

2021 Integrated Annual Report



*The sustainable future
will grow through recycling!*

Welcome to Kartonsan's integrated annual report, which sets out its contribution to the circular economy as a recycling facility.



Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. AGENDA FOR THE 2021 ANNUAL GENERAL ASSEMBLY TO BE HELD ON 31 MARCH 2022

1. Opening and Election of the Presidential Committee,
2. Reading and Discussing the Annual Report of the Board of Directors for 2021 Operations,
3. Reading and Discussing the Independent Auditors' Report on 2021 Operations,
4. Reading, Discussing and Approval of the 2021 Balance Sheet and Income Statement,
5. Releasing the Members of the Board of Directors from their Liabilities for 2021 Operations,
6. Providing Information about Donations Made in 2021 and Setting an Upper Limit on such Donations in 2022,
7. Presentation of the Board of Directors' Proposal Concerning Distribution of 2021 Profit, Discussion of any Changes, Approval or Rejection of the Proposal,
8. Discussion, Acceptance or Rejection of the Draft Amendment of the 8th Article of the Company's Articles of Association, which has Passed the Permission and Approval of the Capital Markets Board and the Ministry of Commerce,
9. Election and Approval of the Members of the Board of Directors, at Least 1/4 of which are Independent Directors, in Accordance with the Corporate Governance Principles of the Capital Markets Board,
10. Determining the Remuneration of the Members of the Board of Directors,
11. Presentation of the Remuneration Principles of the Members of Directors and Senior Executives to the General Assembly
12. Presentation of the Independent Auditors Selected by the Board of Directors to Audit the Company's 2022 Financial Statements and Reports in Accordance with the Capital Markets Law (Statute 6362) and Approval of the Auditors Pursuant to the Turkish Commercial Code (Statute 6102)
13. Presentation of the Authorization of Shareholders, Board of Director Members, Senior Executives, their Spouses and Relatives Related by Blood or Affinity up to the Second Degree and Transactions That May Involve Conflicts of Interest or Compete with the Company or its Subsidiaries Pursuant to Articles 395 and 396 of the Turkish Commercial Code and to Relevant Capital Markets Laws and Regulations and Obtaining the General Assembly's Approval for those Individuals' Involvement in such Dealings,
14. Requests and Comments.

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These icons used in the report represent SDGs to which Kartonsan contributes.

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For Kartonsan's annual reports 
www.kartonsan.com.tr

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About the Report

ATTRIBUTES, PERIOD AND SCOPE

This report is the Integrated Annual Report of Kartonsan Sanayi ve Ticaret A.Ş. ("Kartonsan" or "The Company"). Covering the 12-month operating period between 1 January and 31 December 2021, this report also covers data related to the financial and human resources of Kartonsan's domestic subsidiaries (DÖNKASAN and SELKA).

The report will be presented in Kartonsan's 2022 Annual General Meeting as an Annual Report.

PUBLICATION FORMAT

The report is offered to stakeholders in a PDF format under the Investor Relations tab on the www.kartonsan.com.tr website.

REPORT CONTENT AND REGULATORY FRAMEWORK

The report includes information, indicators, graphs and diagrams pertaining to Kartonsan's integrated business model, risk and opportunity management, future strategies, stakeholder communication, priority issues determined as a result of stakeholder participation, sustainability policy and management and its performance in the financial, environmental and social sphere, and the value which it created for all stakeholders in the short, medium and long term.

The report has been prepared in accordance with the International Framework of Value Report Foundation (2013) and with GRI Standards "Basic" option. GRI Content Index is on page 172 of the report.

AUDIT APPROACH

For the specific indicators in the report, limited assurance was provided by Güreli Sworn Financial Advisory and Independent Audit Services Inc., acting as an independent auditor. This assurance is in line with the standards of International Standard on Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information).

The information related to financial statements in the report was audited by the same independent auditor. Independent auditor statements are covered on pages 68-71 of the report.

Presentation

In this section, we share Kartonsan's corporate identity and performance scorecard for 2021.



Corporate Overview

GRI 102-2, 102-6, 102-7

We produce coated cardboard that meets the demand for sustainable products based on renewable materials, which are increasingly demanded in the consumption cycle. Our solutions offer low-carbon alternatives to products based on finite natural resources.

Kartonsan is the first privately-owned coated cardboard manufacturer established in Turkey.

As the leader participant of coated cardboard sector in Turkey, Kartonsan is one step ahead with its high usage of waste paper in production, environment friendly modern production technologies and its lean management structure as well as its contribution to Turkish economy in terms of employment.

Kartonsan, Turkey's first privately-owned coated cardboard manufacturer was established in 1967. The Company was founded with an entrepreneurial and courageous approach in the years when paper production was carried out by the state, and reached the 2020s with a success story more than half century old.

Kartonsan acts with the sectoral responsibility it assumes; balancing its stakeholders' economic interests with social responsibility and carried forward its pioneering and modeling corporate citizen identity. With its production might, sound financial structure, and superior quality standards, Kartonsan is a respected corporate citizen, an industrial giant, and an exemplary recycler.

Controlling a 43% share of its home market according to 2021 figures, Kartonsan is Turkey's biggest manufacturer of coated cardboard.

A leading participant of European market

Kartonsan is one of the prominent cardboard producers in Europe based on production capacity.

Being a dynamic and financially strong company, Kartonsan carried its brand to new markets during the years. Having recorded a healthy and continuous growth with the integration of the most updated technology into its production cycle, the Company ranks among the leading participants in the international coated cardboard market thanks to its superior-quality, eco-friendly products, and commitment to long-term customer relationships.

Exports accounted for a 17% share of Kartonsan's total sales in 2021. Kartonsan's products serve individual consumers in 22 countries through export channels.

Production processes focusing on environmental wellbeing

Kartonsan has environment-friendly production processes.

The Company executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment. According to end-2021 figures, about 91% of the inputs in Kartonsan's coated cardboard

manufacturing consist of recovered and recycled waste paper. Besides generating its own electricity and recovering turbine exhaust gases to generate its own steam, the Company also makes use of state-of-the-art technologies to reclaim, treat, and reuse the water that goes into its production processes.

Products that add value to every aspect of life

Kartonsan-made varieties of coated cardboard show up in many different areas of our everyday lives. They're used as packaging for foods, pharmaceuticals, detergents, perfumes, textiles, stationery, glassware, and small home appliances, as book and notebook covers, and as corrugated lamination. Wherever they appear and however they are used, they add value to people's lives.

Kartonsan's huge range of coated cardboards touches ten millions of consumers' lives. The Company distinguishes itself and is a preferred manufacturer because of its quality standards, commitment to customer satisfaction, and production, commercial, and logistical strengths.

1967
Turkey's first privately-owned coated cardboard factory

91%
According to end-2021 figures, Kartonsan used 91% of waste paper during the production process.

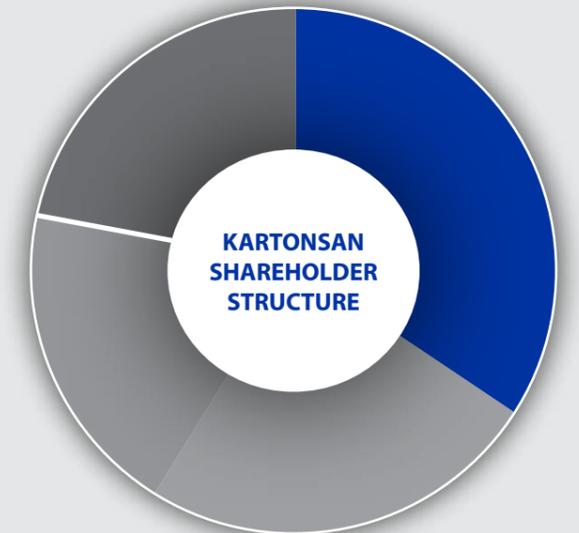
GRI 102-2, 102-5, 102-6, 102-7, 102-13

KARTONSAN'S SHARES ARE TRADED IN BORSA İSTANBUL STAR MARKET

Went public in 1986, Kartonsan's shares are traded in Borsa İstanbul (BIST) Star Market with the ticker "KARTN".

Information on performance of Kartonsan stocks in 2021 is presented at Information to Shareholders section of this report.

