision for employment termination benefits is calculated in accordance with the following explanations.

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). After the changes in legislation made on 23th May 2012, certain transitional clauses relating to the length of the service prior to the retirement have been removed.

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (31 December 2012: TL 3.034) for each period of service at 31 December 2013. The liability is not funded, as there is no funding requirement.

Provision for termination benefits is calculated by estimating the present value of the contingent liability arising from the retirement of employees. CMB Financial Reporting Standards require to be developed actuarial valuation methods by the Group in order to estimate provision for termination benefit. Actuarial assumptions were used in the calculation of total liabilities are as follows:

	31 December 2013	31 December 2012
Discount rate (%)	3,82	2,50
Rate used to estimate the probability of retirement (%)	97,20	97,30

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TL 3.438,22 for each period of service as of 1 January 2013 (1 January 2012: 3.129).The maximum liability is revised semi annually.

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

Movements in the provisions for employment termination benefits for the years ended 31 December are as follows:

	2013	2012
1 January	**3.601.990**	**3.216.570**
Service cost	393.020	799.894
Interest Cost	90.050	137.627
Actuarial Loss	352.659	353.304
Payments	(819.001)	(905.405)
31 December	**3.618.718**	**3.601.990**

Movements of actuarial losses accounted under equity are as follows:

	2013	2012
1 January	**-**	**-**
Actuarial gain/loss	352.659	-
Actuarial gain/loss - tax effect	(70.532)	-
31 December	**282.127**	**-**

As explained in Note 2.3, as it is immaterial for the financial statements, the actuarial losses amounting to TL 271.201 for the period 1 January to 31 December 2012 have been recognized in the profit or loss statement.

NOTE 18 - PREPAID EXPENSES

a) Short term prepaid expenses	**31 December 2013**	**31 December 2012**
Advances given	2.572.111	561.166
Prepaid expenses	337.071	340.299
Total	**2.909.182**	**901.465**

b) Long term prepaid expenses		
Advances given for property, plant and equipment (*)	56.673.604	601.519
Total	**56.673.604**	**601.519**

(*) It represents advances given by Group related to renewal and modernization investment of cartoon production line 2.

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

NOTE 19 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid-in capital and adjustment to paid-in capital

Kartonsan's shareholders and their respective shareholding ratios at 31 December 2013 and 2012 are as follows:

	31 December 2013	Ratio (%)	31 December 2012	Ratio (%)
Pak Holding A.Ş.	975.590	34,39	975.589	34,39
Pak Gıda Üretim ve Pazarlama A.Ş.	564.903	19,91	564.903	19,91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	561.741	19,8	523.524	18,45
Oycan İthalat İhracat ve Ticaret A.Ş.	35.000	1,23	45.300	1,60
Other shareholders (Publicly traded portion)	699.780	24,67	727.698	25,65
Paid-in capital	**2.837.014**	**100,00**	**2.837.014**	**100,00**
Adjustment to paid-in capital	93.298.657		93.298.657	
Total	**96.135.671**		**96.135.671**	

The number of shares representing the Group's paid-in capital in accordance with the Extraordinary General Assembly decision on 28 June 2006 which was registered on 5 July 2006 and published in the Trade Registry Gazette dated 10 July 2006 numbered 6595, the capital increase registered on 27 December 2007 and the capital increase due to business combination on 2 October 2007 is as follows:

In Accordance with the Company's Articles of Association

Number of Shares	283.701.421
Nominal Value of Each Share	0,01
Total Nominal Amount	**2.837.014,21**

200 of the shares representing the capital are Group A (Privileged) shares. Such shares have privileges in dividend distribution. In accordance with Article 25th of the Company's Articles of Association, dividend is distributed to Group A shareholders as 5% of the amount which is the net profit distributable as 1st dividend after 10% of the paid-in capital is deducted.

b) Restricted Reserves

In accordance with the Turkish Commercial Code ("TCC"), the legal reserves consist of first and second reserves. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

The reserves mentioned above must be classified in "Restrictive Reserves" in compliance with CMB Financial Reporting Standards. The details of restricted reserves as of 31 December 2013 and 31 December 2012 are as follows:

	31 December 2013	31 December 2012
Legal Reserves	22.582.514	21.937.891
Profit on Sale of Participation Shares and Real Estate Sale Exemptions to be Added to Capital	2.315.343	2.315.343
Total	**24.897.857**	**24.253.234**

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

c) Profit distribution

In accordance with the decision taken at the meeting of Capital Markets Board (CMB) dated 27 January 2010 numbered 02/51,, the decision taken in accordance with the ring of corporations operations in 2009 obtained from the distribution of profits based on the identification of, the shares traded public companies will be made for dividend distribution in any profit distribution is not required, in this context, the distribution of profits Communiqué Serial: II-19.1 Communiqué No. principles set forth in the Commercial Code, regulations, articles of association contained in the provisions and by companies that are publicly disclosed dividend policy in the framework is decided. In accordance with the Turkish Commercial Code (TCC) numbered 6102, separate other capital reserves, profit to be transferred to the next year, profit distribution to the board of directors, association employees and persons outside shareholders must not be determined, if capital reserves and profit share specified in main agreement dividend distribution policy does not separates. In addition, share of the profits will not be distributed to such persons if share of the profit specified for shareholders in dividend distribution policy does not pay in cash.

Total amount of dividends projected to be distributed may be distributed as long as net distributable profit in statutory statements and other liabilities meet. In other words, upper limit of the amount of the dividend to be distributed is distributable amount of profit distribution liabilities in statutory statements. Equity inflation adjustment differences and the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences are subject to corporate income tax when utilised in cash dividend distribution.

Total amount of the Group's net distributable profit and other liabilities may be subject to profit distribution as of 31 December 2013 is TL 121.632.567 (31 December 2012: TL 93.373.657). Total amount of the Group's other liabilities may be subject to profit distribution is limited to total amount of the Group's statutory statements. Total amount of the Group's other liabilities may be subject to profit distribution in statutory statements as of 31 December 2013 is TL 113.024.159 (31 December 2012: TL 86.078.888) In calculation of the distributable profit, equity inflation adjustment differences and profit on real estate sale exemption that will be added to capital have not been taken into consideration.

NOTE 20 - SALES AND COST OF SALES

	1 January - 31 December 2013	1 January - 31 December 2012
Sales:		
Domestic Sales	163.254.937	153.067.398
Foreign Sales	67.426.077	61.877.166
Other Sales	4.049.812	3.165.439
Sales Returns (-)	(296.041)	(207.374)
Sales Discounts (-)	(8.487.235)	(9.015.786)
Other Discounts (-)	(1.731.339)	(1.709.059)
Sales, net	**224.216.211**	**207.177.784**
Cost of sales:		
Raw materials and supplies expenses	(136.792.302)	(107.272.692)
Employee benefits	(20.455.613)	(17.047.758)
General production overhead expenses	(15.939.640)	(15.992.549)
Depreciation and amortisation	(9.335.598)	(10.434.199)
Change in work-in process and finished goods	7.588.122	(4.997.835)
Cost of trade goods sold	(5.726.394)	(5.601.899)
Cost of other sales	(3.459.852)	(3.030.454)
Cost of sales	**(184.121.277)**	**(164.377.386)**
Gross profit	**40.094.934**	**42.800.398**

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

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

a) General administrative expenses

	1 January - 31 December 2013	1 January - 31 December 2012
Employee benefits	(4.302.453)	(4.200.267)
Outsourced benefits and services	(1.121.833)	(690.788)
Provisions of termination benefits	(483.070)	(1.272.531)
Taxes, duties and charges	(439.981)	(386.456)
Depreciation and amortisation	(117.890)	(97.831)
Donation and aid expenses	(14.742)	(1.560.604)
Other	(992.967)	(832.475)
Total	**(7.472.936)**	**(9.040.952)**

b) Marketing expenses

	1 January - 31 December 2013	1 January- 31 December 2012
Transportation expenses	(7.358.055)	(4.270.547)
Employee benefits	(1.107.956)	(1.000.294)
Export expenses	(467.854)	(510.502)
Depreciation and amortization expenses	(245.171)	(245.469)
Other expenses	(1.030.086)	(1.164.868)
Total	**(10.209.122)**	**(7.191.680)**

NOTE 22 - EXPENSES BY NATURE

	1 January - 31 December 2013	1 January - 31 December 2012
Raw materials and supplies expenses	(136.792.302)	(107.272.692)
Employee benefits	(25.866.022)	(22.248.319)
Outsourced benefits and services	(17.061.473)	(16.683.337)
Depreciation and amortisation	(9.698.659)	(10.777.499)
Transportation expenses	(7.358.055)	(4.270.547)
Cost of trade goods sold	(5.726.394)	(5.601.899)
Cost of other sales	(3.459.852)	(3.030.454)
Provisions of termination benefits	(483.070)	(1.272.531)
Export expenses	(467.854)	(510.502)
Taxes, duties and charges	(439.981)	(386.456)
Donation and aid expenses	(14.742)	(1.560.604)
Change in work-in process and finished goods	7.588.122	(4.997.835)
Other expenses	(2.023.053)	(1.997.343)
Total	**(201.803.335)**	**(180.610.018)**

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

NOTE 23 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities

	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange gain (Trade receivables and payables)	3.290.803	1.050.303
Interest eliminated from sales	4.805.419	3.672.855
Late interest income	447.432	673.455
Profit on sales of property, plant and equipment	91.603	50.275
Other	1.353.887	1.921.023
Total	**9.989.144**	**7.367.911**
Other expenses from operating activities		
Interest eliminated from purchases	(1.290.296)	(1.525.876)
Foreign exchange loss (Trade receivables and payables)	(1.194.284)	(1.304.452)
Other	(1.060.365)	(1.366.089)
Total	**(3.544.945)**	**(4.196.417)**

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	1 January - 31 December 2013	1 January - 31 December 2012
Foreign exchange gain (except trade receivables and payables)	15.051.473	3.296.132
Interest income	3.430.824	5.194.153
Total	**18.482.297**	**8.490.285**
Expenses from investing activities		
Foreign exchange loss (except trade receivables and payables)	(1.541.431)	(3.118.498)
Total	**(1.541.431)**	**(3.118.498)**

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current income tax liabilities at the balance sheet as of 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Current Income Tax Payable	9.270.866	7.131.657
Less: Prepaid taxes and funds	(6.746.058)	(5.931.129)
Current income tax liability	**2.524.808**	**1.200.528**

Tax expenses at the comprehensive income statement as of 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Current income tax expense (-)	(9.270.866)	(7.131.657)
Deferred tax Income	152.355	305.364
Total tax expense	**(9.118.511)**	**(6.826.293)**

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

a) Corporate Tax

Corporate Income Tax Law numbered 5520 was published in the official gazette numbered dated

13 June 2006 and most clauses has come into effect from 1 January 2006. In Turkey, the corporation income tax rate of the fiscal year 2013 is 20% (31 December 2012: 20%).

Corporation income tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (such as participation exemption, investment discount exemption, etc.) and allowances (such as AR-GE allowances). No further tax is payable unless the profit is distributed

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15 %.Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

A tax charge of 19.8% applies to investment incentives that were utilized via investment incentive certificates that were obtained before 24 April 2013. After this date, 40% of investment expenses incurred without an incentive certificate can be deducted from taxable revenue. There is no tax charge for capital expenditures qualifying for government incentive.

Investment allowances are not applicable after 1 January 2006.If companies' taxable incomes are not sufficient, the amount of unused investment allowance as of 31 December 2005 and the incentive allowances incurred from 1 January 2006 onwards can be transferred to the following years in order to be deducted from the taxable revenues of the following years.

Law No.6009 published on 1 August 2010 allows for unused investment allowances to be used in future periods without limitation. However, the determination of the tax base that can be used for %25 of the earnings for the period. 20% corporate tax is calculated on earnings after deducting investment incentives. The arrangements made with the Law No.6009 came into force in 1 August 2010 to be applied on income for the year 2010.

The law was published in the Official Gazette on 30 December 2003, related to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law ("Law No. 5024"), income and corporate taxpayers who determined earnings on the basis of the balance sheet are required to apply to the inflation adjustment for their financial statements starting from January 1, 2004 Accordance with the law, the cumulative inflation rate of the last 36 months must be 100% and the inflation rate of the last 12 months must exceed 10% in order to apply to inflation adjustment. After 2004, these conditions were not met, thus there has not been an inflation adjustment.

Corporations are required to pay advance corporation income tax quarterly at the rate of 20 % (31 December 2012: 20 %) on their corporate income. Advance tax is to be declared by the 10th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

The tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments within 5 years.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

Expected and actual tax expense reconciliations for the period between 1 January and 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Profit before tax	44.923.920	33.893.993
Tax expense of the Group	8.948.784	6.778.799
The effect of non-deductible expenses	99.195	47.494
Actuarial losses effect that accounted under equity (Note17)	70.532	-
Total tax expense	**9.118.511**	**6.826.293**

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

b) Deferred Income Taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates as of 31 December 2013 and 31 December 2012 are as follows:

	Cumulative Temporary Differences		Deferred Tax Assets/(Liabilities)	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Property, plant and equipment	6.360.887	7.816.428	(1.272.177)	(1.563.286)
Inventories	1.723.752	806.660	(344.751)	(161.332)
Provision for employee benefits	(3.618.718)	(3.601.990)	723.744	720.398
Discount income	(116.234)	39.790	23.247	7.958
Provision for doubtful receivables	(70.489)	(93.665)	14.098	18.733
Provisions for litigations	(56.727)	-	11.345	-
Other, net	(396.594)	(52.665)	79.319	(10.533)
Deferred Income Tax Liability, Net			**(765.175)**	**(988.062)**

Movements in deferred income tax liability in the reporting period are as follows:

	2013	**2012**
1 January	**(988.062)**	**(1.293.427)**
Related with income statement	152.355	305.365
Actuarial losses effect that accounted under equity (Note 17)	70.532	-
31 December	**(765.175)**	**(988.062)**

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2013	**1 January - 31 December 2012**
Net Income for the Period	35.795.269	27.061.619
Weighted average number of shares	2.837.014	2.837.014
Earnings per share	**12,61723**	**9,54091**

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

NOTE 27 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	31 December 2013	31 December 2012
Borrowings and receivables		
Cash and cash equivalents	61.216.664	84.822.151
Trade receivables	34.489.116	26.465.136
Total	**95.705.780**	**111.287.287**
Financial liabilities valued by effective interest rate		
Trade payables	21.735.557	20.051.003
Borrowings	382.630	327.409
Total	**22.118.187**	**20.378.412**

b) Fair value of financial instruments

Company has not fair value of financial asset and liability as of 31 December 2013 and 31 December 2012

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

28.1 Financial Risk Factors

The Group is exposed to market risk (foreign currency exchange risk and interest rate risk), borrowing risk and liquidity risks because of its activities.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

a) Market Risk

aa) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency mainly USD and EUR.

Foreign exchange risk arises from recorded assets and liabilities. The management analyzes the group's foreign currency position and takes necessary precautions when needed.