As of 31 December 2021, the main shareholder of Kartonsan is Pak Group with a 78.14% share.



CORPORATE MEMBERSHIPS



A producer which internalized sustainability

Stakeholders' interest and sustainable total performance are corporate priorities that Kartonsan observes in economic and commercial cycle.

Furthermore, Kartonsan has adopted sustainability as components of a long-term, healthy and profitable performance in economic, environmental, social and corporate governance areas and has structured its corporate strategy on this basis.

Pioneering, market experience, production power based on advanced technology and qualified human resources are among the most significant focal points in shaping Kartonsan's competitive edge.

Kartonsan contributes to society with its social impact projects.

Kartonsan executes various social responsibility projects, particularly in education, contributes to our country's macroeconomic structure with its corporate taxes, employment and exports, and shares its production with a wide range of its stakeholders.



2021 Key Performance Indicators

GRI 102-7, 201-1

Highest annual gross production amount of all time at Kartonsan (ton)

231,000

Highest annual sales amount of all time at Kartonsan* (ton)

229,500

*Unconsolidated data

The lowest
involuntary downtime specific energy consumption
of all time at Kartonsan

With the support of its diversified customer portfolio and strong financial structure, Kartonsan has maintained its resilience and created value in difficult times.



Number of employees (person)

320

Amount of waste paper used in the production (ton)

231,524

From the Management

This section includes the views of Kartonsan's Chairman and General Manager on the outlook of the market, risks and opportunities, strategies, its 2021 performance and the predictions for the future as well as its targets.



Message from the Chairman of the Board

GRI 102-14, 103-2, 103-3



Dear Stakeholders

The New Normal

The Covid-19 pandemic has imposed far-reaching changes to our lives and work cycle with its wide-ranging impact. While innovations such as remote shopping, working from home and electronic meetings and meet-ups dominate our lives, the ways we do business and most of our normal practices have changed, with many of the things we have become accustomed to being left behind.

Another area affected by the pandemic has been the course of the global economy. Governments, acting with the goal of preventing transmission of the virus, have resorted to restrictions in the face of the unknowns of the virus, and global economic activity has come to a standstill. While policymakers have turned to supportive fiscal policy options in the process, the high level of liquidity provided to the market provided significant relief and set the stage for the global economy to rapidly return to a growth trend in 2021. However, the surge in activity has put pressures on supply leading to supply imbalances, while inflationary trends have come back to the global agenda in the face of the rapid revival in global demand during the normalization phase.

While the transition from a linear economy to a circular economy has gained momentum, supply chain disruptions, rising freight and energy prices and the negative consequences of the climate crisis have set the key trends affecting production and trade.

Another driving force of developments in this period - digitalization - has gained momentum on a scale beyond all projections; most businesses have been increasingly confronted with the need to internalize digital solutions. Big data and mobility have gained weight in the production and trade cycle while on another axis, the crypto-currency markets, digital currencies and fintech innovations have attracted attention as obvious factors spurring on this change.

A new threshold in sustainability

In 2021, the negative impacts of the climate crisis and global warming on the world and our country have been large-scale and destructive. Hurricanes, droughts and forest fires are becoming increasingly prevalent in different parts of the world, while our country has experienced the worsening effects of the climate crisis, especially during the summer months.

The fires caused significant damage to our forestry assets along our Mediterranean coastline, a haven to an extraordinarily rich biodiversity; there were unprecedented floods affecting our Western Black Sea region at the beginning of August, causing loss of life. On the other hand, meteorological and hydrological drought has continued to affect our Aegean, Central Anatolia and South-Eastern Anatolia regions.

The fact that we use waste paper for 91% of our production is primarily an expression of our contribution to the protection of forests and biodiversity - one of the key issues in our world.

The important and positive development of the year was the approval of the Paris Climate Agreement by the Turkish Parliament in October 2021. We consider the ratification of the agreement in our country as an important threshold in the transition to a low carbon economy and we warmly welcome the agreement as a stakeholder.

The Intergovernmental Panel on Climate Change, one of the most respected institutions in the world, emphasized that a very rapid and strong economic transformation was necessary to achieve the target of limiting global warming to 1.5°C as stated in the Paris Agreement in its 6th Evaluation Report.

It would be unfair to expect governments or institutions to resolve these issues related to the climate crisis on their own. The future of our world and therefore the future of humanity urgently need strong, participatory and long-lasting partnerships and synergistic cooperation; as outlined within the framework of UN's Sustainable Development Goals. In today's world, in which the importance of civil society is rising, solution-based and collaborative platforms that bring all actors together are becoming ever more paramount.

Although we have a long journey ahead of us and many issues to overcome, what is promising is that humanity has the knowledge, competence, skills and technology necessary for the solution. At the point where global and collective action is ongoing and sustainable, it will be possible to prevent the climate crisis turning into a catastrophe.

The specific position of our sector

Our sector, the coated cardboard sector, is one of the main stakeholders of this great transformation.

Our product is environmentally friendly and produced from recycled materials. Coated cardboard has an indispensable place in the life cycle of the human race.

We have recently seen a rapid increase in demand for sustainable, plastic-free and circular products in packaging. We think this trend will become mainstream with the development and spread of the perception on sustainability. On the other hand, regulatory frameworks such as the EU's Green Deal will gradually strengthen and increase demand for our product.

This progress and developments as such lead to important responsibilities, risks and business opportunities for companies like ours.

A recycling hub

With our knowledge, competence in production and our brand identified with confidence, Kartonsan not only produced shareable value in 2021, but continued to contribute to sustainability with its identity based on recycling.

As a participant of the circular economy in our sector, our main objectives are based on being an efficient organization and protecting all the natural resources which we utilize. The fact that we use waste paper to an extent, reaching 91%, in our production is primarily an expression of our contribution to the protection of forests and biodiversity, considered as one of the most important issues facing our world.

As Kartonsan, our primary task is to understand the positive and negative aspects of change, to manage risks in an accurate way and to internalize business opportunities with a proactive approach.

What is fundamental for us is that we stand strong and competent in the competition whilst being able to produce and share value in the medium and long term. More importantly, our aim is to demonstrate a leading role in the sustainability of Turkish industry and to continue to carry out good practices.

The corporate asset which Kartonsan has built and carried into the future is interwoven in the trust of its customers, in the selfless work of its employees - in other words, in the strong, loyal and long-lasting relationship established by its stakeholders with the Kartonsan brand.

In 2022 and beyond, we will proceed and progress as a profitable, efficient and environmentally friendly company. Our cautious but entrepreneurial management approach will allow Kartonsan to produce value for its stakeholders in the future.

On behalf of myself and our Board of Directors, I would like to take this opportunity to thank our management team, our human resources and our domestic and foreign customers.

With kindest regards,

Prof. Dr. Ünal Bozkurt
Chairman of the Board

General Manager's Assessment

GRI 102-14, 103-2, 103-3



Kartonsan, which is one of the leading suppliers in Europe and our country in terms of production capacity, continued to contribute to the Turkish economy in 2021 with its exports, job creation and tax payments in addition to generating added value for its stakeholders

Dear Stakeholders,

2021 has marked a valuable milestone for Kartonsan.

In the year 2021, we accomplished the most optimal financial and operational outcomes attained in recent years, and this year was recorded as a milestone in Kartonsan's corporate history.

Our Company reached its highest ever daily, monthly and annual production volumes. A total of 255,391 tons of coated cardboard was sold in the domestic and foreign markets. Product quality standards were maintained to the highest level while operating at its lowest involuntary downtime with also the lowest level of specific energy consumption recorded to date.

In its 54th year of operation, Kartonsan's consolidated net sales increased by 77% compared to the previous year to reach TL 1,589 million with a consolidated operating profit of TL 381.6 million and a net profit for the period of TL 379 million. In light of these financial results, the calculated Return on Equity for 2021 was 43.6%, with a Return on Assets of 32% and the consolidated profit of TL 5.05 per TL 1 nominally valued share. While commanding a 43% share of the domestic market, we also exported 44,304 tons of cardboard to over 20 countries, recording EUR 25 million in export revenues.

One of the leading suppliers of Europe and in our country in terms of production capacity, Kartonsan continued to contribute to the Turkish economy in 2021 with its export volume, increasing job creation and its tax payments, while also generating added value for its stakeholders.