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

Foreign currency position tables at the end of reporting period 2013 and 2012 are as follows:

31 December 2013

	TL Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	11.228.537	754.660	2.909.178	306.164
2a. Monetary Financial Assets	19.313.134	2.826.179	4.522.782	-
2b. Non-Monetary Financial Assets				-
3. Other	2.144.369	288.077	520.867	-
4. Total Current Assets (1+2+3)	**32.686.040**	**3.868.916**	**7.952.827**	**306.164**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	54.649.233	394.638	18.323.500	-
8. Total Non-Current Assets (5+6+7)	**54.649.233**	**394.638**	**18.323.500**	-
9. Total Asset (4+8)	**87.335.273**	**4.263.554**	**26.276.327**	**360.164**
10. Trade Payables	1.986.034	25.727	656.410	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities.	-	-	-	-
13. Total Current Liabilities (10+11+12)	**1.986.034**	**25.727**	**656.410**	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities.	-	-	-	-
16b. Other Non-Monetary Liabilities.	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	**1.986.034**	**25.727**	**656.410**	-
19. Net Asset/Liability position of off-the balance sheet derivatives (19a-19b)	-	-	-	-
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	**85.349.239**	**4.237.827**	**25.619.917**	**360.164**
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**85.349.239**	**4.237.827**	**25.619.917**	**360.164**
22. Fair value of financial derivatives used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	48.507.224	6.989.033	13.320.131	926.045
26. Imports	7.779.598	64.824	1.177.601	1.574.118

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

31 December 2012

	TL Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	9.099.565	817.507	3.249.682	-
2a. Monetary Financial Assets	49.332.190	4.601.044	17.489.608	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Total Current Assets (1+2+3)	**58.431.755**	**5.418.551**	**20.739.290**	-
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Total Non-Current Assets (5+6+7)	-	-	-	-
9. Total Asset (4+8)	**58.431.755**	**5.418.551**	**20.739.290**	-
10. Trade Payables	2.843.565	39.383	1.173.518	-
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities.	-	-	-	-
13. Total Current Liabilities (10+11+12)	**2.843.565**	**39.383**	**1.173.518**	-
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities.	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	**2.843.565**	**39.383**	**1.173.518**	-
19. Net Asset/Liability position of off-the balance sheet derivatives (19a-19b)	-	-	-	-
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	**55.588.190**	**5.379.168**	**19.565.772**	-
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**55.588.190**	**5.379.168**	**19.565.772**	-
22. Fair value of financial derivatives used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	45.504.667	6.191.371	14.919.705	465.361
26. Imports	10.709.968	1.846.330	3.602.634	1.070

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

Foreign currency sensitivity analysis tables at the end of reporting period 2013 and 2012 are as follows:

	31 December 2013			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%:				
1. Net Asset/Liability in USD	904.477	(904.477)	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	**904.477**	**(904.477)**	-	**-**
If EUR appreciated/(depreciated) against TL by 10%:				
4. Net Asset/(Liability) in EUR	7.522.940	(7.522.940)	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	**7.522.940**	**(7.522.940)**	-	**-**
If other foreign currencies appreciated/(Depreciated) against TL by 10%:				
7. Net Asset/(Liability) in other foreign currencies	107.507	(107.507)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	**107.507**	**(107.507)**	-	**-**
Total (3+6+9)	**8.534.924**	**(8.534.924)**	**-**	**-**

	31 December 2012			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%:				
1. Net Asset/Liability in USD	958.857	(958.857)	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	**958.857**	**(958.857)**	-	**-**
If EUR appreciated/(depreciated) against TL by 10%:				
4. Net Asset/(Liability) in EUR	4.599.956	(4.599.956)	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	**4.599.956**	**(4.599.956)**	-	**-**
If other foreign currencies appreciated/(Depreciated) against TL by 10%:				
7. Net Asset/(Liability) in other foreign currencies	-	-	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	**-**	-	-	**-**
Total (3+6+9)	**5.558.813**	**(5.558.813)**	**-**	**-**

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

a) Interest rate risk

The effect of change in financial assets and liabilities expose the Group to interest rate risk. Group manages this interest rate risk is managed by balancing the assets and liabilities that have interest rate sensitivity.

A portion of the interest rates related to liabilities of the financial lease transactions are based on the prevailing interest rates in the market. Thus, Group is affected by changes in interest rates in national and international markets. The Company's exposure to market risk from changes in interest rates is primarily associated with debt obligations.

The financial instruments that are sensitive to interest rate are as follows:

	31 December 2013		
	Fixed interest	**Variable interest**	**Total**
Financial Assets:			
Cash and cash equivalents	59.315.085	-	59.315.085

	31 December 2012		
	Fixed interest	**Variable interest**	**Total**
Financial Assets:			
Cash and cash equivalents	81.561.446	-	81.561.446

As of 31 December 2013, if TL interest rate had been 1 basis point higher/lower and all other variables were held constant, income before taxes and non-controlling interests would be TL817,364 higher/lower (31 December 2012: TL 815.615)

b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Group credit risk mainly arises from trade receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the financial position of customers is reviewed taking into consideration of the historical experiences and other factors. Ongoing credit evaluation is performed on the financial condition of accounts receivable based on the group policies and procedures and, where appropriate, doubtful provision is booked and net position is disclosed on the balance sheet.

	Trade Receivables		**Other Receivables**		**Deposits**	
31 December 2013	**Related Parties**	**Other**	**Related Parties**	**Other**	**at Bank**	**Total**
Maximum credit risk exposure at the reporting date (A+B+C+D) (*)	**779.696**	**33.709.420**	**-**	**2.569.007**	**60.398.309**	**97.456.432**
- Secured portion of the maximum risk by guarantees	***-***	***21.080.302***	***-***	***-***	***-***	***21.080.302***
A. Net book value of financial assets not due not impaired	779.696	21.447.703	-	2.569.007	60.398.309	85.194.715
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	3.938.720	-	-	-	3.938.720
C. Net book value of impaired assets	-	8.322.997	-	-	-	8.322.997
- Past due (gross book value)	-	*9.095.609*				*9.095.609*
- Impairment (-)	-	*(772.612)*	-	-	-	*(772.612)*
- Portion of the net value with guarantees	-	*8.322.997*	-	-	-	*8.322.997*
- Not Due (gross book value)						
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

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

	Trade Receivables		Other Receivables		Deposits	
31 December 2012	**Related Parties**	**Other**	**Related Parties**	**Other**	**at Bank**	**Total**
Maximum credit risk exposure at the reporting date (A+B+C+D) [*]	**222.193**	**26.242.943**	**-**	**2.106.388**	**82.120.432**	**110.691.956**
- Secured portion of the maximum risk by guarantees	**-**	***19.242.401***	**-**	**-**	**-**	***19.242.401***
A. Net book value of financial assets not due not impaired	222.193	16.915.928	-	2.106.388	82.120.432	101.364.941
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	4.888.256	-	-	-	4.888.256
C. Net book value of impaired assets	-	4.438.759	-	-	-	4.438.759
- Past due (gross book value)	-	*5.194.377*	-	-	-	*5.194.377*
- Impairment (-)	-	*(755.618)*	-	-	-	*(755.618)*
- Portion of the net value with guarantees	-	*4.438.759*	-	-	-	*4.438.759*
- Not Due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

[*] The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

Trade receivables amounted to TL 3.938.720 is overdue but not impaired as of 31 December 2013 (31 December 2012: TL 4.888.256). Trade receivables consists of independent receivables pays their past debts without delay. The maturity analysis of the assets which are past due but not impaired is as follows.

	31 December 2013	**31 December 2012**
Past due by 1-30 Days	1.741.178	4.888.256
Past due by 1-3 Months	2.086.028	-
Past due by 3-12 Months	111.514	-
Past due by 1-5 Years	-	-
Past due by over 5 Years	-	-
Total	**3.938.720**	**4.888.256**

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

c) Liquidity risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held.

Analysis that shows the due dates of the non-derivative financial liabilities at the balance sheet as of 31 December 2013 and 2012 are as follows:

31 December 2013	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	Over 5 Years (IV)
Non-derivative financial liabilities:						
Bank loans	382.630	382.630	382.630			
Trade payables	21.735.557	21.871.016	21.871.016	-	-	-
Payables for employee benefits	189.143	189.143	189.143	-	-	-
Other payables	2.153.801	2.153.801	2.153.801	-	-	-
Total	**24.461.131**	**24.596.590**	**24.596.590**	**-**	**-**	**-**

31 December 2012	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	Over 5 Years (IV)
Non-derivative financial liabilities:						
Bank loans	327.409	327.409	327.409	-	-	-
Trade payables	20.051.003	20.222.600	20.222.600	-	-	-
Payables for employee benefits	179.635	179.635	179.635	-	-	-
Other payables	2.346.208	2.346.208	2.346.208	-	-	-
Total	**22.904.255**	**23.075.852**	**23.075.852**	**-**	**-**	**-**

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

28.2 Capital risk management

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

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

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As of 31 December 2013 and 2012 net debt/total capital ratio is as follows:

	31 December 2013	31 December 2012
Total liabilities	32.831.174	29.849.557
Less: Cash and cash equivalents (Note 6)	(61.216.664)	(84.822.151)
Total liabilities	(28.385.490)	(54.972.594)
Total shareholders' equity	250.011.086	221.274.831
Total capital	2.837.014	2.837.014
Net debt/total capital ratio	**-**	**-**

Net debt/total capital ratio of Group is not calculated because there is no net debt in the reporting period.

Profit distribution table of 2013

Based on the statements provided in the Article No: 25 of the Company's Articles of Association, the profit distribution proposal is shown at the table below. The proposal regarding the distribution of profit on March 31st, 2014 is submitted to the disquisitions and approval of the General Assembly.

1- Paid-in/Issued Capital			2,837,014.21
2- Total Legal Reserves (According to Legal Records)			2,593,834.25
Information relating to the Privileges during the distribution of profit, if any are stated in the Articles of Association.			5% of the remaining profit after legal reserves and 10% of the paid-in capital are deducted from the net profit is distributed to the (Group A) privileged shareholders.
		According to the CMB	**According to Legal Records (LR)**
3.	**Current Period Profit**	44,913,780.00	43,376,478.15
4.	**Taxes and Legal Duties Payable (-)**	9,118,511.00	8,900,976.06
5.	**Net Profit for the Period (=)**	35,795,269.00	34,475,502.09
6.	**Previous Years' Losses (-)**	0.00	0.00
7.	**First Legal Reserves (-)**	0.00	0.00
8.	**NET DISTRIBUTABLE PERIOD PROFIT**	35,795,269.00	34,475,502.09
9.	**Endowments During The Year (+)**	176,742.37	
10.	**Net Distributable Period Profit Basis for First Dividend Calculation, incl. Endowments**	35,972,011.37	
11.	**First Dividend to Shareholders**	5,755,521.82	
	Cash	5,755,521.82	
	Bonus Shares	0	
	Total	5,755,521.82	
12.	**Dividend Distributed to Owners of Privileged Shares**	1,784,415.50	
13.	**Other Dividends Distributed**	1,427,532.40	
	To the Members of the Board of Directors	1,427,532.40	
14.	**Dividend Distributed to Owners of Redeemed Shares**	0	
15.	**Second Dividend to Shareholders**	0.00	
16.	**Second Legal Reserves**	882,561.89	
17.	**Statutory Reserves**		
18.	**Special Reserves**		
19.	**EXTRAORDINARY RESERVES**	25,945,237.39	24,625,470.48
20.	**Other Distributable Items**		

DIVIDEND RATIOS TABLE

		TOTAL DIVIDEND		TOTAL DIVIDEND/NET DISTRIBUTABLE PERIOD PROFIT	DIVIDEND PER TL1.00 NOMINALLY VALUED SHARE	
	GROUP	**CASH (TL)**	**BONUS SHARES (TL)**	**RATIO (%)**	**AMOUNT (TL)**	**RATIO (%)**
	A	1,516,756.62		4.23731	758,378.31192	75,837,831.19%
NET	**B**	4,892,190.10		13.66714	1.72442	172.44%
	TOTAL	**6,408,946.72**				

Other disclosures required by the regulations

1) GENERAL INFORMATION;

a) The Company's Field of Activity: Kartonsan is engaged in the manufacture of coated cardboard at its own factory located in Kullar, Kocaeli, and in the domestic and foreign trade of its products. The Company also produces the electricity and steam it requires for manufacturing from its natural gas processing plant as permitted by its Autoproducer License, and sells the excess electricity in line with electricity market legislation. The Company carries out its manufacturing activities at the factory in the Kullar, Kocaeli while the general management, finance, marketing and purchasing operations are handled at the Head Office in Gayrettepe, Istanbul. The Company also owns a branch which is used as a sales office and a warehouse, located in Sefaköy, Istanbul.

Head Office:

Prof. Dr. Bülent Tarcan Sok. Pak İş Merk. (Pak Business Center) No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL

Tel: 0-212-273 20 00 Fax: 0-212-273 21 70 Website: www.kartonsan.com.tr

Factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No: 300 41140 Kullar/Başiskele/Kocaeli

Tel: 0-262-349 61 50 Fax: 0-262- 349 33 00

Sales Office:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İstanbul

Tel: 0-212 598 95 35 Fax: 0-212- 598 95 36

Tax Office: Large Taxpayers

Tax Registration No: 5260057491

Trade Registration No: 95869/41270

Central Registation System No: 7439516888345494

Company's Paid-in Capital: TL 2,837,014.21

Company's Paid-in Capital: 283,701,421 shares

Shares Representing Company's Paid-in Capital:

A-Type Shares: 200 Shares

B-Type Shares: 283,701,221 Shares

A-Type Shares are privileged in terms of dividend distribution, but do not carry any privileges in terms of voting rights.

b) Information on the Ownership Structure, Board of Directors and Audit Committee:

All shares in the Company comprise of bearer shares and almost all of these shares are suitable for trading on the stock exchange. Accordingly, the Company's ownership structure as submitted to the most recent General Assembly and the Borsa Istanbul (BIST) is as follows. Note that the shareholder structure may vary over time due to the reasons explained above.

Title of Shareholder	31.12.2013 Number of Shares	31.12.2013 Stake (%)	31.12.2012 Number of Shares	31.12.2012 Stake (%)
Pak Holding A.Ş.	975,590	34.39	975,589	34.39
Pak Gıda Üretim ve Pazarlama A.Ş.	564,903	19.91	564,903	19.91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	561,741	19.80	523,564	18.45
Oycan İthalat İhracat ve Ticaret A.Ş.	35,000	1.23	45,300	1.60
Other Shareholders (Free Float)	699,780	24.67	727,698	25.65
Capital at Historical Cost	**2,837,014**	**100.00**	**2.837.054**	**100.00**

The paid-in capital of the Company is TL 2,837,014.21, comprising 283,701,421 shares each with a nominal value of TL 0.01.

In accordance with the relevant articles of the Articles of Association of the Company, the regulations concerning the Board of Directors and Audit Committee are as follows.

Board of Directors

Article: 8- The Company is administrated and represented by the Board of Directors consisting of at least 7 (seven) and at most 11 (eleven) members, to be elected by the General Assembly. The number of the members of the Board of Directors is designated, enabling them to perform their duties efficiently and constructively, to take rapid and rational decisions, and to form and organize the function of the committees effectively.

The Corporate Governance Principles are followed where their implementation is made obligatory by the Capital Markets Board. Any transactions or Board decisions which contravene the obligatory principles are invalid and deemed contrary to the Articles of Association. The quantity and the quality of the independent members of the Board of Directors are decided in accordance with the Capital Markets Board's corporate governance regulations.

Every year the Board Members elect a chairperson and two vice-chairpersons to substitute the chairperson in their absence.

The General Assembly is authorized to change Board Members whenever it deems necessary. Any Board Member who has been removed from duty is not entitled to demand any compensation.

The Duties and Authorities of the Board of Directors and Transfer of these Rights

Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation.

The necessary committees are formed in accordance with the Capital Markets Legislation and Corporate Governance Principles. In the event that the Corporate Governance Committee has two members, both will be non-executive Board members; in the event that it has more than two members, the majority of them will consist of non-executive Board members.

The Board of Directors is authorized to decide the distribution of work among Board members, to elect the executive committee among Board members or senior managers and to appoint the general manager. Article No: 367 of the Turkish Code of Commerce is reserved.

The Company is represented and may be indebted with two authorized signatures. The Board of Directors decides upon the authorized individuals and the required combination of these individuals to represent and bind the Company with their signatures, and issues a circular of authorized signatures.

While managing and representing the Company, the Board of Directors itself follows, controls and ensures the compliance with rules on public disclosure and transparency under the Capital Markets Legislation and corporate governance principles, and upholds the protection of the fundamental rights of stakeholders, which are regulated by legislation and mutual agreements.

Article: 9/A- Cancelled

The Authorization of Board of Directors to Issue Bonds and Other Capital Market Instruments

Article: 10- In accordance with the provisions of the Turkish Commercial Code, the Capital Markets Law and other relevant legislation, the Company may issue bonds and other capital market instruments serving as debt certificates, to be marketed in domestic and international markets. In accordance with the Capital Markets Board, the Board of Directors is authorized to issue bonds and other capital market instruments serving as debt certificates without any time restriction. In such an instance, the Turkish Commercial Code articles do not apply.

Meetings of the Board of Directors'

Article: 11- The Board of Directors convenes at least once a month in order to perform their duties effectively. The Chairman of the Board of Directors determines the agenda of the meetings, having negotiated with the other Board members and the President of the Executive Committee. The meetings are held at the Company's Head Office. However, the Board of Directors may decide to convene in a location outside the Head Office or through all technological methods providing remote access. Each and every member of the Board holds one single voting right. The Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by the majority of the Board members present at the meeting.

Compensation of Board Members

Article: 12- The compensation of the Chairman of the Board of Directors and Board Members are determined by the General Assembly in accordance with the Capital Markets Legislation and Corporate Governance Principles.

Auditors

Article 13- The General Assembly elects either one or two auditors for a period of one year. The Company complies with Turkish Commercial Code, Capital Markets Law, Capital Market Board and related legislation for following issues: electing auditors, auditors' tenure, their duty, authorization and responsibility, registration operations and other issues related to auditor.

Compensation of Auditors

Article: 14- The Auditors receive monthly or annual compensation as determined by the General Assembly.

Duties of the Auditors

Article: 15- Cancelled.

The Company's Annual General Meeting relating to the 2012 fiscal year activities was held on March 29th, 2013. In the Annual General Meeting, each of the individuals that were appointed to serve for one year as Members of the Board of Directors and Independent Auditors are listed below.

The information regarding Members of the Board of Directors, Audit Committee and Independent Auditor who served duty during the fiscal period and appointed within the fiscal period are shown below.

Board of Directors

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Sinan Ercan Gülçur	Chairman of the Board of Directors	02.05.2012	29.03.2013	29.03.2013	1 year
Aslı Balkır	Vice Chairman of the Board of Directors	02.05.2012	29.03.2013	29.03.2013	1 year
Ünal Bozkurt	Vice Chairman of the Board of Directors	02.05.2012	29.03.2013	29.03.2013	1 year
Babür Gökçek	Board Member	02.05.2012	29.03.2013	29.03.2013	1 year
Mehmet İmregün	Board Member	02.05.2012	29.03.2013	29.03.2013	1 year
Hatice Canan Pak İmregün	Board Member	01.10.2012	29.03.2013	29.03.2013	1 year
Süleyman Kaya	Board Member	02.05.2012	29.03.2013	29.03.2013	1 year
Ali Ersin Güredin	Independent Board Member	02.05.2012	29.03.2013	29.03.2013	1 year
Tamer Koçel	Independent Board Member	02.05.2012	29.03.2013	29.03.2013	1 year
Haluk İber	Board Member and General Manager	02.05.2012	29.03.2013	29.03.2013	1 year

The Board of Directors held 28 meetings in the year ending 31.12.2013. All decisions taken during the year were put in force.

Audit Board

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Erdal Çalıkoğlu	Auditor	02.05.2012	29.03.2013	-	-
Hakan Hasan Arı	Auditor	02.05.2012	29.03.2013	-	-

Independent Auditor according to the Turkish Code of Commerce*

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Başaran Nas Bağımsız Denetim SMMM A.Ş	Independent Auditor	29.03.2013	-	29.03.2013	1 year

*Başaran Nas Bağ. Denetim ve SMMM A.Ş is also the Independent Audit Corporation appointed in line with the Capital Markets Board legislation.

Audit Committee

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Ali Ersin Güredin	President of the Audit Committee	04.05.2012	09.04.2013	09.04.2013	1 year
Tamer Koçel	Member of the Audit Committee	04.05.2012	09.04.2013	09.04.2013	1 year

Corporate Governance Committee

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Tamer Koçel	President of the Corporate Governance Committee	04.05.2012	09.04.2013	09.04.2013	1 year
Aslı Balkır	Member of the Corporate Governance Committee	09.04.2013		09.04.2013	1 year
Süleyman Kaya	Member of the Corporate Governance Committee	09.04.2013		09.04.2013	1 year
Ünal Bozkurt	Member of the Corporate Governance Committee	04.05.2012	09.04.2013	-	-
Mehmet İmregün	Member of the Corporate Governance Committee	04.05.2012	09.04.2013	-	-

Risk Committee

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment Date	New Term of Office
Ali Ersin Güredin	President of the Risk Committee	09.04.2013	-	09.04.2013	1 year
Ünal Bozkurt	Member of the Risk Committee	09.04.2013	-	09.04.2013	1 year
Mehmet İmregün	Member of the Risk Committee	09.04.2013	-	09.04.2013	1 year

c) Information on Affiliates and Subsidiaries:

The Company holds shares in the companies whose shareholder structures are shown below.

Selka İç ve Dış Ticaret A.Ş.

Shareholder Name/Title	Number of Shares	Stake(%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,240,838.75	99.27
Diğer Gerçek ve Tüzel Kişi Ortaklar	9,161.25	0.73
Total	1,250,000.00	100

Dönkasan Dönüşen Kağ. Ham. San. ve Tic. A.Ş.

Shareholder Name/Title	Number of Shares	Stake(%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	75,000	50
Olmuksan İnternational Paper Amb. San. ve Tic. A.Ş.	75,000	50
Total	150,000	100

2) MARKET PROFILE, OPERATIONS AND EXPECTATIONS

a) Market Profile and Implemented Sales Policies:

The Company has been operating in the coated cardboard business since its foundation in 1967. Kartonsan's principal products, which are manufactured from recycled paper, are known as "Dublex (GD)" and "Triplex (GD)" coated cardboards in the market. The coated cardboard sector principally supplies packaging material to the food and pharmaceutical industries and coated cardboards in the market. The coated cardboard sector principally supplies packaging material to the food and pharmaceutical industries. The packaging material is designed for products in daily use, including a wide range of food items, pharmaceuticals, detergents, matches, perfumes, textiles, perforated laminate, stationery, books and notebooks covers, glassware, and small white durables goods. Kartonsan's products are utilized in various industries and are certified by the Ministry of Agriculture, Food and Livestock in terms of their suitability for food packaging. Its products are also certified by several reports issued by various international analytical laboratories for compliance with the BfR (German Federal Institute for Risk Assessment), with particular reference to usage in packaging which is direct contact with dry food.

The information related to the sector that the Company operates in and implemented sales policies are available in detail in the previous sections of the Annual Report.

b) Investment and Dividend Policies

Most of the Company's investment plans are concerned with the maintenance of the existing plant. However, a quality improvement and capacity increase investment is in process for the second cardboard production line (KM 2) which is expected to be completed within 2014.

The Company's dividend policy of is to distribute the minimum amount of the distributable profit in accordance with the amount recommended by the Capital Markets legislation. Nevertheless, the dividend policy is reviewed each year based on the domestic and international economic conditions, as well as investment opportunities and the availability of financing.

In this respect, the dividend distribution proposal from the previous year's profit is featured as a separate section in the Annual Report of the current year, and this is submitted for the information of the shareholders and public prior to the Annual General Meeting.

According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. Moreover, in the event a 'first dividend' is distributed, members of the Board of Directors are also entitled to receive a dividend. Accordingly, of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted, and 5% of the remainder is distributed to A-Type shareholders, and a portion (to be decided by the General Assembly), to the members of the Board of Directors as dividends.

The dividend distribution takes place within the legal term.

Unless a resolution to the contrary is taken at the General Assembly, the Company shall continue to distribute dividends by striking a balance between the possible expectations of the shareholders and the Company's growth strategies.

Our Company decided to revise its Dividend Policies in 2014 to comply with Capital Market Legislation and announced revised policies to the public as indicated below.

The dividend policy which will be applied in 2014 and beyond is presented below.

Dividend Policy

Our dividend policy is to distribute the minimum amount stipulated by Capital Market legislation. In the event that the minimum amount is not determined or is removed, the dividend policy is to distribute 5% of the distributable profit which is determined according to legal regulations related to all shares representing the capital in line with the rights associated with the dividend privilege (other regulations related to dividend distribution in the Company's articles of association and other legal legislation are reserved).

The dividend policy is reviewed each year based on domestic and international economic conditions, as well as investment opportunities and the availability of financing. Unless a resolution to the contrary is taken at the Annual General Meeting, the Company shall continue to distribute 5% of the distributable profit which is found according to related legal legislations by striking a balance between the possible expectations of the shareholders and the Company's growth strategies. In this respect, the dividend distribution proposal from the previous year's profit is featured as a separate section in the Annual Report of the current year, and this is submitted for the information of the shareholders and public prior to the Annual General Meeting.

Principles Regarding Calculation, Payment Method and Distribution of Dividend

The Company complies with the Company's Dividend Distribution Policy, the Capital Market Legislation, the Turkish Commercial Code and the Capital Market Board's dividend distribution principles in calculating dividends. Accordingly;

a) The dividend is distributed to all shareholders equally with respect to their shares as of dividend distribution date without considering issue and acquisition dates (Rights related to A group shares' privileges mentioned in the Company's articles of association are reserved).

b) It is a policy to distribute the dividend in cash with one instalment depending on the decision taken in the Annual General Meeting in which dividend distribution is determined. However, the decision to carry out the payment through instalments or bonus shares may be taken in the general meeting in line with the proposal of the Board of Directors on the condition that it is in line with Capital Market Legislation, the Turkish Commercial Code, the Capital Market Board's principles for dividend distribution and the principles of capital increases.

c) The dividend is calculated in accordance with article 25 of the company's articles of association. The dividend is distributed by the end of the fiscal period in which general meeting is held and the dividend distribution decision is taken.

Article 25 of the Company's articles of association is presented below.

Article: 25- Net profit is calculated by deducting expenses paid or accrued, amortizations, paid premiums and bonuses, provisions, tax and such liabilities and losses from the previous year (if any) from revenues obtained from operations during the balance sheet period

a) A 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital

b) First dividend is set aside and distributed from the remaining part at the amount determined by the Capital Market Board.

c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a basis for the first dividend, once the 5% capital reserve is set aside and the first dividend amount is distributed:

i) 5% to (A) type bearer shareholders,

ii) The Remaining part to the Board of Directors, excluding independent members. This amount is determined in the Annual General Meeting.

The profit remaining after fulfilling the above mentioned distributions may be distributed partially or completely, or may be set aside as an extraordinary capital reserve, or may be transferred to the forthcoming years with the approval of the Board of Directors.

Clause (c) of 2aragraph 3 of article 446 in Turkish Commercial Code is reserved.

If the legal capital reserves and first dividends for shareholders as described in the articles of association are not set aside, the Company may not take the decisions to set aside other capital reserves, or to transfer profit to the following year. If the first dividend is not paid, the Company may not take the decision to distribute dividends to members of the Board, officers, ancillary staff and employees, dividend/founding dividend shareholders, preferred stock holders, foundations established for different purposes or similar persons/entities.

d) Principles Regarding the Distribution of Dividend Advance are presented below.

Corporations seeking to distribute dividend advances within the context of capital market legislation are required to authorize the board of directors to decide on the distribution of dividend advances on the condition that there is a provision set out in the Company's articles of association, and that the distribution will be limited to the related fiscal period.

Our Company's articles of association do not currently include a provision regarding the distribution of dividend advance. Therefore, it is not our Company's policy to distribute a dividend advance.

The Company may distribute a dividend advance if it amends its articles of association in this sense, and that it complies with Turkish Commercial Code and Capital Market Legislation's dividend distribution principles.

e) The basis of distributable profit is determined within the context of Capital Market Legislation and regulations set out in the Turkish Commercial Code. As part of these regulations, donations are added to the basis of distributable profit.

3) FINANCIAL RESOURCES AND RISK MANAGEMENT POLICIES

The Company does not face any difficulties in financing given its strong equity base. The Company invests its surplus funds in the financial system, in TL and foreign currency deposit accounts. Exchange rate risk is the Company's main financial risk, because its international receivables and foreign currency deposit accounts carry a risk stemming from changes in foreign exchange rates. Given that the Company carries a long FX position, any increase in exchange rates leads to a positive impact, whereas a decrease would adversely affect the Company's financials.

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and Company policies. The Early Detection of Risk Committee was formed and started to operate in 2013. The Committee held 4 meetings within the year and presented the report which it prepared. Explanations on financial risks are provided in the footnotes to the financial statements.

In the audit of the Company's internal control system, independent external auditors carry out controls for the confirmation of ISO 9001, ISO 14001 and OHSAS 18001 Quality Certificates and the senior management is informed of any incidences of non-compliance.

4) FORECASTS REGARDING THE DEVELOPMENT OF OPERATIONS

Kartonsan will remain a coated cardboard producer that consistently pursues sustainable growth in the Eurasian region by deploying its logistical advantages provided by Turkey's geographical position, its high-quality product mix and its attention to customer satisfaction-focused service. Evaluations of our company's targets and expectations are presented in the previous sections of the annual report.

5) INFORMATION CONCERNING THE SECTOR IN WHICH THE COMPANY OPERATES, AND THE COMPANY'S POSITION IN THE SECTOR

The Company operates in the coated cardboard sector. Recycled paper is main raw material in production, with small amounts of cellulose and other coated chemicals are also used. Most of the cardboard is used as packing materials in the food, pharmacy, cosmetics and detergent sectors. Information concerning the sector and our company's position in the sector are set out in detail in the previous sections of the annual report.

6) DEVELOPMENTS ON INVESTMENTS AND INCENTIVE UTILIZATION

Most of the investments planned by the Company are concerned with the maintenance of the existing plant. However, quality improvement and capacity increasing investment is being planned for the No: 2 cardboard production line (KM 2) on which the engineering work is currently being carried out.