The financial results which have summarized here have strengthened our levels of liquidity, our financial structure and other financial ratios, while our financial and risk management strategies have played a major role in the sustainability of our balance sheet robustness.

A year characterized by challenging and volatile conditions

The year 2021 was one of rapidly changing expectations with an environment where only it was only possible to reach very limited assumptions and predictions. Volatility in global and local money markets, unstable supply and demand conditions, steep increases in raw materials and, in particular, energy prices as well as the negative effects caused by global warming and climate change have closely affected our lives, as well as our production and trade cycles.

The year in our sector

It was also a very hectic year for our sector. The main reason for this was the surge in demand for coated cardboards in our export markets as well as in the domestic market.

The main reason for the domestic demand boom has been the high need for packaging caused by remote and online shopping, which has gained momentum with the pandemic. With the deferred demand starting to accelerate under the more normalized conditions of 2021, demand for our products increased even more rapidly. Suppliers worked hard to respond to this demand, and the inventory of coated cardboard fell to historically low levels for most manufacturers.

In 2021, as inflationary trends gathered pace, price hikes for our production inputs indicated that this was a process which needed to be managed very carefully. In addition to the rise in the cost of natural gas, our main energy source, significant increases were seen in the price of waste paper used in production and its availability as the procurement of raw materials became significantly difficult.

Another development observed in our sector was the introduction of new capacities in 2021. Increasing competition and diversification of supply in the free-market economy is a healthy and desirable development for both producers and consumers. The growth in our sector is expected to continue in the coming period.

Turkey's economy is dynamic, substantial and open to development. We believe that as our sector grows, the capacity for meeting domestic demand with domestic, high quality and environmental products will grow, and the need to import coated cardboards will decrease accordingly.

Managing an ever-changing environment at multiple layers and dealing with its accompanying risks with accurate and timely predictions has been the key to success in 2021.

Dear Stakeholders,

In the second part of my message, I would like to share some information about our presence, our work and approach on the future in the field of sustainability, which is rapidly becoming more important on a global scale.

Sustainability has been an integral part of our corporate mission since its establishment.

Kartonsan is a recycling facility with a waste paper use rate of 91% based on 2021 figures. With this characteristic, Kartonsan contributes systematically to the protection of our planet's ecosystem, aiming to tackle the climate crisis and promote the transformation to a circular economy.

The foundation of our recycling facility dates back to our establishment in 1967. These actions towards recycling have improved with the steps we have taken over time, as we carried out work which was pioneering at a time when the concept of sustainability had not yet gained wide recognition in the industry.

Our principle of adding value to the economy through recycling has been at the heart of all of our decisions in our development and improvement investments in the past, and the investments we undertook in the 2000s have reinforced our characteristics as a recycling facility and carried us to the position we are in today.

During the same period, all kinds of resources we use in production are selected with an awareness of their scarcity, and key studies were carried out in areas such as water recycling and energy efficiency.

You can reach us through our e-mail address, surdurulebilirlik@kartonsan.com.tr, where we welcome your reviews, criticisms and your findings that will contribute to the sustainability performance of Kartonsan.

Kartonsan's Sustainability Policy is published.

One of the current and fundamental outcomes of the process of internalizing our work in the field of sustainability was the Sustainability Policy published in early 2022. Our policy, which we will share later in our report, determines the main framework and implementation of Kartonsan's activities in the field of sustainability.

Our contribution to overcoming the climate crisis will grow stronger with the active and voluntary support of our stakeholders within the scope of our Sustainability Policy and our values.

Kartonsan considers the value and components it produces for its stakeholders from an integrated point of view, analyzes them in depth and sets out plans for the future.

Kartonsan is committed to maintaining its economic and social presence in a strong and ambitious way in a changing world.

Our changing world and the new normal requires economic actors to think, perform and share value with an integrated approach just like a living organism, by breaking down their classical structures.

Today, the score card of companies is determined according to the economic, environmental, social and administrative value which they put forward throughout the value chain they manage and the positive contribution and impact they produce.

As well as the economic footprint of institutions, social and environmental footprints are of great importance and play a key role in investor decisions.

Another issue which we should consider in this context is the change in global and local legislation and legal frameworks concerning our environmental footprint. Although The European Green Deal and Carbon Border Adjustment Mechanism announced by the European Commission will not cover our sector in the near term, they will also be of close interest to us as an exporter in the medium term. On the other hand, the Paris Climate Agreement, which was approved by Parliament in October 2021 and entered force, could introduce new criteria and compliance requirements within Kartonsan, along with all economic actors in our country.

By internalizing the ongoing change, Kartonsan will continue to manage its work in environmental, social and governance areas (ESG) in order to accurately identify risks, focus on generating

value, to look after the interests of its stakeholders and to work towards advancing awareness of sustainability throughout the value chain.

Accelerating the transition to a circular economy during the process of tackling global warming and climate change has become more important than ever. The whole world needs to quickly end its dependence on fossil-based materials in favor of products based on renewable materials. Kartonsan's products and the sustainability approach and the strategy it adopts will continue to play an important role in this process.

We care about the dialogue with our stakeholders and focus on our priorities.

Kartonsan continues its activities in direct and indirect relations and interactions with a wide range of stakeholders within the value chain. We care about the expectations and demands of our stakeholders and consider each one as a valuable and inspiring element.

Since its establishment, Kartonsan has carried out annual reporting work in line with legislation, and has updated and expanded its reporting format and scope in accordance with the requirements of the integrated report in a decision taken in 2021. Accordingly, Kartonsan was brought in line with the integrated reporting standards which have become mainstream on a global scale.

This first Integrated Annual Report, which we submitted for the review of our stakeholders, was prepared by taking into account the integrated reporting framework and GRI standards, as well as observing compliance with the CMB and the legislation that covers valid reporting in our country.

Another important outcome of this process has been the prioritization work we have carried out. In this context, we have identified our priority issues that will provide guidance for a two-year period which may impact our activities. I also think it is worth emphasizing that the majority of the 11 high priority issues we have identified with the participation of our internal and external stakeholders are topics that we have been focusing on for a considerable time due to the nature of our business, and we have been systematically carrying out the necessary preparations and internalizing them in our strategies.

Kartonsan will unwaveringly continue its work in the field of sustainability and its work in environmental, social and governance areas.

The rising value of coated cardboard

New regulations for packaging standards are being implemented in many countries around the world. Public pressure and the dynamics that emerge throughout the value chain have encouraged manufacturers and consumers from all sectors to reach more conscious packaging choices.

The responsibility of protecting limited natural resources and leaving a livable world for future generations supports the rise of the circular economy and leads to a situation in favor of cardboard packaging.

Thousands of medium-scale and large-scale brands in both the local and global markets face the need to substitute plastic packaging in the consumption line. Similar developments will support a process where kinds of materials which cannot be recycled will gradually leave our lives in the coming years.

Looking to 2022...

In 2022, we anticipate that our sector will remain vibrant and demand for coated cardboard will remain high. On the other hand, we can periodically expect to see fluctuations and challenges in both global and local economies.

In 2022, Kartonsan will focus on profitability, efficiency and savings and will maintain its efforts to increase customer satisfaction and improve quality.

We will achieve success with our human resources.

Kartonsan is a strong company and our human capital is the basis of our strength.

We are a family that has adopted an inclusive culture and we share strong values and a sense of purpose. As always, occupational health and safety is a priority for us. I'm proud to be working with such a talented, dedicated and development-minded team.

We will move forward by bringing together our intellectual power to meet the demand for environmentally friendly and circular solutions, to develop further in our product portfolio whilst contributing to our efforts to make the world a better place.

In the medium and long term, the companies that have adopted sustainability in the environmental, social and governance areas and a financial perspective are able to innovate in close contact with their customers in accordance with future needs, while managing trends and risks and adapting to the new normal will achieve success.

Kartonsan offers competitive advantages to support its place among the winners of the future. I would like to thank our customers, suppliers, investors and other stakeholders who have stayed with us on this long-term journey.

Thousands of medium-scale and large-scale brands in both the local and global markets face the need to substitute plastic packaging in the consumption line. Similar developments will support a process where kinds of materials which cannot be recycled will gradually leave our lives in the coming years.