The Investment Incentive Certificate dated 13.05.2013 and numbered 10,178 was prepared by the Ministry of the Economy following our application related to this investment. The following support has been provided within the context of investment:

- Insurance Premium Employer Share Support: 2 years
- VAT exemption
- Customs Tariff Exemption
- Tax Discount Rate 50% YKO (contribution to investment rate): 15%

The total investment within the scope of investment incentive certificate is expected to amount to TL 97, 179, 00. The decision was taken to finance the investment through shareholders' equity.

An advance expense of Euro 19,009,850 was undertaken as part of investment incentive certificate in the period. The investment is planned to be put into use in 2014.

7) THE QUALIFICATIONS OF THE COMPANY'S PRODUCTION UNITS, CAPACITY UTILIZATION RATES AND COMPARISON WITH THE PREVIOUS YEAR

The Company produces coated cardboard at its factory in Kullar, Kocaeli and generates the electricity required by the plant under an auto producer license. The Company's theoretical annual coated cardboard production capacity is calculated to be approximately 180,000 tonnes (31.12.2012: 180,000 tonnes per annum). Production and sales volumes for 2012 and 2013 are presented below. As of 31.12.2012, the net capacity utilization ratio stood at approximately 90% (31.12.2011: 93% and 30.09.2012: 92%).

The Company's period-end production and sales volumes were as follows.

	2013	2012
Production Volume		
Coated Cardboard (Tonnes)	161,802	164,817
Electricity Production (x1,000 Kwh)	132,135	126,438

8) INFORMATION CONCERNING SALES

A comparison of the Company's consolidated sales volumes for the years 2013 and 2012 is set out below.

	2013	2012
Sales Volume		
Coated Cardboard (Tonnes)	172,054	157,852
Electricity Production (x1,000 Kwh)	23,487	19,095

Consolidated net sales figure of the Company amounted to TL 224,216,211 in 2013 compared to TL 207,177,784 in 2012.

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RATIOS		31.12.2013	31.12.2012
Current Ratio	Current Assets / Short Term Liabilities	5.14	6.54
Acid Test Ratio	(Current Assets - Inventories) / Short Term Liabilities	3.55	4.53
Inventories / Current Assets	Inventories / Current Assets	0.31	0.31
Working Capital	Current Assets (excluding Cash and Liquid) - Short Term Liabilities (Excluding Financial Loans)	57,168,416	55,527,919
Cash Ratio	(Cash and Liquid Assets) / Short Term Liabilities	2.15	3.36
FINANCIAL STRUCTURE RATIOS			
Financial Leverage	(Short Term + Long Term Liabilities) / Total Assets	0.12	0.12
Total Liabilities / Shareholders' Equity		0.13	0.13
Short Term Liabilities / Shareholders' Equity		0.11	0.11
Long Term Liabilities / Shareholders' Equity		0.02	0.02
Fixed Assets / Shareholders' Equity		0.55	0.39
Financial Borrowing / Shareholders' Equity		0	0
PROFITABILITY RATIOS			
Asset Turnover Ratio	Net Sales/Total Assets	0.79	0.65
Gross Profit Margin	Gross Profit/Net Sales	0.18	0.18
Return on Assets	Net Profit/Total Assets	0.13	0.11
Net Profit / Net Sales		0.16	0.15
Profit Before Tax / Net Sales		0.20	0.19
Return on Equity		0.14	0.11
Operating Profit / Sales Revenues		0.11	0.15
Earnings per Share		12.62	9.54
Cash Assets		61,216,664	84,822,151
Financial Liabilities		382,630	327,409
Net Financial Position		60,834,034	84,494,742
Trade Receivables		34,489,116	26,465,136
Other Receivables		2,574,637	2,106,388
Inventories		45,317,018	50,917,170
Trade Payables		21,735,557	20,051,003
Other Payables		2,153,801	2,346,208

The Company has not taken out any external funding, given its robust financial structure.

10) INFORMATION CONCERNING CHANGES IN THE SENIOR MANAGEMENT AND PRESENT MEMBERS

Information on the Company's General Manager is provided below.

Haluk İBER-Member of the Board of Directors and General Manager

Born on July 15th, 1959, Mr. Iber graduated from the Department of Chemistry Engineering at the Istanbul Technical University and holds a Master's degree from the University of Maine. Having started his career in 1987 in Seka A.Ş., he then served in various positions at our Company between 1991 and 2002 before working as an Assistant General Manager between 2002 and 1st October, 2012. At the time, he was appointed as the General Manager of the Company, a position which he has held to this day. Mr. Iber has also continued to serve as a member of the Board of Directors of Kartonsan since 2005.

11) EMPLOYEES AND LABOR MOVEMENTS, COLLECTIVE LABOR AGREEMENTS, RIGHTS AND BENEFITS OF THE PERSONNEL AND WORKERS:

The Company employed 281 individuals, except for personnel of contractor firms, as of 31st December, 2013 (31st December, 2012: 275 individuals).

Workers employed at the Company's factory are members of the Selüloz-İş trade union. The Company signs collective labour agreement with the authorized labour union for a 2-year period. All rights and benefits outlined in detail in collective labour agreements were offered to workers in their entirety. A collective labour agreement covering the period of 01.09.2012-31.08.2014 was signed in 28.06.2013.

Pursuant to the conditions of the agreement, wage increases were as follows: For the first year (for the period of 01.09.2012-31.08.2013) , an increase of TL 320 / month was applied for workers on an hourly rate of pay of less than TL 5.73, and an increase of TL 260 / month was applied for workers on an hourly rate of pay exceeding TL 5.73. For the second year (for the period of 01.09.2013-31.08.2014), an increase of TL 100 / month was applied for the workers on an hourly rate of pay of less than TL 9.00, and an increase of TL 50/ month was applied for workers on an hourly rate of pay of more than TL 9.00, and the decision was taken to raise the gross salary increase of all workers at a rate equivalent to the annual rate of Consumer Price inflation pertaining to the period of 01.09.2012-31.08.2013.

12) INFORMATION ON DONATIONS DURING THE YEAR:

The Company undertakes contributions to foundations, associations and schools active in the fields of sport, education and culture. In the Annual General Meeting held in 2013, the upper limit for donations was set at TL 500,000.

Details of the donations and assistance provided by the Company in 2012 are as follows.

Donations (TL)	**31.12.2013**
Donations to Universities, High Schools and Primary Schools	9,870.34
Donations to Foundations and Associations (In the field of education, sport and culture)	162,000
Other Donations	4,872.03
Total	**176,742.37**

13) MAIN COMPONENTS OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS:

The Company's financial accounts pertaining to the 2010 fiscal year were examined by inspectors from Tax Inspection Board in the Ministry of Finance. No internal audit activity was carried out by the parent company of the Company within the period.

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and the Company's policies. The Early Detection of Risk Committee was formed in 2013 and started to operate. The Committee held 4 meetings within the year and presented the report which it had prepared. Explanations concerning financial risks are provided in the footnotes to the financial statements.

14) INFORMATION CONCERNING RESEARCH AND DEVELOPMENT ACTIVITIES:

The Company does not have a separate Research & Development Department. Activities in this area include testing on product quality and effecting necessary improvements.

15) CHANGES MADE WITHIN THE PERIOD TO THE ARTICLES OF ASSOCIATION AND REASONS:

The Company conducted following changes in its Articles of Association: additional paragraphs (e) to Article 3 and 17/A to article 17, and amendments of articles 9, 10, 13, 16, 18, 19, 20, 22, 25, 27. These changes were approved in the Annual General Meeting held on March 29, 2013. These approved changes were published in the Turkish Trade Registry Gazette dated April 17, 2013 and numbered 8302.

The changes in the Articles of Association, which are approved in the Annual General Meeting dated March 29, 2013, and reasons for the changes are presented below.

CURRENT TEXT	NEW TEXT	REASON
Purpose and fields of business of the company Article: 3- e- to establish each kind of enterprise, to open wholesale and retail sale stores, to take over current similar stores partially or completely, and to participate in them in order to fulfil the operations mentioned in the above paragraphs in line with the final paragraph of Article 15 of the Capital Market Law.	Purpose and fields of business of the company Article: 3- e- to establish each kind of enterprise, to open wholesale and retail sale stores, to take over current similar stores partially or completely, and to participate in them in order to fulfil the operations mentioned in the above paragraphs in line with the provisions of the Capital Market Law and without violating the Capital Market Law.	Since Capital Market Law was amended, the text which refers to previous law's article 15 was excluded.
Duties and Responsibilities of Board of Directors and Transfer of Management Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation. Necessary committees are formed in accordance with the Capital Markets Legislation and Corporate Governance Principles. In the event that the Corporate Governance Committee has two members, both will be non-executive Board members; in the event that it has more than two members, the majority of them will consist of non-executive Board members. The Board of Directors is authorized to decide the distribution of work among Board members, to elect the executive committee among Board members or senior managers and to appoint the general manager. The Company is represented and can be indebted with two authorized signatures. The Board of Directors decides upon the authorized individuals and the required combination of these individuals to represent and bind the Company with their signatures, and issues a circular of authorized signatures. While managing and representing the Company, the Board of Directors itself follows, controls and ensures the compliance with the rules on public disclosure and transparency under the Capital Markets Legislation and corporate governance principles, and upholds the protection of the fundamental rights of stakeholders, which are regulated by legislation and mutual agreements.	Duties and Responsibilities of Board of Directors and Transfer of Management Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation. Necessary committees are formed in accordance with the Capital Markets Legislation and Corporate Governance Principles. In the event that the Corporate Governance Committee has two members, both will be non-executive Board members; in the event that it has more than two members, the majority of them will consist of non-executive Board members. The Board of Directors is authorized to decide the distribution of work among Board members, to elect the executive committee among Board members or senior managers and to appoint the general manager in line with article 367 of the Turkish Commercial Code. The Company is represented and can be indebted with two authorized signatures. The Board of Directors decides upon the authorized individuals and the required combination of these individuals to represent and bind the Company with their signatures, and issues a circular of authorized signatures. While managing and representing the Company, the Board of Directors itself follows, controls and ensures the compliance with rules on public disclosure and transparency under the Capital Markets Legislation and corporate governance principles, and upholds the protection of the fundamental rights of stakeholders, which are regulated by legislation and mutual agreements.	This change aims to ensure compliance with Commercial Code number 6102.
CURRENT TEXT	**NEW TEXT**	**REASON**
Board of Directors Authorization to Issue Bonds and Other Capital Market Instruments Article: 10- The Company may issue bonds and other debt instruments which are qualified as capital market instruments in both domestic and international markets, which comply with the Turkish Commercial Code and the provisions of the related legislation. The Board of Directors is authorized, within the context of Article 13 of the Capital Market Law, to issue bonds and other debt instruments which are qualified as capital market instruments. In this case, Article 423 of Turkish Commercial Code is not applied.	Board of Directors Authorization to Issue Bonds and Other Capital Market Instruments Article: 10- The Company may issue bonds and other debt instruments which are qualified as capital market instruments in both domestic and international markets, which comply with the Turkish Commercial Code and the provisions of related legislation. The Board of Directors is authorized, within the context of Capital Market Law, to issue bonds and other debt instruments which are qualified as capital market instruments. In this case, provisions of Turkish Commercial Code are not applied.	The reference made to Article 423 of the Former Turkish Commercial Code was removed.

Other disclosures required by the regulations

CURRENT TEXT	NEW TEXT	REASON
Auditors Article: 13- General Assembly elects one or two auditors for one year.	Auditors Article: 13- The General Assembly elects one or two auditors for one year. The Company complies with the Turkish Commercial Code, the Capital Market Law and related regulations in the issues of electing auditors, auditors' tenure, duty, authorization and responsibilities, registration and other issues.	This change aims to ensure compliance with Turkish Commercial Code number 6102.
Duties of Auditors Article: 15- Auditors fulfil their duties in line with the Turkish Commercial Code and the provisions of the Capital Market Legislation. In addition, they may present necessary measures to the Board of Directors for the purpose of protecting the Company's interests. Each auditor is authorized to call a meeting of the Board of Directors or the General Assembly and to determine the agenda.	Duties of Auditors Article: 15- removed.	This article was removed following the change that will be undertaken in Article 13 of the new text.
General Meetings Article: 16- The General Meeting are held in two ways: Annual and Extraordinary. The Annual General Meeting is held annually, following the accounting period within the deadline set out by the Turkish Commercial Code. Extraordinary General Meetings may be held in cases and times of necessity due to the company's operations. Extraordinary meetings are set in line with Turkish Commercial Code.	General Meetings Article: 16- The General Meeting are held in two ways: Annual and Extraordinary. The Annual General Meeting is held annually, following the accounting period within the deadline set out by the Turkish Commercial Code. Extraordinary General Meetings may be held in cases and times of necessity due to the company's operations. Extraordinary meetings are set in line with Turkish Commercial Code. The Board of Directors prepare an Internal Directive related to working principles of general meetings in line with the regulations related to the Working Principles of the General Meetings of Joint Stock Companies and related to Representatives of Ministry of Customs and Trade. The internal directive was put into force following its approval in the General Meeting.	The number of the article was changed with this amendment, while the amendment aims to ensure compliance with Turkish Commercial Code number 6102.

Other disclosures required by the regulations

CURRENT TEXT	NEW TEXT	REASON
Meeting Place and Invitation Article: 17- General Meetings are held at the Company's Head Office or an available point of the city in which the head office is located. The Announcement for the General Meeting is made at least three weeks ahead of the meeting date by utilizing all means of communication including electronic communication, in a manner which reaches the maximum number of shareholders. The Company complies with the Turkish Commercial Code, the Capital Market Law and Capital Market Board regulation in invitations, announcements, determining, negotiating and finalizing the agenda regarding General Meetings.	Meeting Place and Invitation Article: 17- General Meetings are held at the Company's Head Office or an available point of the city in which the head office is located. The announcement for the General Meeting is made at least three weeks ahead of the meeting date by utilizing all means of communication including electronic communication, in a manner which reaches the maximum number of shareholders. The Company complies with the Turkish Commercial Code, the Capital Market Law and Capital Market Board regulations in invitations, announcements, determining, negotiating and finalizing the agenda regarding General Meetings. Participation in General Meetings from Electronic Platforms Article: 17/A- Shareholders who hold the right to participate in the Company's general meetings may also participate in the meetings from electronic platforms, pursuant to article 1527 of the Turkish Commercial Code. The Company may create an electronic general meeting system which enables shareholders to participate in general meetings as well as providing opinions and recommendations and voting on electronic platforms. The Company may also outsource this system in line with regulations concerning General Meetings Held in Electronic Platforms in Joint Stock Companies. Shareholders and their representatives are permitted to exercise their rights mentioned in the provisions of the regulation through this system, in line with this article in the articles of association.	The number of the article was changed with this amendment.
Presence of the Commissioner in Meetings Article: 18- The presence of the Ministry of Industry and Trade commissioner and signing the minutes of the meetings with those concerned is mandatory in annual and extraordinary general meetings. Meetings that are held and decisions that are taken in the commissioner's absence and any minutes of meetings which do not have the commissioner's signature are invalid.	Commissioner's Presence in Meetings Article: 18- Article: 18- The presence of a representative from the Ministry of Customs and Trade and the signing minutes of the meetings with those concerned is mandatory in annual and extraordinary meetings. Meetings that are held and decisions that are taken in the representative's absence and the minutes of meetings which do not have the representative's signature are invalid.	This change aims to ensure compliance with Turkish Commercial Code number 6102 and with regulations set out in line with this Code.

Other disclosures required by the regulations

CURRENT TEXT	NEW TEXT	REASON
Meeting and Decision Quorums Article: 19- The Company complies with the Turkish Commercial Code, the Capital Market Law, and the regulations of the Capital Market Board in the meeting and decision quorum in General Meetings. Transactions and competition with shareholders who control the company, board members, senior managers and their in laws and blood relatives up to second kin who may result in conflicts of interest with the Company and its subsidiaries should be approved in the General Meeting in advance. The General Meeting should be informed about such transactions. The Company, in all transactions which may be deemed important in applying Corporate Governance Principles, all kinds of related party transactions, and transactions regarding the extending of collateral, pledges and mortgages for the benefit of third parties, shall comply with the Capital Market Board's regulations regarding corporate governance.	Meeting and Decision Quorums Article: 19- The Company complies with the Turkish Commercial Code, the Capital Market Law, the regulations of the Capital Market Board, and regulations of related legislation in the meeting and decision quorum in General Meetings. Transactions and competition with shareholders who control the company, board members, senior managers and their in laws and blood relatives up to second kin who may result in conflicts of interest with the Company and its subsidiaries should be approved in the General Meeting in advance. The General Meeting should be informed about such transactions. The Company, in all transactions that may be deemed important in applying Corporate Governance Principles, all kind of related party transactions, and transactions regarding the extending of collateral, pledges and mortgages for the benefit of third parties, shall comply with the Capital Market Board's regulations regarding corporate governance.	This change aims to ensure compliance with the Turkish Commercial Code number 6102 and regulations in line with the Code, and Capital Market Board Corporate Governance Principles.
Voting in Meetings Article: 20- Shareholders or proxies which are present in annual and extraordinary general meetings hold one voting right for each share. Voting is carried out by a show of hands in General Meetings. However, a secret ballot may be applied in case 10% of the shareholders present demand it.	Voting in Meetings Article: 20- Shareholders or proxies which are present in annual and extraordinary general meetings hold one voting right for each share. Voting is carried out by a show of hands in General Meetings. However, a secret ballot may be applied in case 10% of the shareholders present demand it. Methods and provisions mentioned in Turkish Commercial Code, Regulation concerning General Meetings That Will be Held in Electronic Platforms in Joint Stock Companies, the Capital Market Law, the Capital Market Board and related legislation are applied in participating in general meetings of joint stock companies as well as giving opinions and recommendations, and voting.	This change aims to ensure compliance with Turkish Commercial Code number 6102 and regulations in line with the Code.
Announcements Article: 22- Announcements concerning the Company are made through a newspaper which is published in a location which the Company's head office is located in line with paragraph 4 of article 37 of the Turkish Commercial Code. Announcements are made in line with the Turkish Commercial Code and Capital Market Board regulations, in terms of the deadlines and methods of such announcements.	Announcements Article: 22- Announcements concerning the Company are made through a newspaper which is published in a location which the Company's head office is located in line with paragraph 4 of article 35 of the Turkish Commercial Code. Announcements are made in line with the Turkish Commercial Code and Capital Market Board regulations, in terms of the deadlines and methods of such announcements.	This change aims to ensure compliance with the Turkish Commercial Code number 6102.

Other disclosures required by the regulations

CURRENT TEXT	NEW TEXT	REASON
Dividend Distribution (New Form) Article: 25- Net profit is calculated by deducting expenses paid or accrued, amortizations, paid premiums and bonuses, provisions, tax and similar liabilities along with the previous year's losses (if any) from revenues obtained from operations during the balance sheet period. a) a 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital. b) The first dividend is set aside and distributed from the remaining part at the amount which is determined by the Capital Market Board. c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a base for the first dividend, following the 5% capital reserve and the first dividend being set aside and paid: i) 5% to (A) type bearer shareholders, ii) Remaining part to Board of Directors excluding independent members. This amount is determined in General Meeting The remaining profit after fulfilling the distributions mentioned above may be distributed partially or completely, or may be set aside as an extraordinary capital reserve, or may be transferred to forthcoming years at the proposal of the Board of Directors. Paragraph 3 of article 446 in Turkish Commercial Code is reserved. If legal capital reserves and first dividends for shareholders in the articles of association are not set aside, the Company may not take the decisions to set aside other capital reserves or to transfer profit to the following year. If first dividend is not paid the Company may not take the decisions to distribute a dividend to Board members, officers, ancillary staff and employees, dividend/founding dividend shareholders, preferred stock holders, foundations that are established for different purposes or similar persons/corporations.	Dividend Distribution (New Form) Article: 25- Net profit is calculated by deducting expenses paid or accrued, amortizations, paid premiums and bonuses, provisions, tax and similar liabilities along with the previous year losses (if any) from revenues obtained from operations during the balance sheet period. a) a 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital. b) The first dividend is set aside and distributed from the remaining part at the amount which is determined by the Capital Market Board. c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a base for the first dividend, following the 5% capital reserve and the first dividend being set aside and paid: i) 5% to (A) type bearer shareholders, ii) The remainder to the Board of Directors excluding independent members. This amount is determined in the General Meeting The remaining profit after fulfilling the distributions mentioned above may be distributed partially or completely, or may be set aside as an extraordinary capital reserve, or may be transferred to forthcoming years at the proposal of the Board of Directors. Clause (c) of 2aragraph 3 of article 446 in Turkish Commercial Code is reserved. In the event that legal capital reserves and first dividends for shareholders as stipulated in the articles of association are not set aside, the Company may not take decisions to set aside other capital reserves or transfer profit to the following year. If first dividend is not paid, the Company may not take the decisions to distribute a dividend to Board members, officers, ancillary staff and employees, dividend/founding dividend shareholders, preferred stock holders, foundations that are established for different purposes or similar persons/corporations.	The expression written in the previous amendment by mistake was removed, while the change also aims to ensure compliance with Turkish Commercial Code number 6102 and the regulations in line with the Code.
Capital Reserve Article: 27- Articles 446 and 446 of the Turkish Commercial Code are applied for capital reserves that will be set aside from the profit.	Capital Reserve Article: 27- Articles 519 and 521 of the Turkish Commercial Code are applied for capital reserves that will be set aside from the profit.	This change aims to ensure compliance with the Turkish Commercial Code number 6102 and regulations in line with the Code.

Additionally, the following amendments were made: cancelling paragraph (n) of article 3 in the Company's articles of association, changing article 12 of articles of association and adding articles 28 and 29 to the articles of association. These additional amendments were approved in the Extraordinary General Meeting which was held in 20th December, 2013. These amendments were registered on 25th December, 2013 and published in the Turkish Trade Registry Gazette dated 31st December, 2013 and numbered 8476.

Changes in the Articles of Association which were approved in the Extraordinary General Meeting dated 20th December, 2013 and the reasons for the changes are presented below.

CURRENT TEXT	NEW TEXT	REASON
Purpose and Fields of Business of the Company Article 3: n- to launch businesses and transactions that will be beneficial for the Company with the proposal of the Board of Director's and the General Meeting's decision in addition to above mentioned businesses.	Purpose and Fields of Business of the Company Article 3: n-: Cancelled.	This change is aimed at ensuring compliance with Turkish Commercial Code number 6102.
Fees of Board Members Article 12: Fees that will be paid to the Chairman and Board Members are determined in the General Meeting in line with Capital Market legislation and Corporate Governance Principles.	Financial Rights of Board Members Article 12: Fees, attendance fees, bonuses and premiums that will be paid to the Chairman and Board Members are determined in the General Meeting in line with Capital Market legislation and Corporate Governance Principles. For independent members; stock options and payment plans based on the Company's performance are not applied. Fees for independent members will be set by an amount that maintains their independence.	This change concerns the regulation regarding compliance with the Capital Market Board Corporate Governance Principles Communiqué.
	Compliance With Corporate Governance Principles Article 28: The Company complies with the mandatory Corporate Governance Principles which are set by the Capital Market Board. Any transactions carried out and decisions that are taken without complying with the mandatory principles are invalid and would violate the articles of association. The Company complies with Capital Market Board's regulations for corporate governance in transactions that are deemed to be important, in the company's important related part transactions, and transactions regarding the extending of collateral, pledges and mortgages for the benefit of third parties.	This change concerns the regulation regarding announcements related to the compliance with Capital Market Board Corporate Governance Principles Communiqué.
	DONATIONS Article 29: The Company may extend donations to a diverse range of foundations, organizations, clubs, schools, Public and Private entities, real and legal entities provided the following conditions are met: the limit of donations is set by the Company, donations do not violate Capital Market Board's regulations for the transfer of hidden income, material event disclosures should be undertaken, shareholders should be informed of donations carried out during the year in General Meetings. The Company complies with the Capital Market Board's regulations in determining maximum amount of donations and determining the amount of profit which is the basis of the dividend.	This change aims to ensure compliance with Turkish Commercial Code number 6102 and Capital Market Board legislation.

16) RELATED PARTY TRANSACTIONS

Related party transactions were mentioned in detail in the previous sections of annual reports, specifically in FOOTNOTE 7 of the Notes on the Financial Tables. The affiliated Company Report which was prepared in accordance with Article 199 of the Turkish Commercial Code's is presented in the following sections.

17) DISCLOSURE POLICY

The Company decided to revise its disclosure policy in 2014 to comply with Capital Market Legislation.

Other disclosures required by the regulations

The disclosure policy was revised in 2014 and announced to the public to comply with changes in Capital Market Legislation within the scope of Capital Market Board's Communiqué numbered II-15.1

The disclosure Policy for 2014 and ensuing Years is presented below.

THE COMPANY DISCLOSURE POLICY

Objective

The Company's objective is to provide timely, accurate, complete, understandable and easy to access information on financial and other matters (except for confidential data and trade secrets), as required by legislation, and information on the company's past performance and its expectations for the future without either affecting the value of the capital market instruments issued, or damaging the equality of opportunity among shareholders.

I- DISCLOSURE POLICY METHODS AND INSTRUMENTS

The main disclosure instruments and methods that are used by the Company in line with Capital Market Legislation and TCC provisions are listed below:

a Material disclosures to the Public Disclosure Platform ("KAP"),

b. Financial reports sent to the Public Disclosure Platform ("KAP") periodically,

c. Announcements and disclosures made via Turkish Trade Registry Gazette, Daily Newspapers and Magazines that are nationally distributed,

d. Press releases and interviews made via written and visual media,

e. Information via meetings, calls and other means of communication utilized to reach stakeholders.

f. Corporate Website, Annual Reports, General Assembly Information Document, General Meetings, Phone, electronic mail, fax, SMS, mobile phone and suchlike means of communication.

II- PRINCIPLES REGARDING MATERIAL EVENT DISCLOSURES TO THE PUBLIC

For material event disclosures the Company complies with the rules determined by Capital Market.

Material Event Disclosures are made via Public Disclosure Platform ("KAP") in line with rules determined by legislation and reserving exceptions to provide stakeholders with accurate, direct, understandable information avoiding exaggerated and misguiding statements in a way which will not damage equality of opportunity when the event occurs.

Insider information and changes in publicly known points of this information are disclosed to the public when they occur. The Company may postpone the public disclosure of insider information within the scope of capital market legislation in order to prevent damage the Company's legitimate interests, to prevent the misleading of investors or to cause losses to them, and to ensure confidentiality of insider information. Written approval of following items from the Board of Directors or, if Board of Directors gives authorization, an authorised person, is necessary in case the Company decides to postpone the release of insider information: details of the postponed information, the impact of the postponement on the protection of legal rights and ensuring there no risk regarding of misleading investors, measures taken to keep insider information secret.

The Company informed the Central Securities Depository of Turkey concerning people who work in connection to the Company with labor contracts or in other ways, and people who have access to insider information. If there is a change in their information, the Company will conduct necessary updates within 2 days at the latest. A list of these people will be announced to the public via the company's corporate webpage.

Material event disclosures are announced to the public after at least 2 managers who have electronic signatures and who are authorized by the Board of Directors sign them. These disclosures are published in our Company's corporate website in the workday following the announcement at the very latest. Material event disclosures are kept in the website for a period of at least 5 years to present them to stakeholders.

Developments and changes in previous material event disclosures are constantly updated and announced to the public. If there are no developments in a previous material event disclosure, this situation will be explained to the public, with its reasons, over 60-day periods.

It is a principle that disclosures are submitted immediately when they are realized or discovered to ensure their privacy until their announcement to the public. Together with this, precautions to prevent individuals who are not listed from accessing insider information are taken. To ensure privacy, access to this information and documents is limited and they are encrypted. Individuals who have access to insider information are informed of their responsibilities written in laws and legislations, and the sanctions in case they misuse the information to gain unfair advantage.

III- PRINCIPLES REGARDING CONFIRMING EXTRAORDINARY PRICE AND VOLUME MOVEMENTS, NEWS AND RUMOURS CONCERNING ISSUED CAPITAL MARKET INSTRUMENTS

In the event of changes in pricing and volume of capital market instruments which cannot be explained by ordinary market conditions, the Company issues a Material Event Disclosure mentioning if there are material events which are not yet disclosed yet, upon the request of Borsa İstanbul A.Ş. Within the context of Capital Market Board Legislation, any material events which are not disclosed to the public are announced.

The Company issues announcements concerning issued capital market instruments within the context of Capital Market Board Legislation in the following cases; the existence of news or rumours which may affect the value, price and investors' decisions regarding these instruments and which differ from information announced to the public for the first time or was announced previously through media and other means of communication, in the event that the Company has heard about such news and rumours on whether the measures are correct and sufficient. Comments, analysis, evaluations and expectations regarding the Company which are based on information which has not been publicly announced are not considered in this sense.

In connection with news and rumours concerning the Company in the media and on the internet, the Company's investor relations unit evaluates such news and rumours according to their level of significance which is mentioned in the legislation, starting from the time the unit heard such news or rumours. If the unit decides on a material event disclosure as a result of its evaluations, the company management is informed and the Material Event Disclosure is carried out publicly.

IV- PRINCIPLES REGARDING THE DISCLOSURE OF FUTURE EXPECTATIONS

Announcements regarding expectations concerning the future are made to the public in accordance with the decision of the Board of Directors or in the event of any transfer of authorization by the Board of Directors, or the written approval of authorized person.

Evaluations regarding the company's future are disclosed to the public, at most 4 times each year, by the company management. These announcements can be made in annual reports which are disclosed within the context of Capital Market Board's regulations regarding financial tables or in presentations undertaken with the purpose of informing investors, on the condition that they should be announced in the Public Disclosure Platform (KAP). Additional explanations are provided within the context of Capital Market Legislation if there is an important change in evaluations concerning the future, or there is important deviation from the realizations or previously announced points. This additional explanation also includes any reasons for these changes. Annual reports and announcements prepared within the scope of this article are announced on the Company's website on the first business day following the date of the announcement.