The sustainable future will grow through recycling!

Haluk İber
Board Member and General Manager

Kartonsan Board of Directors

GRI 102-18

Ünal BOZKURT
Chairman

Aslı BALKIR
Deputy Chairman

Süleyman KAYA
Deputy Chairman

Babür GÖKÇEK
Board Member

Sinan Ercan GÜLÇUR
Board Member

Mehmet İMREGÜN
Board Member

Hatice Canan PAK İMREGÜN
Board Member

İlker CENGİZ
Board Member

Ahmet Göksel YÜCEL
Independent Board Member

Süleyman Kadri MİRZE
Independent Board Member

Haluk İBER
Board Member and General Manager

Information on the duties and duration of the members of the Board of Directors is presented at OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION section of this report.



Executive Management of Kartonsan and Affiliated Companies

GRI 102-18



Süleyman KAYA
President of Packaging Group
He received his undergraduate degree from İstanbul Technical University Engineering Faculty, Mechanical Engineering Department. Mr. Kaya received graduate degree from Mechanical Faculty of NRW-Aachen Technical University, Germany. He started his career at Kartonsan in 1983 as a Project Engineer. After serving as Manager, Deputy General Manager and Member of the Board of Directors positions, he was appointed in 2012 as the Head of Packaging Group within the new structure, responsible for the companies in which Kartonsan is included, within the body of Pak Holding.



Haluk İBER
General Manager
He received his undergraduate degree from İstanbul Technical University, Chemical-Metallurgical Faculty, Chemical Engineering Department. He completed Chemical Engineering graduate program at The University of Maine. Joining Kartonsan as an R&D Engineer in 1991, Mr. İber was appointed as the General Manager in 2012.



Ümit ÖZKAN
Selka General Manager
He received his undergraduate degree from İstanbul Technical University, Faculty of Management, Industrial Engineering Department. Joining Kartonsan in 2002 as Production Services Manager, Mr. Özkan worked in various units at Kartonsan and was appointed as Selka General Manager in 2021.



R. Kemal ÖZKIRIM
Chief Manager of Marketing
Mr. Özkırım graduated from Boğaziçi University, Department of Civil Engineering and received his MBA from the same university. Mr. Özkırım joined Kartonsan in 2002 as the Marketing Executive and was appointed as the Marketing Manager in 2005.



Ümit DİNÇOL
Chief Manager of Production Services
He graduated from Anadolu University, Faculty of Engineering and Architecture, Department of Industrial Engineering. Mr. Dinçol, who joined Kartonsan in 1993 as an Operations Engineer, worked in various units of Kartonsan and was appointed as Production Services Manager in 2014.



Ş. Başak KAYA
Chief Manager of Human Resources and Quality Systems
Mrs. Kaya graduated from İstanbul University Faculty of Engineering, Environmental Engineering and completed the Business Administration Graduate Program of Kocaeli University Social Sciences Institute. Joining Kartonsan as a Customer Representative in 1999, Mrs. Kaya served in various departments of Kartonsan and was appointed as the Human Resources and Quality Systems Manager in 2014.



Güven ŞANLI
Mill Manager
He received his undergraduate degree from İstanbul Technical University, Sakarya Engineering Faculty, Electric-Electronic Engineering Department. Mr. Şanlı, who joined Kartonsan in 1997 as a Measurement and Control Maintenance Engineer, worked in various units at Kartonsan and was appointed as the Mill Manager in 2021.



Atiye S. TUĞTEKİN
Chief Manager of Purchasing
Mrs. Tuğtekin graduated from Hacettepe University Faculty of Social and Administrative Sciences, Department of German Language and Literature, and completed Marmara University Foreign Trade Graduate Program. Mrs. Tuğtekin, who joined Kartonsan in 1977 in the Foreign Trade Department, was appointed as the Purchasing Manager in 2002.



Bülent KORU
Chief Manager of Financial Affairs
Mr. Koru graduated from İstanbul University, Faculty of Economics, Department of Finance and holds the SMMM (Free Accountant and Financial Advisors) certificate. He joined Kartonsan in 2002 as Financial Affairs Manager.



Volkan TURK
Chief Manager of Production
He received his undergraduate degree from İstanbul Technical University, Chemical-Metallurgical Faculty, Chemical Engineering Department. Mr. Turt completed his master's degree in Chemical Engineering at The University of Maine. Mr. Turt joined Kartonsan in 1998 as a Production Engineer and was appointed as Production Manager in 2016.



İhsan DOĞAN
Chief Manager of Technical Division
He graduated from Kocaeli University Mechatronics Engineering. After joining the Kartonsan Management Trainee program in 2010, Mr. Doğan worked in various units of Kartonsan and was appointed as the Technical Division Manager in 2021.



M. Kayhan URAL
Dönkasan Company Manager
He graduated from Mimar Sinan University, Faculty of Arts and Sciences, Department of Sociology. Joining Dönkasan in 2010 as Assistant Sales and Marketing Manager, Mr. Ural worked in various units at Dönkasan and was appointed as Dönkasan Company Manager in 2015.

Strategy and Sustainability Approach

In this section, we summarize external developments, the way we manage trends, our communication with our stakeholders, our priorities during the period, how we manage sustainability issues at Kartonsan and the value we share.



Trends: The World, Turkey and the Sector

CLIMATE CHANGE

The Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report highlights the extraordinary weather events that will occur on Earth if the global temperature rises by 1.5°C above its pre-industrial levels.

Increases in the frequency and duration of heatwaves, water shortages due to regional droughts, irrepressible forest fires and damage to the ecosystem which can reach levels that are difficult to predict.

Another important consequence of climate change is its potential to cause problems that are difficult to manage on a global scale. The consequences of climate change mentioned above will affect billions of people around the planet. These effects could precipitate major migrations in the medium- and long-term and a crisis in the areas of sharing natural resources such as water.

The short-, medium- and long-term physical and transitional risks of climate change and their correct management have taken on tremendous importance. This risk is of intense interest to governments as well as all private sector initiatives and industry branches.

A CARBON NEUTRAL EUROPEAN CONTINENT - THE GREEN DEAL

The European Green Deal and the Carbon Border Adjustment Mechanism announced by the European Commission will affect sectors such as the cement, electricity generation, fertilizer, iron and steel and aluminum sectors in its initial stage.

As one of the European Union's most important trading partners, Turkey is expected to be one of the countries most exposed to the Carbon Border Adjustment Mechanism. However, with EU taxonomy, a classification system that creates a list of environmentally sustainable economic activities, direct investments will be targeted to areas which support a sustainable and low-carbon economy. The legal framework under development will significantly affect not only the countries of the European Union, but also all countries with trading relations with the European Union member states.

Who is IPCC ?

The UN-affiliated IPCC is engaged in activities aimed at providing policymakers with regular scientific assessments of climate change, its impacts and possible future risks, and developing adaptation and improvement options. You can access the evaluation reports published by the IPCC at the link below.

<https://www.ipcc.ch/report/sixth-assessment-report-cycle/>



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AREAS BECOME MAINSTREAM

Investors, creditors and insurance companies are increasingly demanding data on climate risk and how these issues are managed during the decision-making processes.

Several stock markets, including the Borsa Istanbul, have indices based on sustainability criteria. Frameworks and recommendations such as GRI, SASB and TCFD envision integrating environmental, social and corporate governance standards to the companies' reporting. The advanced harmonization required by the investment community indicates that companies will systematically perform calculations and increase their reporting on the climate crisis in the coming period.

THE COATED CARDBOARD INDUSTRY'S CONTRIBUTION TO THE EFFORTS TO TACKLE CLIMATE CHANGE AS A STAKEHOLDER IN THE CIRCULAR ECONOMY

Sector Outlook

While the Covid-19 pandemic increased demand for coated cardboard worldwide, our sector has entered a new era.

Lockdowns introduced in response to the pandemic led to a situation where consumers spent most of their time in isolation, increasing the amount of shopping deliveries. This global trend led to a surge in the need for packaging in many sectors, especially for food and beverages.