If issues which are subject to material event disclosures, including evaluations regarding the future, are announced to the public through the media and other means of communication, an explanation is submitted to the Public Disclosure Platform (KAP) simultaneously or ahead of the announcement. If these points are announced by mistake in a meeting which is open to the general public, an explanation on the issue is made immediately to the Public Disclosure Platform (KAP).

In line with Capital Market Board's regulations, Board Members, the General Manager and Vice General Managers may, in their own right, issue statements and participate in interviews in newspapers and magazines to inform the public.

Individuals with administrative responsibility, according to Capital Market Legislation, are listed below:

a) Board Members,

b) Individuals who may regularly access insider information directly or indirectly, and who hold authority to take decisions that will affect the company's development and commercial targets in the future, even if they are not board members,

c) Individuals who are closely related to a person who holds administrative responsibility,

c1) The wife and children of individuals who hold administrative responsibility, and those who reside in the same home as individuals who hold administrative responsibility,

c2) Individuals who hold administrative responsibility or individuals whose administrative responsibilities are undertaken by individuals mentioned in section c1, or legal entities, corporations, institutions and/or partnerships which are controlled by these individuals directly or indirectly; or entities, corporations, institutions or and partnerships that are established for the benefit of these individuals or entities, corporations, institutions and/or partnerships whose economic interest are the same as those of these individuals,

c3) Board Members of affiliated companies which comprise 10% or more of the Company's total assets as set out in the latest annual financial statements that are prepared according to Capital Market Legislation and individuals who have regular access to insider information, either directly or indirectly, and who hold authority to take administrative decisions which affect the Company's development in the future and its commercial goals, even if they are not Board Members.

Individuals who hold responsibility regarding capital market instruments that our Company issues are determined according to the aforementioned principles.

If the total of all transactions carried out within the context of Capital Market regulations by individuals who hold administrative responsibility, by individuals who have close relations with them and the parent company related to shares that represent the capital and other capital market instruments based on these shares and transactions made on behalf of each person who holds administrative responsibility, reaches the amount determined by the Capital Market Board communiqués within a calendar year, an announcement is made to the public by the party who has carried out the transaction. The total amount of transactions is calculated by taking the sum of all transactions carried out by the individuals who have administrative responsibility and the individuals who have close relations with them.

All transactions that exceed the limit set by Capital Market Board communiqués and which are carried out by individuals who hold administrative responsibility and individuals who have close relations with those who hold administrative responsibility, related to shares that represent the capital by the issuer's parent company and other capital market instruments based on these shares are announced to the public one working day prior to each transaction, without mentioning the sales amount. The announcement is separate to the announcement which will be made following such sales.

VI- ISSUES REGARDING THE GENERAL MEETING AND DISCLOSURE OF CAPITAL MARKET INSTRUMENT ISSUANCES

The Company, in disclosures concerning General Meetings and issuances of Capital Market instruments, complies with the requirements on the announcement durations and minimum information, which is determined in the Company's articles of association, the Company's General Meeting Internal Directive, the Commercial Code and Capital Market Legislation. This information and the documents are announced in the Company's website separately.

VII- MEETINGS TO INFORM INVESTORS AND OTHER ISSUES

It is an important principle for our Company to announce information, provided it does not contain trade secrets, and disclose information to the public, except that which is determined by legislation, in an accurate, timely, understandable, interpretable, easy to access, low cost and equal manner to all of our shareholders and individuals and entities which will utilize this information.

Periodic financial tables and explanations are prepared in line with the current legal legislation in a manner that indicates the Company's real financial position. Financial statements are subject to independent audit in the periods mentioned in the legislation.

Annual reports are prepared in a manner which includes the minimum information mentioned in the legislation and such that the public may access all types of information concerning the company's activities. These reports are made available to the public through the Public Disclosure Platform and the company's website.

Our annual report is prepared by our General Manager and Manager who is responsible for preparing the financial statements and reports. Annual reports are approved by the Board of Directors. Annual reports include a statement that financial statements accurately reflect the company's financial stance.

Any requests from stakeholders for information, the release of which would damage equality of opportunity, or which includes information which has not been announced to the public, are refused. Otherwise, details concerning publicly known issues are shared with our shareholders through all forms of communication.

The Company's website features up-to-date figures and information concerning the Company, and information and documents concerning investors are published under the menu 'Investor Relations'. The Investor Relations Unit was established to uphold the relationship between the Company and its stakeholders. Stakeholders are informed through this unit. Requests for informative meetings which are received by the unit are communicated to the company management and evaluated after determining the meeting calendar.

Informative meetings, general meetings, annual reports, declarations by the company management in newspapers and magazines, material event disclosures, presentations and reports announced to the public, the Company's articles of association for public access and the Company General Meeting Internal Directive are available in the Company's website separately in addition to methods mentioned in the Commercial Code and Capital Market Legislation.

18) CORPORATE GOVERNANCE

REPORT ON THE PRINCIPLES OF CORPORATE GOVERNANCE COMPLIANCE

1. Corporate Governance Principles Compliance Statement

In the 2013 fiscal year, the Company went to every effort to implement the guidelines of the Corporate Governance Principles, in view of the current shareholding structure and market conditions.

The Company considers the Corporate Governance Principles to be highly beneficial, both to the Company itself and its stakeholders. It is believed that adopting the Corporate Governance Principles will create a number of major opportunities for the Company, such as lower capital costs, the expansion of liquidity and means of financing, the improvement of the Company's image and increased interest from the Company's domestic and international investors. The shareholders will benefit from a more transparent management structure, allowing them to exercise their rights more easily and access more information about the Company. These steps will motivate shareholders to uphold the Corporate Governance Principles.

Other disclosures required by the regulations

The Company achieved complete compliance with the obligatory principles in line with Capital Markets Legislation. In addition to these, among the non-obligatory corporate governance principles, the Company adopted regulations that would not have a negative impact on competitive strength, business confidentiality, and provide information to prevent inequalities between shareholders. In the notes below, we have presented the existing principles, compliance with the principles and justifications for principles that were not implemented.

SECTION I - SHAREHOLDERS

2. Investor Relations Unit

The Company's relations with shareholders were initially managed by the Finance Department prior to 2009, when an Investor Relations Unit was established within the Finance Department. Contact details of the mentioned unit are presented below.

The Investor Relations Unit consists of 2 staff, 1 manager and 1 employee.

Name-Surname: Bülent YILMAZ (Investor Relations Unit Manager)

Telephone, Fax, and E-mail:

Tel: 0-212-2732000 (Ext: 302) Fax: 0-212-273 21 64 E-mail: byilmaz@kartonsan.com.tr

Name-Surname: Meltem Uzun (Investor Relations Unit Employee)

Tel: 0-212-2732000 (Ext: 309) Fax: 0-212-273 21 64 E-mail: meltem@kartonsan.com.tr

Address: Prof. Dr. Bülent Tarcan Cad. Pak İş Merk. (Pak Business Center) No: 5 K: 3 Gayrettepe /Beşiktaş /Istanbul

In 2013, The Investor Relations Unit undertook activities to inform shareholders, assisting in the exercise of shareholders' rights, organizing the Annual General Meeting and issuing statements in accordance with the Public Disclosure Principles.

In accordance with the Company's Information Policy, the Investor Relations Unit is responsible for providing accurate and complete information on financial and other matters (except for confidential data and trade secrets) as required by legislation, without affecting the value of the capital market instruments issued by the Company, or damaging the equality of opportunity among the shareholders in accordance with the Principles of Corporate Governance.

To this end, the contact details of the Investor Relations Unit were shared with the public through the Company's website, Annual Reports and Borsa Istanbul in order to allow shareholders obtain information concerning the Company in related matters.

To deal with information requests from the shareholders, telephone, e-mail and fax communication channels have been established

The Investor Relations Unit received 95 enquiries from investors during 2012 by e-mail and telephone

The breakdown of inquiries in terms of content is as follows:

Information requests	Total	% Share
Reasons behind Increase and Decreases in the Share Price	26	29
Information concerning the Capital Increase	3	7
Information concerning the Financial Statements	9	5
Other Issues*	8	7
	95	

In 2013, a total of 95 inquiries were made by shareholders addressing the Company, a significant proportion of which concerned net earnings, share price performance, the increase in the registered capital ceiling and the increase in capital. The remaining questions concerned financial statements and dividend distribution. In accordance with the Capital Markets Board legislation, such requests cannot be answered when the relevant information has yet to be made public. Information disclosed to the public, on the other hand, is made accessible to shareholders.

Material Disclosure to the Public Disclosure Platform (KAP) is used as a general disclosure method. Material disclosures were included simultaneously on our website and the e-company platform of the Central Securities Depository of Turkey.

Relevant Activities on the Organization and Hosting of the Annual General Meeting

With respect to the Annual General Meeting held in 2013, all necessary steps were taken to ensure that the Annual General Meeting was held in compliance with relevant legislation. Accordingly, the Company's Annual General Meeting with respect to the 2012 fiscal year was held on 29th March, 2013. Furthermore within 2013, an extraordinary general meeting was held on 20th December, 2013 in view of the changes in the Articles of Association. The meetings were held pursuant to legal legislation, the company's articles of association and the General Assembly instructions.

Activities Regarding the Registration of the Shareholding

All Company shares comprise of bearer shares. Hence, shareholding registrations are recorded at the Central Registry Agency (MKK). Within the context of Provisional Article No:6 of the Capital Markets Law, the printing of the new equity shares has been prohibited since 2005, and the dematerialization of the equity shares was initiated. The 7-year period set by CMB legislation was due to expire on 31st December, 2012. Shares and dividend rights which were been dematerialized were submitted to the Investor Compensation Centre.

Our Unit fulfilled its duties in compliance with the legislation informing shareholders of the utilization of their rights (dividend, attendance at the annual general meeting and so on).

The dividend distribution operations were undertaken in accordance with the regulations of the Capital Markets Board and Central Registry Agency.

The required declarations and statements on the matter were completed within the legal terms.

Activities on Public Disclosure

In accordance with the Corporate Governance Principles, the Company's objective is to provide accurate and complete information on financial and other matters (except for confidential data and trade secrets) as required by legislation without affecting the value of the capital market instruments issued by the Company, or affecting the equality of opportunity among the shareholders in accordance with the Principles of Corporate Governance.

Within the framework of this policy;

In accordance with the Capital Markets Board's Communiqué Series: VIII No:54 e and the guidelines issued as an annex to the said communiqué, the Company ensured that shareholders, stakeholders and the public would be informed through material disclosures sent to Public Disclosure Platform (KAP) without compromising the equality of opportunity principle. These material disclosures are also published on the Company's website on the same day.

Requests for information concerning issues which have not yet been publicly disclosed and which could compromise the equality of opportunity among shareholders are refused; however, all details of any information on the publicly shared matters are provided to those shareholders who request it.

Also taking into account the type of the information and legal responsibilities, the Company provides information to shareholders through a variety of means, including the corporate website, material disclosures, annual and quarterly reports, Annual General Meetings, news releases and advertisements published in newspapers and relevant magazines.

The Company's website features up-to-date figures and information concerning the Company, and information and documents concerning investors are published under the 'Investor Relations' menu. The Company undertook every effort to simultaneously publish the declarations and disclosures on the corporate website.

In 2012, the Company made 25 material public disclosures until 31st December, 2013.

3. Exercise of Shareholders' Right to Information

In the Company, each shareholder is entitled to obtain information and carry out reviews. These rights are neither removed nor restricted via the Company's Articles of Association or by the decision of any company department. In line with the right to obtain information, and as required by Capital Markets Legislation, all requests for information from shareholders are responded to, except for matters which are yet to be made public that could compromise the equality of opportunities among shareholders. The Company's Investor Relations Unit is responsible for such informing activities. Decisions which might affect the utilization of shareholder rights are declared on the corporate website in a timely manner.

The Company's Articles of Association does not respond to requests for the appointment of special auditors to examine certain incidents or requesting this from the General Assembly as an individual right. Matters not covered by the Articles of Association are regulated according to the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. Each year, the Company is subject to the independent audit in accordance with Capital Markets Legislation and is also audited in accordance with the Tax Laws. There is no Company decision or provision in the Company's Articles of Association that would prohibit shareholders from exercising their right to information (rights which do not contravene the legislation and which would not compromise the equality of opportunity). To this end, the exercise of requesting a special auditor right does not appear to be necessary, considering the targeted benefit and its costs to the Company. However, in the event that a majority of the shareholders submit a written application to the Company, it is always possible to form an agenda item for the General Assembly, and to exercise the right to a special audit, on the condition that it is approved of in the General Assembly.

4. Annual General Meetings

The Annual General Meeting for the 2012 fiscal year was held physically and electronically on 29th March, 2013. In the Annual General Meeting, 214,566,359 shares out of a total of 283,701,421 (76.6% of all shares) were represented. Since the Company's Articles of Association do not provide for a special meeting quorum for the Annual General Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitation to the meeting was issued to Turkish Trade Registry Gazette, Public Disclosure Platform (KAP) and also published in two national newspapers. Since the Company does not have registered shares, there was no special invitation form concerning any such shareholders.

The invitation declarations described the location, date and hour of the Annual General Meeting, sample letters of attorney for attorneys that were to participate in the Annual General Meeting, required points for attending the meeting, financial statements for the year 2012, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors and Controllers. Furthermore, general assembly documents together with the other documents prepared in accordance with the corporate governance principles were declared for the attention of investors in a special section on the corporate website. Such documents were presented to the examination of the shareholders 15 days prior to the Annual General Meeting. There was no participation in the meeting from the media. The shareholders expressed their opinions and requests. Shareholders' questions were responded to by the Head of the Presiding Committee. The shareholders did not submit any suggestions as an agenda item. Shareholders may access the minutes of the Annual General Meeting at the Head Office and via the corporate website. During the Annual General Meeting, information was shared on the donations that were made during the year. A separate agenda item was set for the donations. The General Assembly decided that the maximum amount of donations that would be made within the period was pursuant to Capital Market Legislation.

The Company held an Extraordinary General Meeting in physical and electronic platforms on 20th December, 2013 because of the approval of changes in articles of association undertaken to ensure compliance with Capital Market Legislation in 2013. In the Extraordinary Annual General Meeting, 215,919,618 shares out of a total of 283,701,421 (76.1% of all shares) were represented. Since the Company's Articles of Association do not provide for a special meeting quorum for the Annual General Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitation to the meeting was issued 21 days before the meeting in the issue Turkish Trade Registry Gazette dated 25th November, 2013 and numbered 8450, in the Milliyet and Dunya daily newspapers dated 25th November, 2013, in the Public Disclosure Platform (KAP) and in the Central Securities Depository of Turkey's Electronic General Meeting System. Since the Company does not hold registered shares, there was no special invitation form concerning any such shareholders. There was no separate agenda item in the meeting by shareholders.

The invitation declarations described the location, date and time of the Annual General Meeting, sample letters of attorney for attorneys that were to participate in the Annual General Meeting, required points for attending the meeting, Articles of Association Amendment Draft and similar topics.

In the Annual and Extraordinary General Meetings, our shareholders did not exercise their rights to ask questions. Shareholders did not request special auditor within the period.

Participants and minutes of general meetings are available at the company's website, the Central Securities Depository of Turkey's e-company application and the Public Disclosure Platform (KAP). They are open for the examination of shareholders.

5. Voting Rights and Minority Rights

According to the Company's Articles of Association, there are no regulations providing privileged voting rights.