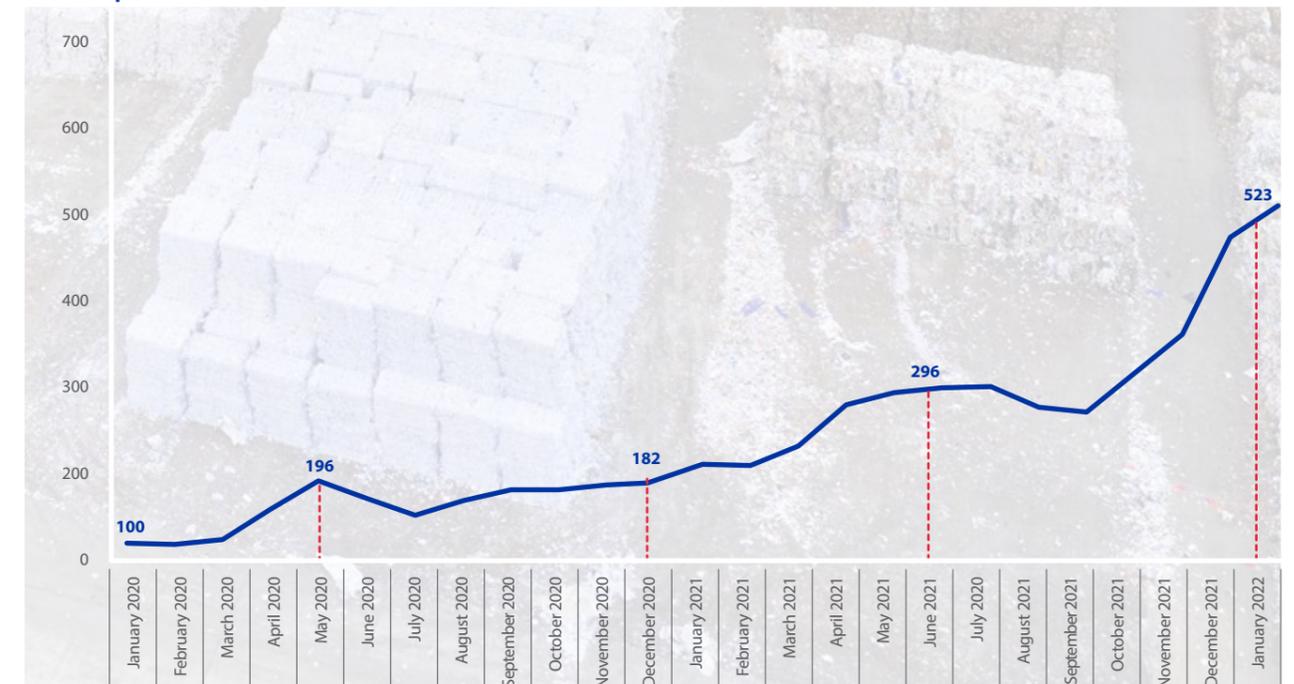
Increase in prices of coated cardboard

After 2020, prices of coated cardboard continued to increase in 2021.

While demand for coated cardboards continues to increase, manufacturers have been affected by the rapid rise in the prices of raw materials and energy needed to manufacture cardboards. These price hikes, which were previously considered to be a temporary situation due to the pandemic, started to become a permanent situation amid a strengthening consensus that high inflation had returned on a global scale.

In 2021, numerous developments have affected the global economy. While climate change was one of the main ones, the star of 2020, Covid-19, began to be replaced by normalization process with the effect of progress in vaccination. As the global economy returned to its growth path, Turkey's economy grew in support of an increase in export and domestic consumption despite fluctuations.

Waste Paper Price Index



Awareness of the environmental impact of individual consumption choices has never been higher! Consumers, businesses and authorities are now making concrete commitments.

In addition to the increase in the cost of natural gas, significant increases were observed in the price of waste paper used in production. The availability of waste paper as a raw material from the domestic market has become difficult; in response to this situation, producers have turned to international markets to meet their waste paper needs.

The imbalance caused by increasing prices of wood pulp and cellulose, and especially waste paper, has also been fueled by an increase in energy costs and volatility in the prices of other raw materials. Covid-19-induced waste paper collection problems, which led to a lack of waste paper supply were among the factors rendering the process difficult.

New trends in European Producers

Manufacturers who are struggling to meet demand and orders globally have had to extend delivery times and revise and increase their product prices. European coated cardboard manufacturers were especially affected by this situation.

After the first year of the pandemic, strong local demand in Far Eastern markets in 2021 led to a significant contraction in exports of coated cardboards from this region. This, combined with distribution challenges in Europe, led to supply-side price hikes.

On the other hand, the plunge in volume of coated cardboards being exported from the Far East to the United States has caused European producers to turn their attention to the profitable U.S. market. This has also led to a significant reduction in the amount of European paper and coated cardboard being exported to Turkey.



ECMA - According to the data shared by EUROPEAN CARTON PROSPECTS 2021;

- In 2020, the European coated cardboard market volume stood at 6.312 million tons with a turnover of EUR 12.2 billion in terms of sales value.
- In the last five years, volumes have grown an average rate of 2.6% with sales-based growth of 1.6%.
- Volumes are projected to post 3.8% growth with sales growing at 3.9% over the next five years.

The importance of logistics

Logistical problems were among the main issues which disrupted world trade and the global economy during the pandemic. Disruption to global logistic flows led to increases in freight prices and difficulty in finding containers; shipments of raw materials and finished products were significantly disrupted.

This development, which has turned into a global crisis for some time, has led to a lack of supply of goods and price increases and was one of the factors behind the rise of global inflation.

The built-up effect of environmentalist trends

The recent climate crisis, with its effects that have been felt increasingly in our daily lives, and the increasing importance placed on sustainability and the environment, have played a role in the rapid increase in demand for recyclable packaging such as coated cardboard instead of non-recyclable packaging such as plastic.

Companies and authorities are taking concrete steps and making commitments during this period of raised awareness for consumer choices and environmental impacts. The benefit of well-designed, efficiently manufactured, properly used and responsibly recycled packaging will contribute greatly to the circular economy and support resource optimization.

Sustainability of waste packaging throughout its lifecycle is very important for the sustainability of the ecosystem. Coated cardboard packaging is part of the solution and has the highest recycling of all packaging materials. Packages made from cardboard with sustainable coated paperboard are also compatible with the United Nations Sustainable Development Goals.

The outlook for Turkey's coated cardboard sector

Our country's coated cardboard sector rounded off 2021 under the influence of global and local market dynamics.

2021 kicked off with less instability and more predictability; however, prices continued to increase in all quarters of the year, due to the increase in input costs for coated cardboards.

Domestic demand has been strong and vigorous throughout the year and participants in the industry have worked tirelessly to meet demand. The decrease in imports of coated cardboards

from the Far East has also been an important development which has shaped the domestic demand structure and opened up new possibilities for domestic production.

Buoyant domestic demand and the significant logistical advantage Turkey offers have pushed producers to provide goods to the domestic market, with a relative increase in export rates.

Another development affecting the domestic market has been the volatility in the last quarter of the year, resulting in the devaluation of the Turkish Lira. The devaluation led to a surge in energy costs for producers, impacting domestic market prices of coated cardboards.

Another development of 2021 was the introduction of new players into the sector.



HOW DO WE MANAGE?

The management of sustainability risks and opportunities at Kartonsan is carried out by the Sustainability Committee, under the supervision of the General Manager.

The Company treats climate-related risks and opportunities as physical and transition-related risks.

Extraordinary weather events, extreme temperatures, drought, increased stress in water resources, national and international new regulations linked to climate change, stakeholder expectations, changes in market expectations with the transition to a low carbon economy and new technologies which improve the environmental footprint of the coated cardboard production cycle are treated as risks and opportunities associated with climate. On the other hand, transitional risks include the climate policies and legislation in place in the countries where production activities are carried out, regulatory changes in countries in which commercial activity is carried out, technological changes, fluctuations in raw material and input prices, changes in consumer preferences and volatility in the financial markets.

The impact of risks and opportunities in these two categories on Kartonsan's operating cycle and performance are discussed within the scope of the joint work carried out by different departments and necessary action plans are developed and implemented by Kartonsan's senior management.

Basic approaches to climate-related risks are defined in the Kartonsan Sustainability Policy. Physical damages and costs due to possible extraordinary weather events, operational greenhouse gas emissions, water and energy consumption are considered and monitored as climate-related issues in Kartonsan.

In 2021, Kartonsan received a limited statement of assurance for Scope 1 greenhouse gas emissions in accordance with ISAE 3410 International Assurance Audit Standard; the emission levels are calculated on an annual basis and reported to the authorities. The relevant statement is included in the appendix section of this report. Kartonsan's goal is to reduce greenhouse gas emissions caused by its operational activities. The Company continues to work in this direction and will share its annual goals with the public in the coming period.

The process which Kartonsan is closely following within the scope of transition risks is the European Green Deal. The risks and opportunities which The European Green Deal may present in the medium term are evaluated and necessary action plans are being drawn up.

On the other hand, the Company handles movements in energy prices with a proactive procurement policy and a short-medium-term planning approach, as well as the changes in prices of waste paper, wood pulp and cellulose, which constitute its most important inputs.

Stakeholder Communication

GRI 102-40, 102-42, 102-43, 102-44

With the distinguished identity of being the “first coated cardboard manufacturer established as a private sector initiative” in Turkey, Kartonsan places importance on its stakeholders and priorities, as they are the key components within the framework of company’s strategy for creating inclusive and sustainable value.

Kartonsan carries out continuous and effective communication and interaction with its stakeholders. This process mainly takes place in the employment, production and trade cycles and on different platforms.

As a company which has attached great importance to maintaining a sustainable dialogue with its stakeholders since its establishment, Kartonsan has received feedback in the following areas:

- identifying strategic priorities,
- establishing policies,
- developing social responsibility projects.

All feedback regarding these issues is considered to be highly valuable and a leading input.

Learning about the issues and expectations that stakeholders consider a priority for Kartonsan also contributes to the company’s management of risks and opportunities.

KARTONSAN’S STAKEHOLDERS

- Investors (including shareholders)
- Customers
- Suppliers
- Employees
- NGOs
- Regulatory authorities

STAKEHOLDER ANALYSIS STUDY

It is important for Kartonsan, as a company reflecting an integrated perspective to its business strategy and business processes, to determine the priority issues in line with the expectations of the stakeholders.

In 2021, Kartonsan decided to carry out stakeholder analysis studies on a regular basis in order to identify its strategy and priority issues in line with the opinions of its stakeholders and in order to share information regarding stakeholder priorities within the scope of its periodic reporting.

The Company aims to carry out stakeholder analysis studies every two years in principle, taking into account its established strategy and business model based on a long-term perspective.

The results of stakeholder analysis studies also form the basis of Kartonsan’s Integrated Annual Report for 2021. Identification of the issues in this report is based on the stakeholder analysis study carried out in August-November 2021.

Qualitative research methods were used in addition to quantitative analysis methods within the scope of the study. In accordance with the AA1000 Stakeholder Participation Standard,

sample groups were identified and surveys, e-meetings and telephone conversations were carried out on electronic platforms with these groups.

In the interviews, open-ended questions were asked to collect information on the perceptions and attitudes of stakeholders regarding Kartonsan, as well as their personal motivations and priorities. The quantitative research section of the stakeholder analysis was conducted through a survey with questions which analyzed stakeholder perceptions towards Kartonsan and their views on sustainability priorities.

In the same context, interviews were held with Kartonsan’s senior management in an e-meeting format.

Gap Analysis

A comprehensive gap analysis was also carried out within the scope of the project. Gap analysis was based on different sustainability indices and indicators such as the UN Sustainable Development Goals (“SDGs”), MSCI, SASB and Borsa İstanbul’s Sustainability Index. The peer group of the study consisted of global manufacturers of coated cardboards.

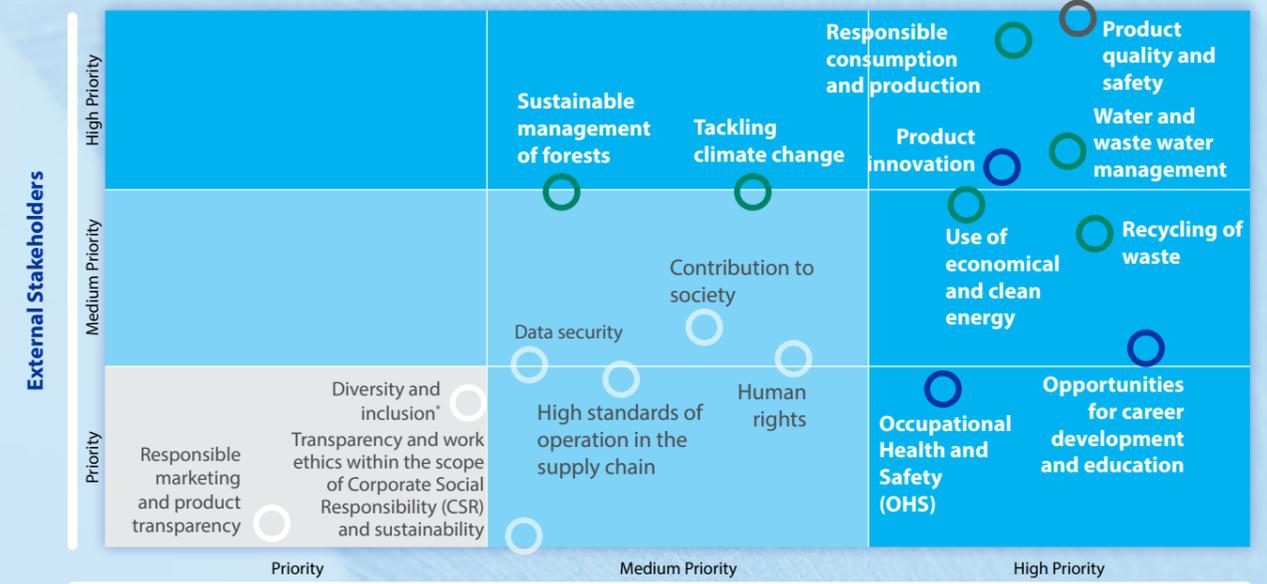
The analysis aimed to identify key areas of focus and also to determine the areas of Kartonsan’s presence through its work in the context of sustainability. The study provided a better understanding of the areas that may be important for the cardboard and packaging sector and therefore an insight into the areas that will also have importance for Kartonsan.

As a result of the studies which were conducted, the priority issues of stakeholders and the Company management were reviewed simultaneously with the outcomes of gap analysis and ranked within the scope of the priorities matrix.



GRI 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 103-1

MATERIALITY MATRIX FOR KARTONSAN AND ITS STAKEHOLDERS



*A structure that embraces people of different ages, genders and backgrounds

The stakeholder analysis carried out for both Kartonsan and its stakeholders found six environmental-themed issues to be high priority, along with a topic on social and administrative matters which was also considered to be of high priority for Kartonsan and its stakeholders.

In addition, career development and training opportunities, along with OHS, as two issues which internal stakeholders considered to be of high priority, were also considered to be of high priority category for Kartonsan, as they are of primary interest to Kartonsan’s human resources and are closely related to the success of the company.

THE CONNECTION BETWEEN HIGH-PRIORITY ISSUES AND ESG MATTERS

ENVIRONMENTAL	<ul style="list-style-type: none"> · Economic and clean energy use · Water and wastewater management · Waste recycling · Responsible consumption and production · Tackling climate change · Sustainable management of forests
SOCIAL	<ul style="list-style-type: none"> · Product Innovation · OHS · Career development and employment opportunities
ADMINISTRATIVE	<ul style="list-style-type: none"> · Product quality and safety

These results are in line with Kartonsan’s mission, as well as its core objectives and strategies. Kartonsan’s identity as a recycling company, contributing to Turkey’s economic development, as well as its mission and activities shaped around this identity are evidently included in company’s priorities.

Career development and opportunities for education, along with OHS, have been among the high priority issues for internal stakeholders. Viewing human resources as the basis of its successful and sustainable performance, Kartonsan’s management confirmed the priority and strategic importance of these issues during its online meetings, where it was stated that increasing employee development and satisfaction through investment in human resources was a key factor in the overall success of the company.