Practices that cause difficulties concerning the exercise of voting rights in Annual General Meetings of the company are avoided. In this context, each share holds a voting right through which the shareholders vote freely in Annual General Meetings. The company has no shares which do not hold voting rights. As a matter of principle for the company, each shareholder, including the shareholders located abroad, is provided with the opportunity to vote as easily and conveniently as possible. The company did not receive any applications from shareholders to participate or vote in the Annual General Meeting in this sense.

The company has no affiliates or subsidiaries holding cross-shareholding relationships or any relationship where one party is dominant. It is accepted as a principle for the company that in case of a cross-shareholding situation in the future, the affiliate or subsidiary with the cross-shareholding relationship shall not hold the voting right in the Annual General Meeting unless there is an essential condition, like constituting a quorum. In such a case, the situation would be disclosed in accordance with the laws and regulations.

There is no regulation in the Company's Articles of Association concerning the exercise of minority rights. Matters not covered by the Articles of Association are regulated in accordance with the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. The company accepts that the related regulations concerning the use of minority rights are sufficient.

6. Dividend Rights

According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation of privileged dividends are set out in detail in the Articles of Association.

Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted and 5% of the remainder is distributed to A-Type shareholders.

Furthermore, in the event that a first dividend is distributed, a certain amount determined by the General Assembly is distributed to the Board members as dividends.

The Company has a clearly defined and consistent dividend policy, which was submitted for the information and approval of shareholders in 2009 during the 2008 fiscal year Annual General Meeting. The dividend policy is featured in the annual report and also made public on the corporate website. The Company's dividend distribution policy is to distribute the minimum amount of the distributable profit as required by Capital Markets Law. Nevertheless, this policy is revised each year by the Board of Directors to take account of domestic and international economic conditions as well as investment opportunities and the availability of financing. Even in the event that the Capital Markets Board were to remove the dividend distribution requirement, in accordance with the implementation of Corporate Governance principles from the year 2010 onwards, the company shall still continue to distribute dividends (unless a resolution to the contrary is taken at the General Assembly) by striking a balance between the possible expectations of shareholders and the growth strategies of the Company. According to the Company's Articles of Association, A Type shares are privileged in terms of dividend rights. Furthermore, in the event that a first dividend is distributed, a certain amount is also distributed to Board members as dividends. Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted and 5% of the remainder is distributed to A Type shareholders, whereas the amount to be distributed to Board members is decided by the General Assembly. The dividend distribution takes place within legal terms.

Since dividend distributions from future profits depend on market conditions and the financing needs of the company, a fixed distribution rate has not been determined.

It is accepted as a principle that in the event that the Board of Directors tables a request to the General Assembly that a dividend should not be distributed, the reasons behind the request and necessary information concerning how the profit, that would otherwise have been distributed, will be utilized should be provided to the shareholders in the General Assembly. It should also be explained in the Company's official website and featured in the annual report. The remaining profit after the distribution is kept as extraordinary reserves by the Company and used in the operations.

As far as the dividend distribution policy is concerned, the Company works to a principle of following a balanced policy which balances the interests of shareholders with those of the Company.

The dividend distribution policy will be revised in 2014 to in order to comply with the changes in Capital Market Legislation, and will be presented in the first general meeting. The revised dividend distribution policy is available on the company's website and in the annual report.

7. Transfer of Shares

All the equity shares of the Company comprise bearer shares and the Articles of Association of the Company does not provide for any restrictive provisions on the transfer of shares.

SECTION II - PUBLIC DISCLOSURE AND TRANSPARENCY

8. Disclosure Policy

In accordance with the Principles of Corporate Governance, the Company's objective is to provide timely, accurate and complete information on financial and other matters (except for confidential data and trade secrets), as required by legislation, without affecting the value of the capital market instruments issued, nor compromising the equality of opportunity among shareholders. To this end, the Company drafted a disclosure policy and shared it publicly. The policy is shared also published on the company's website.

The Company decided to revise its disclosure policy in 2014 to comply with the Capital Market Law.

The disclosure policy was revised and announced to the public in 2014 within the context of Capital Market Board's Communiqués numbered II-15.1 to comply with the changes in the Capital Market Legislation. The revised disclosure policy is available on the company's website and in the annual report.

The Company's disclosure policy, which is valid in 2013 is as follows:

Material Disclosures under the Scope of Disclosure Policy

In accordance with the Capital Markets Board's Communiqué Series: VIII No:54 e and the guidelines issued as an annex to the said communiqué, the Company undertakes to inform shareholders, stakeholders and the public via material disclosures sent to Public Disclosure Platform without compromising the principle of equality of opportunity. These material disclosures are also published on the Company's website on the same day.

Requests for information concerning issues which have not yet been publicly disclosed and which might compromise the equality of opportunities among shareholders are not responded to; however all details of any information on the publicly shared matters are provided to shareholders at their request .

Disclosure Policy Instruments

The Company uses a variety of media to provide information to its shareholders, including the corporate website, material disclosures, annual and quarterly reports, Annual General Meetings, and news releases and advertisements published in newspapers and relevant magazines.

The selection of the convenient instrument depends on the nature and importance of the information to be unveiled. However, in all cases, the Company issues a material disclosure to the Public Disclosure Platform in line with Capital Markets Board regulations.

The Company website features up-to-date figures and information concerning the Company and information and documents concerning investors are published under the menu 'Investor Relations'. The Investor Relations Unit has been established to facilitate communication between the Company and the shareholders, and this unit is in charge of providing information to stakeholders.

In accordance with Capital Markets Board regulations, the Board of Directors, the General Manager and Assistant General Managers are able to issue statements to newspapers and magazines on behalf of the Company in order to provide information to the public.

At least two signatures featured in the Company's authorized signatures book must be present in any public announcement sent as a material disclosure to Public Disclosure Platform on behalf of the Company.

9. The Company Website and Its Content

The Company actively uses its website to issue public disclosures and to inform its shareholders. The Company is committed to keeping its website up-to-date to provide updated information in its website. Announcements as required by regulatory provisions are included in the website in the same form. The Company website is featured on all printed documents of the company, like bills, dispatch notes and letterheads.

The Company's website is accessible at www.kartonsan.com.tr. The website includes an Investor Relations section to ensure that shareholders may access the information they need in a practical manner. Alongside information which is required to be disclosed in accordance with legislation, the Company website also includes trade registry information, current shareholding structure and management, detailed information on the privileged shares, the final version of the Company's Articles of Association, material disclosures, financial and activity reports, registration statements and public offering circulars (if any), agendas of Annual General Meetings, lists of participants and minutes of the meetings, document for voting by proxy, necessary documents in case of stock and proxy collection by tender calling, the Company's dividend policy and disclosure policies. The existing information and documents featured on the Company website is considered to be sufficient. The Company website completely features all the documents and announcements as required by the Capital Markets Board.

The Company website only features the shareholding structure. The Company does not declare information concerning the stake of the ultimate controlling individuals after netting off indirect and mutual affiliate relations. According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation for privileged dividend rights are mentioned in detail in the Articles of Association. In addition, it is the Company's preference that it does not announce such information, given that the Company does not hold information on the final individual holding of the shares, and the difficulty in keeping such information up-to-date.

The English version of the Company website is also available. However, information concerning the Investor Relations is only available in Turkish. English versions of the Company's activity reports are also accessible on the Company website as well.

10. Annual Report

Each year, the detailed annual report is prepared and presented by the Board of Directors of the Company to ensure that stakeholders of the Company kept informed prior to the Annual General Meetings. The annual report is also featured in the corporate website. Furthermore, activity reports are also prepared and announced to the public on a quarterly basis in accordance with the Communiqué Series: XI No: 29.

The Company pays maximum attention to ensure that activity reports do contain detailed information concerning the Company's operations, and the Company takes every effort to ensure that the information provided is consistent with the Company's financials and activity results

The activity reports prepared by the Company also provide information on the activities of Board members and managers outside the Company and declarations of the Board members concerning their independence.

Information on the structure and members of committees formed among Board members are presented in the activity reports. In addition, information concerning the frequency of meetings, activities and working principles of the committees and comments of the Board of Directors on the effectiveness of the committees are not included in the activity reports, since the Company believes that such information is of immaterial importance for shareholders.

Information on the number of Board of Directors meetings within in each year is included in the activity reports. However, information on the list of participants in such meetings is excluded. According to the Company's Articles of Association, the Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by a majority of the Board members present at the meeting. In this context, information concerning the list of participants to the meetings is considered to be of immaterial importance for shareholders.

Since the foundation of the Company, none of the Board members have been sentenced to any penal procedure or a sanction at a material level. In case of such a situation in the future, it is (within the framework of its importance) accepted that it should be announced publicly as a matter of principle.

It is accepted as a principle that the information will be disclosed to the public in the event of any change in legislation (within the framework of its importance), which would affect the Company operations to an important extent.

Information concerning any significant legal action filed against the Company and possible outcomes are expressed in the footnotes of the financial statements prepared by the Company. These footnotes are also included in the annual reports.

Since its foundation, there have been no instances of conflicts of interest between the Company and any institutions which have provided investment consultancy and rating services to the Company. It is accepted as a principle that in the event of such a situation arising in the future, public disclosures will be issued, provided that such disclosures do not affect the competitiveness of the Company or include any trade secrets of the Company (within the framework of its importance).

Footnotes to the financial statements of the Company include information concerning the Company, its affiliates and subsidiaries. Furthermore, these footnotes are also provided in the Company's annual reports.

The Company's annual reports provide information concerning employee and social benefits, vocational training, any operations undertaken by the Company that may result in social or environmental impacts, and the Company's corporate social responsibility activities.

Every year during the Annual General Meetings, the Company provides information concerning the issues listed in section 1.3.7 of the Corporate Governance Principles of the Company. Therefore, the Company deems the inclusion of such information in the annual report to be unnecessary.

SECTION III - STAKEHOLDERS

11. Informing Stakeholders

The Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise their rights, as determined within the framework of legislation, and mutual contracts at the transactions and activities of the Company in a complete and fair manner. In the event that stakeholder rights are not protected by legislation and mutual contracts, it is accepted as a principle that their benefits will be protected by goodwill and fairness within the capabilities of the Company.

The Company does not have a procedure in cases where stakeholder rights that are protected by legislation and mutual contracts are violated by the activities. Through a fair approach, the Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise all of their rights that are derived from the laws and agreements, in a complete manner. The Company has no compensation policy for its employees.

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company policies and procedures are fundamental principles for the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and public is carried out within the framework of Company disclosure policy.

Communication channels of the Company are accessible for all stakeholders and contact information is available on the Company website. Stakeholders are entitled to communicate with the Corporate Governance Committee and the Audit Committee without any interference from the Company. Stakeholders are also entitled to reach these committees through all communication channels.

Our company's target is to protect the rights of each and every stakeholder independently in the event of possible conflicts of interest between stakeholders.

12. Stakeholders' Participation in the Management

In order to ensure that personnel at different levels of the organization participate in the management, monthly Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management, and various issues are discussed in these meetings. During the aforementioned meetings, requests and expectations of personnel, customers and suppliers are collected and delivered to the top management. The departments implement the decisions taken. Personnel are informed of all activities and processes of the Company linked to procedures that are established according to the ISO 9001 Quality Management Systems. There is no pronouncement in the Company's Articles of Association concerning the participation of personnel in the management

13. Human Resources Policy

The Company's recruitment policy aims to ensure that the right individuals are appointed to the right positions, in view of employee's objectives and personnel competencies, while paying due regard to ensure equal opportunity among employees in same position.

In case of a situation where changes in the management are expected to give rise to administrative disruption; succession and possible scenario projections are utilized in the determination of new manager appointments.

The criteria for the recruitment of personnel are stated in written form and all recruitment decisions comply with these criteria.

The Company plans and implements various training programs to enrich employee's know-how and skills, and support their personnel development. Training sessions for each year are planned in the previous year. Fairness is accepted and implemented as a principle in all rights provided to employees.

The Company's financial reports are provided both on the Company's website and in its annual activity reports. The Company has ensured that it is possible for all stakeholders to access these reports easily and freely. The Company periodically informs its employees of issues concerning pay, career, training and health. Employees of the Company are informed of all decisions or developments concerning them through e-mail, announcements on the bulletin boards or through informing union representatives. The senior management also takes account of the union's views of such decisions.

The job definitions of Company employees are stated in written form in compliance with ISO 9001 Quality Management Systems. Employee salaries and other benefits are determined on the basis of performance and efficiency. The Company has no plans to oblige its employees to hold shares in the Company.

The Company takes all precautions to prevent any racial, religious, language or gender discrimination as well as attitudes towards employees that could physically, mentally or emotionally affect employees.

The Company recognizes that the foundation of associations and collective bargaining rights are provided by law. There is an active labour union in the Company's plant through which the Company and the union negotiate on labour contracts.

14. Code of Ethics and Social Responsibility

The board has not prepared a code of ethics for the Company and its employees, which is disclosed to employees and the public. However, there are job definitions for employees and their actions and statements are kept in compliance with well-established business life principles, laws, ethical values, traditions, norms, and principles of environmental protection.

The Company is committed to regulations and ethical codes concerning issues related to the environment, consumer and public health.

The Company holds the ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety System certificates issued by Bureau Veritas. All necessary action is taken to meet system requirements and to ensure the safety of the employees and respect for the environment.

The Waste Water Treatment Plant avoids the direct discharge of processed water to the environment, and the waste water treatment plant's output values are constantly monitored. Other wastes are delivered to licensed firms, which then recycle or eliminate them, thus contributing to the prevention of environmental pollution.

In cardboard production, the Company uses 90% recycled paper in an effort to contribute to the national economy and the protection of forests.

Every year, noise levels both by night and by day, in and around the factory, are measured; all efforts are taken to ensure the noise level is maintained within the legal limits.

To contribute to minimizing environmental pollution, the Company uses natural gas, generates its own energy and undertakes all necessary emission measures in time.

The Company also undertakes social donations to sport clubs, municipalities, public agencies, associations and foundations in the region where its production plant is located.

The Company formed an internal audit system to tackle all forms of fraud including commission and bribery, and utilizes it effectively.

The Company accepts supports and respects all human rights, which have international validity.

SECTION IV - BOARD OF DIRECTORS

15. The Structure and Formation of Board of Directors

The formation of the Board of Directors is mentioned in detail in article 8 of the Company's articles of association. The article is presented below.

Article: 8- The Company is administrated and represented by the Board of Directors consisting of at least 7 (seven) and at most 11 (eleven) members, to be elected by the General Assembly. The number of the members of the Board of Directors is designated, enabling them to perform their duties efficiently and constructively, to take rapid and rational decisions, and to form and organize the function of the committees effectively.

The Corporate Governance Principles are followed where their implementation is made obligatory by the Capital Markets Board. Any transactions or Board decisions which contravene the obligatory principles are invalid and deemed contrary to the Articles of Association. The quantity and the quality of the independent members of the Board of Directors are decided in accordance with the Capital Markets Board's corporate governance regulations.

Every year the Board Members elect a chairperson and two vice-chairpersons to substitute the chairperson in their absence.

The General Assembly is authorized to change Board Members whenever it deems necessary. Any Board Member who has been removed from duty is not entitled to demand any compensation.

The Corporate Governance Committee determined two independent board members in 2013 within the context of Capital Market Legislation related to independent board memberships. The Committee presented these members to the Board of Directors. These members declared their independence. There was no situation which compromised their independence during the period.

Any responsibilities of Board members outside the Company are presented for the information and approval of shareholders in general meetings as a separate agenda item.

16. Working Principles of the Board of Directors

Working principles of the Board of Directors are mentioned in detail in article 9 of the Company's articles of association. The article is presented below.

Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation.

Necessary committees are formed in accordance with the Capital Markets Legislation and Corporate Governance Principles. In the event that the Corporate Governance Committee has two members, both will be non-executive Board members; in the event that it has more than two members, the majority of them will consist of non-executive Board members.

The Board of Directors is authorized to decide the distribution of work among Board members, to elect the executive committee among Board members or senior managers and to appoint the general manager in line with article 367 of Turkish Commercial Code.

The Company is represented and may be indebted with two authorized signatures. The Board of Directors decides upon the authorized individuals and the required combination of these individuals to represent and bind the Company with their signatures, and issues a circular of authorized signatures.

While managing and representing the Company, the Board of Directors itself follows, controls and ensures the compliance with rules on public disclosure and transparency under the Capital Markets Legislation and corporate governance principles, and upholds the protection of the fundamental rights of stakeholders, which are regulated by legislation and mutual agreements.

The following revisions were made to article 11 of the Company's articles of association.

Article: 11- The Board of Directors convenes at least once a month in order to perform its duties effectively. The Chairman of the Board of Directors determines the agenda of the meetings, having negotiated with the other Board members and the President of the Executive Committee. The meetings are held at the Company's Head Office. However, the Board of Directors may decide to convene in a location outside the Head Office or through all technological methods providing remote access. Each and every member of the Board holds one single voting right. The Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by the majority of the Board members present at the meeting.

The Board of Directors works to the principle of fulfilling its activities and duties in a transparent, accountable, fair and responsible manner.

No breakdown of the duties among members of the Board of Directors is available. However, information concerning the committees is accessible in the activity reports and on the Company's website. The Company established and implements an internal audit system.

With respect to the audit of the Company's internal audit system, independent external auditors carry out checks for the issue of ISO 9001, ISO 14001 and OHSAS 18001 quality certificates, and any inconveniences observed are reported to the senior management of the Company. The Company seeks solutions and forms policies to deal with problems that are reported through multi-channel communication.

The Company's Board of Directors undertakes to establish risk management mechanisms and periodical audition of internal control mechanisms, while effecting continuous enhancement activities. However, the Company's Board of Directors has declined to provide information on the outputs of the internal control mechanism. Hence, these are not included in activity reports.

A circular of signatures concerning the representation and management of the Company is prepared by the Board of Directors following the Annual General Meeting each year. According to the circular of signatures, no one person has the authority to represent the Company singularly. Significant activities and businesses may only be performed with at least two authorized signatures belonging to different signatory groups. Nobody in the Company holds the unlimited authority to undertake decisions.

The Chairman of the Board of Directors and the General Manager positions are occupied by different individuals, a situation which has not changed for many years.

However, in the event of the same person becoming the Chairman of the Board of Directors and General Manager, it is considered that such a situation would not affect the stakeholder rights. For this reason, the Company believes it is not necessary to inform stakeholders on this issue or provide such information in the annual reports.

The Corporate Governance Committee is formed among members of the Board of Directors of the Company. An Investor Relations Unit also works under this Committee. The Board of Directors of the Company undertakes to remove possible disagreements and resolution of potential conflicts between shareholders.

The Company's Board of Directors took all decisions by common consent. There was no dissenting opinions written in decision reports

17. The Number, Structure and Independence of Committees formed by the Board of Directors

The Audit Committee, the Early Detection of Risk Committee and the Corporate Governance Committee were formed among Board Members. On the other hand, no Nomination Committee and Remuneration Committee was formed, as the Corporate Governance Committee was assigned to undertake these duties as well. The Board of Directors decided on the working principles of the committees and which members would be in charge of the Audit Committee, the Early Detection of Risk Committee and the Corporate Governance Committee, and notified the public accordingly.

The Audit Committee consists of 2 members, both of which are Independent Members. Hence, the Chairman of the Committee is also an independent member.

The Corporate Governance Committee and the Early Detection of Risk Committee consist of 3 members in total, and are also headed by an Independent Board Member.

The active committees of the Company in 2012 are presented below.

The Audit Committee

Name - Surname	Title	Beginning of Tenure	End of Tenure	Re-election date	New Tenure Duration
Ali Ersin Güredin	Chairman of the Audit Committee	04.05.2012	09.04.2013	09.04.2013	1 year
Tamer Koçel	Member of the Audit Committee	04.05.2012	09.04.2013	09.04.2013	1 year

The Corporate Governance Committee

Name - Surname	Title	Beginning of Tenure	End of Tenure	Re-election date	New Tenure Duration
Tamer Koçel	Chairman of the Corporate Governance Committee	04.05.2012	09.04.2013	09.04.2013	1 year
Aslı Balkır	Member of the Corporate Governance Committee	09.04.2013		09.04.2013	1 year
Süleyman Kaya	Member of the Corporate Governance Committee	09.04.2013		09.04.2013	1 year

The Early Detection of Risk Committee

Name - Surname	Title	Beginning of Tenure	End of Tenure	Re-election date	New Tenure Duration
Ali Ersin Güredin	Chairman of the Early Detection of Risk Committee	09.04.2013	-	09.04.2013	1 year
Ünal Bozkurt	Member of the Early Detection of Risk Committee	09.04.2013	-	09.04.2013	1 year
Mehmet İmregün	Member of the Early Detection of Risk Committee	09.04.2013	-	09.04.2013	1 year

Neither the Chief Executive Officer/General Manager nor other executive members were assigned to these committees.

As part of the structuring of the Company's Board of Directors, there are two Independent Board Members. Since, at the very least, the chairmen of these formed committees and all members of the Audit Committee are required to be independent members, the principle that 'a board member cannot be appointed to a more than one committee' could not be fulfilled. In practice, one of our Independent Board Members had to be assigned to two different committees.

The rules of procedures of these committees that were formed among the Board members were set out in written form. In accordance with the rules of the procedures, all the committees are permitted to call the managers to a meeting and ask their opinions when deemed necessary to fulfil their duties. On the other hand, the required financial resources for the activities of the committees are provided by the Board of Directors.

In accordance with the rules of the procedures, the committees are permitted to receive consultancy services when deemed necessary to fulfil their duties, the costs of which being met by the Company.

These committees that were formed among the Board members are required to record all of their activities in written form. They comply with the written rules of the procedures in doing so. The committees report to the Board of Directors on a regular basis to inform the Board of their activities.

The Corporate Governance Committee consists of 3 members who are appointed from the Board Members. The Chairman of the Committee was elected among independent members. The remaining two members were selected from among members who do not serve as either the Vice chairman of the Board of Directors, or have executive duties.

The committees meet at the Company's Head office at least four times in year, and at least once every three months.

18. Risk Management and Internal Control Mechanism

The Company decided to establish an Early Detection of Risk Committee. The Committee is composed of 3 persons and the chairman of the committee is an independent board member. The committee operated within the scope of determined duties. The committee presented the report that it prepared during the year.

19. The Strategic Objectives of the Company

The Board of Directors defines the Company's strategic objectives in the previous year, and determines the necessary human and financial resources to meet these objectives. The Board of Directors periodically checks whether or not these targets have been achieved (on a monthly, quarterly and annual basis).

The Board of Directors works to the principle of fulfilling its activities and duties in a transparent, accountable, fair and responsible manner.

The Board of Directors of the Company ensures that all of its activities and transactions comply with the legislation, Company's Articles of Association, in-house arrangements and policies.

20. Financial Remuneration

The remuneration principles of Board members and senior managers are set out in written form, and this is treated as a separate agenda item in the Annual General Meeting to inform shareholders and to offer shareholders the opportunity to share their opinions on the matter. This policy is also declared on the Company's website.

As part of the structuring of the Board of Directors of the Company, the Board of Directors decided against the establishment of a separate Remuneration Committee and instead decided that the obligatory duties which are defined for this committee in line with the Corporate Governance Principles would be fulfilled by the Corporate Governance Committee.

The Corporate Governance Committee will fulfil the principles whose implementation is required according to Capital Markets Board legislation, while it will not take any action on matters which are yet to be made obligatory.

For the remuneration of the Independent Board Members, stock options or Company performance-based payment plans were not taken into account. The Company sought to provide a level of remuneration to Independent Board Members which would not affect their independence. It was decided in Annual General Meeting to give monthly salaries to independent members.

The Company does not have any practice to lend or supply credit, to provide assurance or guarantee in countenance of the Board Members or Senior Managers. The prohibition of such transactions is accepted as a principle by the Board of Directors..

Information on the remuneration and compensation provided to Board Members is made available in the annual reports and the Company's website. Although no explanation is provided on an individual basis, at the minimum the differentiation on the Board of Directors -Senior Manager is available.

<u>Compensation Provided to the Board Members</u>

- Attendance Fee

The amount is decided by the General Assembly.

(The Payment of the Attendance Fee)

According to Article 61/4 of the Income Tax Law, the attendance fee paid or benefits provided to the Chairman and the members of the Board of Directors are characterized as wages. As is the case for wages paid to employees, attendance fee payments made to the Chairman and the members of the Board are also subject to tax through withholding deductions.

- Dividend Payment

The dividend payment is decided each year by the General Assembly at the Annual General Meeting in accordance of Article No: 25 of the Company's Articles of Association.

Compensation Provided to the Senior Managers

The General Manager and Assistant General Managers, who are also the members of the Board, are entitled to the compensation set out below in addition to compensation connected to their membership of the Board;

- Monthly Salary (Decided annually)
- Bonus at the amount of the monthly salary (paid four times a year)
- Performance Premium (paid once a year at the end of the year)
- Employment Termination Benefits (and amount between 1 and 2.5 times the salary, paid after the 5th, 10th, 15th, 20th and 25th year of service)
- Individual Accident and Health Insurance
- Vehicles and office stocks allocated for their duties.

Benefits (salary and attendance fees excluding dividend payments to Board of Directors) provided to Senior Managers and Board Members are listed below.

	31.12.2013	**31.12.2012**
Benefits Provided to Senior Managers	906,796	1,361,914
Benefits Provided to Board Members	180,952	134,800
Total	**1,087,748**	**1,496,714**

19) AFFILIATED COMPANY REPORT PREPARED WITHIN THE CONTEXT OF ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors is obliged to prepare a report concerning relations with the company's holding company and affiliated companies of the holding company in the first three months of financial year in line with article 199 of the Turkish Commercial Code number 6102, which has been in force since 1st July, 2012. The Board of Directors is also obliged to involve the result of this report in the annual report.

In the February 2013 dated report which was prepared by Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors, it was stated that

"Gıda ve Kimya San ve Tic A.Ş. (Holding Company) which is a holding company of Kartonsan Karton Sanayi ve Ticaret A.Ş. (Affiliated Company), Pak Holding A.Ş. and directly or indirectly affiliated companies of these two companies provided appropriate counter performance in each legal activity according to terms and conditions within our knowledge in dates which transactions were made. The Company has no loss and no measures were taken or avoided.

The Company evaluated legal activities for the benefit of the holding company or its subsidiaries, and all precautions that were taken or avoided to be taken for the benefit of the holding company or its affiliated companies in 2013 under the holding company's guidance according to the terms and condition within our knowledge in all transaction made between our company, the holding company and its subsidiaries in the period between 01.01.2013 - 31.12.2013. We declare that our Company recorded no losses and did not hold an advantage and did not balance the holding company's advantages or losses in connection to any transactions which occurred according to known terms and conditions in 2013.

20) OTHER ISSUES

a) The Company has no own shares which it acquires.

b) Explanation regarding charges filed against the Company which may affect financials and regarding their potential results are made in footnotes of financial tables (Footnote 15).

c) All of the Company's capital exists and there is no instance of the capital remaining uncovered or deeply in debt.

d) There was no important issue after the activity period.

Stock market

Shares in Kartonsan A.Ş. are listed on the Borsa Istanbul A.Ş (BIST)'s National Market under the KARTN ticker. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies.

Kartonsan's annual reports and other information may be obtained from the address below, as well as the website which can be accessed through www.kartonsan.com.tr

Kartonsan Investor Relations

Prof. Dr. Bülent Tarcan Caddesi No: 5
Pak İş Merkezi Kat: 3 Gayrettepe 34349 İstanbul

Annual Ordinary General Meeting

Kartonsan A.Ş.'s Annual General Meeting will be held on 27th March, 2014 at 10:30 in POINT HOTEL BARBAROS Esentepe Yıldız Posta Caddesi No: 29 Şişli/İstanbul.

Independent Auditor

Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş.
Süleyman Seba Cad. BJK Plaza No: 48 B/Blok Kat: 9 34357 Beşiktaş-İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

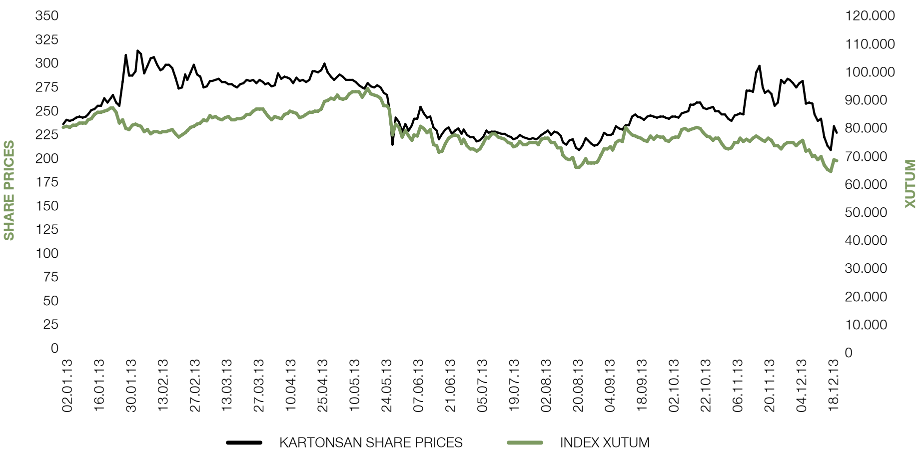
Tax Affirmation

Başaran Nas Yeminli Mali Müşavirlik A.Ş.
Süleyman Seba Caddesi BJK Plaza No: 48 B/Blok K: 12 34357 Beşiktaş-İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

Performance of Kartonsan shares in 2013

Kartonsan's paid in capital was TL 2,837,014.21 as of year-end balance sheet date. The Company's capital is divided into 283,701,421 shares, 200 of which are A and 221 of which are B shares.

PERFORMANCE OF KARTONSAN SHARES IN 2013 (COMPARISON WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 208.50 and the highest share price was TL 311.32. The average price in 2013 was TL 254.47. The lowest and highest prices of the shares are presented in the following table.

Period	Lowest TL	Highest TL
01.01.13-31.03.13	235.23	311.32
01.04.13-30.06.13	213.50	298.00
01.07.13-30.09.13	208.50	245.00
01.10.13-31.12.13	208.50	295.00

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www.tayburnkurumsal.com

www.kartonsan.com.tr

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