Contributing to society, considered to be one of the most important areas of sustainability, has been one of the medium priority issues. Both internal and external stakeholders attach importance to Kartonsan’s approach to sharing its value with society on a wide-scale. After all, Kartonsan is a member of society. Data security, human rights, high work standards in the supply chain, transparency and business ethics within the scope of corporate social responsibility and sustainability strategies are issues of moderate importance for internal stakeholders. On the other hand, both internal and external stakeholders prioritize diversity and inclusion on the social context equally with responsible marketing and product transparency under the topic of governance.

Stakeholder Communication

GRI 102-12, 102-40, 102-42, 102-43, 102-44, 102-46, 102-47, 103-1

REFLECTION OF HIGH PRIORITY AREAS IN THE INTEGRATED REPORT

The table presented below covers the high-priority issues identified as an outcome of the stakeholder analysis study and indicates issues of high priority to various stakeholders. It also outlines the relationship between high-priority issues and Kartonsan's strategies. The table also outlines the services provided as an outcome of the company's performance.

High Priority Issue	Relevant Stakeholders (Internal/External)	Prioritization Strategy	SDG	The Relevant Section of the Report
Product quality and safety	Internal and external stakeholders	Product quality and safety is an indispensable and constant target for Kartonsan and is the guarantee of sustainability in customer and end user satisfaction. This priority plays a key role at the other end of the cycle as one of the determinants of operational and financial performance.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS
Economical and clean energy use	Internal and external stakeholders	The use of economic and clean energy in the production process is important in terms of the contribution to tackling climate change. Kartonsan carries out energy management to ISO50001 standards. The Company aims to improve energy efficiency in the production process and optimize energy use in production.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Water and waste water management	Internal and external stakeholders	Management of wastewater, one of the main inputs in the process of coated cardboard manufacturing, is among the high-priority issues. Kartonsan has performed successfully in this field with its projects carried out under the support of R&D and engineering activities. Kartonsan's strategic goal is to reduce the use of water within the scope of natural resource consumption to the lowest possible level and to further improve wastewater acquisition with new investments.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Waste recycling	Internal and external stakeholders	Kartonsan documented its waste management with the zero waste certificate and considers itself as a recycling company. The company contributes significantly to the circular economy by using waste paper for 91% of its production. Kartonsan's waste management approach initially involves reducing waste at the source and then disposing of wastes where are not suitable for recycling, and then recycling at a later stage.	 	OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Responsible consumption and production	Internal and external stakeholders	To serve a sustainable world both in terms of its production cycle and its raw materials, and therefore support and enhance responsible and conscious consumption, is a strategic goal for Kartonsan.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS
Tackling climate change	External stakeholders	Kartonsan carries out activities aimed at keeping the possible negative impact of the production cycle on the natural environment to a minimum. With this systematic approach and relevant investments, the company continuously improves its environmental performance and embodies its contribution to combat climate change on a global scale.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS

High Priority Issue	Relevant Stakeholders (Internal/External)	Prioritization Strategy	SDG	The Relevant Section of the Report
Sustainable management of forests	External Stakeholders	Kartonsan contributes significantly to protecting the world's forests by limiting its use of cellulose and wood pulp. Kartonsan procures cellulose raw material used in production from FSC certified sustainable sources. The Company's goal is to evaluate alternative raw materials which will reduce the use of forestry products for each ton of production in the coming period.		KARTONSAN AND THE ENVIRONMENT
Product innovation	Internal and external stakeholders	Kartonsan defines product innovation as another important component of its sustainable performance. When the company's brand value and long-term value generation strength are taken into consideration, also in terms of human health, product innovation aims to develop and produce coated cardboard types which fully meet the requirements of changing global and local regulations.		OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS
OHS	Internal Stakeholders	OHS is an essential priority and one of Kartonsan's basic commitments to its employees. Kartonsan carries out all of its activities under the ISO45001 standard and carries out its multi-faceted studies towards the target of zero accidents.		OCCUPATIONAL HEALTH AND SAFETY AT KARTONSAN
Career development and employment opportunities	Internal Stakeholders	The actual state of technical and professional competencies of its employees is a priority issue for Kartonsan. The Company implements in-house training and training programs to increase the competencies and skills of its employees.		KARTONSAN AND HUMAN RESOURCES
<p>In addition to its high-priority issues, Kartonsan produces and shares direct and indirect economic value for the Turkish economy, shareholders and investors, employees and other stakeholders with its economic performance.</p> <p>This value is also reflected in Kartonsan's contribution to eight SDGs.</p>				<p>OVERALL REVIEW OF THE YEAR 2021 AND ACHIEVEMENTS</p> <p>CORPORATE SOCIAL RESPONSIBILITY</p>

OTHER MATERIAL AREAS

Progress in areas noted within the materiality matrix, excluded from the high priority areas, include:

- Contribution to society,
- Human rights,
- Data security,
- Providing a high standard of work in the supply chain,

- Transparency and business ethics within the scope of corporate social responsibility and the sustainability strategy,
- Diversity and inclusion (a structure that embraces people of different ages, genders and backgrounds),
- Responsible marketing and product transparency.

These topics are included within the relevant sections of the report.

Corporate Governance in Kartonsan

Corporate governance is a disciplined, law-abiding process that involves the contribution of all Kartonsan employees and covers the entire Company's practices.

STRUCTURING OF CORPORATE GOVERNANCE

Kartonsan carries out its activities with the highest adherence to the standards of transparency, accountability, fairness and responsibility.

Kartonsan believes that sustainable success is built as a result of trust-based cooperation between stakeholders. Corporate governance, on the other hand, encourages active cooperation between stakeholders and involves teamwork, which is the main element of competitiveness.

Corporate governance at Kartonsan is structured according to the Corporate Governance Principles determined by the Capital Markets Board (CMB). Kartonsan's unwavering goal is to ensure full compliance with these principles, to maintain them and to continuously improve the relevant practices.

The Board of Directors at Kartonsan and its senior management team lead and guide the company in corporate governance.

The Board of Directors consists of a total of 11 members, two of whom fully meet the independence criteria set out by the CMB. The other nine members of the Board of Directors are members who do not take part in the implementation, in accordance with the definitions published by the CMB. The duties of Chairman of the Board of Directors and General Manager are performed by different persons. The General Manager, who is also a member of the Board of Directors, also serves as the head of the executive.

Two women were members of the Board of Directors during the reporting period.

Within the scope of its commitment to generate value for shareholders, investors and other stakeholders, Kartonsan has developed and implemented corporate governance policies, principles and practices. Corporate governance activities carried out in the Company under the direction of the Board of Directors are aimed at:

- the development of risk,
- compliance and ethical cultures,
- the establishment and approval of strategies,
- setting targets,
- ensuring their implementation, and identifying and eliminating risks that may affect the business.

Corporate governance is the assurance of corporate success in fluctuating economic conditions. In line with the changing legal framework and developing market conditions, the Board of Directors at Kartonsan regularly reviews and updates corporate governance practices, focusing on the best ways to protect and represent the interests of its shareholders and stakeholders.

In accordance with the provisions of both the Turkish Commercial Code and the Declarations on the Determination and Implementation of the Corporate Governance Principles of the CMB, an Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee and Sustainability Committee were established to enable the company's Board of Directors to fully fulfill their duties and responsibilities. The Corporate Governance Committee, Nomination Committee and the Remuneration Committee also perform duties in accordance with the CMB declarations.

All members of the Audit Committee are elected from among independent members. The chairing duties of the Corporate Governance and Early Detection of Risk Committees are also performed by independent members.

Detailed information on the committees can be found under the section of ADDITIONAL INFORMATION AND CONSIDERATIONS THAT SHOULD BE DISCLOSED IN LINE WITH LEGISLATION section of the report.

COMPLIANCE WITH THE LAW AND ETHICAL RULES

Kartonsan places utmost importance on complying with the laws and ethical standards

Kartonsan considers adhering to the rules of law and ethical values in production, trade and employment cycles; a work culture based on trust; producing high-quality, accurate and reliable results; and respecting nature and the environment as essential elements of its corporate culture.

During the reporting period, no reports were made to the Company through the relevant channels regarding codes of conduct, human rights violations or cases of corruption. No lawsuits were filed against Kartonsan in these matters during the reporting period.

SUSTAINABILITY MANAGEMENT AT KARTONSAN

Decisions at Kartonsan regarding sustainability, based on principles, are taken by the Board of Directors. In its daily practice, sustainability-related issues and projects are carried out by the Sustainability Committee which consists of nine members within the scope of company's structure.

The environmental, social and governance issues related to the impact of Kartonsan's activities on sustainability and the expectations of stakeholders in these areas are identified periodically by evaluating them with a risk and opportunity-oriented approach. The findings identified during the evaluation process and the projects approved by the company management are implemented by teams established with the active participation of the relevant departments. The competencies required by the relevant projects are acquired in the teams created and the company receives consultancy and similar services from external providers when necessary.

KARTONSAN'S SUSTAINABILITY COMMITTEE

Duties

Identifying and developing Kartonsan's corporate sustainability strategies, evaluating the alignment between the SDGs and Kartonsan's strategies and ensuring the determination of important variables and follow-up parameters within the scope of sustainability are among the main tasks of the Committee. The Committee also carries out and concludes the preparation of the annual Integrated Annual Report, thus fulfilling the requirements of CMB regulations.

Structure

The Sustainability Committee consists of at least one board member (the Chairman), departmental managers and factory managers. Kartonsan's Human Resources and Quality Systems Manager provides coordination with the internal organization and manages the process of working with a consultant.

The Committee may set up sub-committees to support the work if needed. At the same time, consultancy and support services may be sought from competent third parties in areas such as technical reporting, calculations, consultancy and verification.

Regular meeting times

The committee convenes at least once every three months to evaluate and review the current situation.

At Kartonsan, decisions regarding sustainability, based on principles, are taken by the Board of Directors.

In its daily operation, sustainability-related issues and projects are carried out by the Sustainability Committee, which consists of nine members within the scope of the Company's structure.

Highlights from Kartonsan's 2021 Management Performance

Number of members in Board of Directors	11
Independent Board Members and their ratio	2 (18% of the total)
Number of female members in the Board of Directors	2
Chairman of the Board and General Manager	They are the same person.
Number of meetings held by the Board of Directors	23
Approximate participation rate to the Board Meetings	96.65%
Number of committees affiliated to the Board of Directors	3 (Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee). The activities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
Total number of decisions taken by the Board of Directors	23
The rate of participation by shareholders in the Annual General Meeting*	79.17%

* Information gathered during the Annual General Meeting held on 30 March 2021.

Our Aim

To strengthen the ability to produce and share value in the long term by accepting sustainability as a mission



Our Sustainability Strategy is the tool that guides us towards achieving our Sustainability Goal by transforming our objectives into action.

The strategy is based on our sustainability framework and is in line with our corporate objectives.

In addition, Kartonsan's activities of acting as a responsible corporate citizen are related to and associated with the UN's Sustainable Development Goals.

Within the scope of our operating cycle, we analyze global and local sustainability trends and identify potential risks and opportunities arising from these trends.

We then explore issues that are likely to impact our Sustainability Strategy and plans and update our risk management actions accordingly.

Through Kartonsan's sustainability plan, we have identified three strategic foundations to strengthen our long-term competencies and performance.

- Developing sustainable and skilled human capital,
- Implementing sustainable and ESG-oriented value chain management practices,
- To manage the environmental impact and to lead in the field of environmental protection whilst serving an example.

The facilitating actions of our strategic foundations are;

- Strengthening proper corporate governance and a conscious business culture
- Integrating and developing the best sustainability practices in Kartonsan's operating cycle.

Value Generation Model

GRI 203-1, 203-2, 204-1

With its production power, healthy financial structure and high-quality standards, Kartonsan's Value Generation Model serves the focus of producing and sharing benefits as a reputable corporate citizen with a strong industrial facility, which sets an example with its operations.

Kartonsan supports its growth through its sustainability performance within the scope of its sustainability approach and focuses on achieving a stronger position in all fields of activity whilst generating value for all its stakeholders.

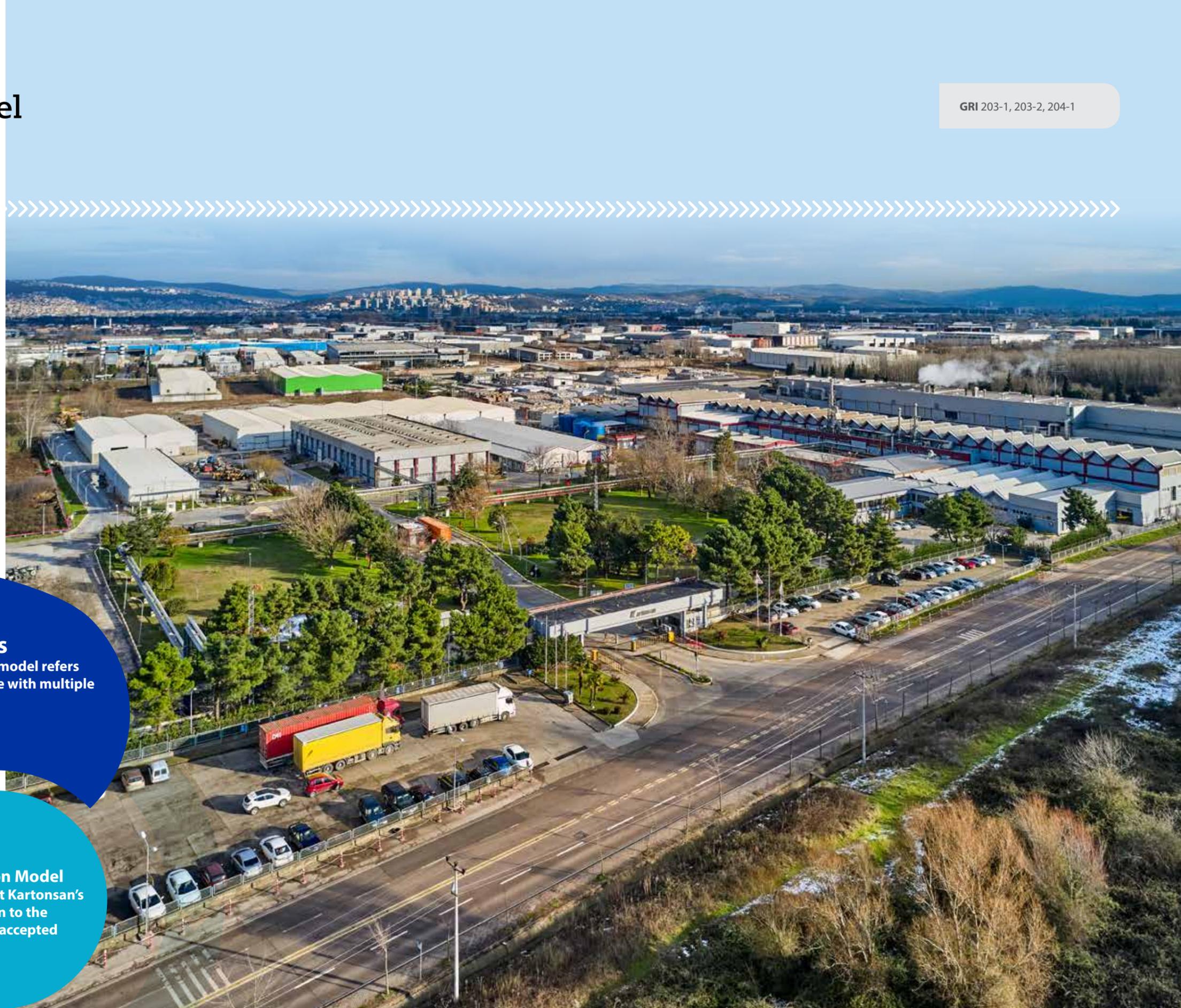
The Value Generation Model has been structured in line with Kartonsan's strategy, using its capital elements, competencies and production power on an optimal scale, and managing the business cycle with an approach focused on efficiency.

Kartonsan's value generation model revolves around an endless cycle with multiple stakeholders. Within the scope of the same model, the company internalizes change in the global and national business environment as well as mega trends whilst implementing the necessary breakthroughs in order to be at the forefront of the competition.

The outputs of the Value Generation Model are delivered to all of Kartonsan's stakeholders, working to the key goal of ensuring optimal use of natural resources at every possible aspect.

Kartonsan's value generation model refers to an endless cycle with multiple stakeholders.

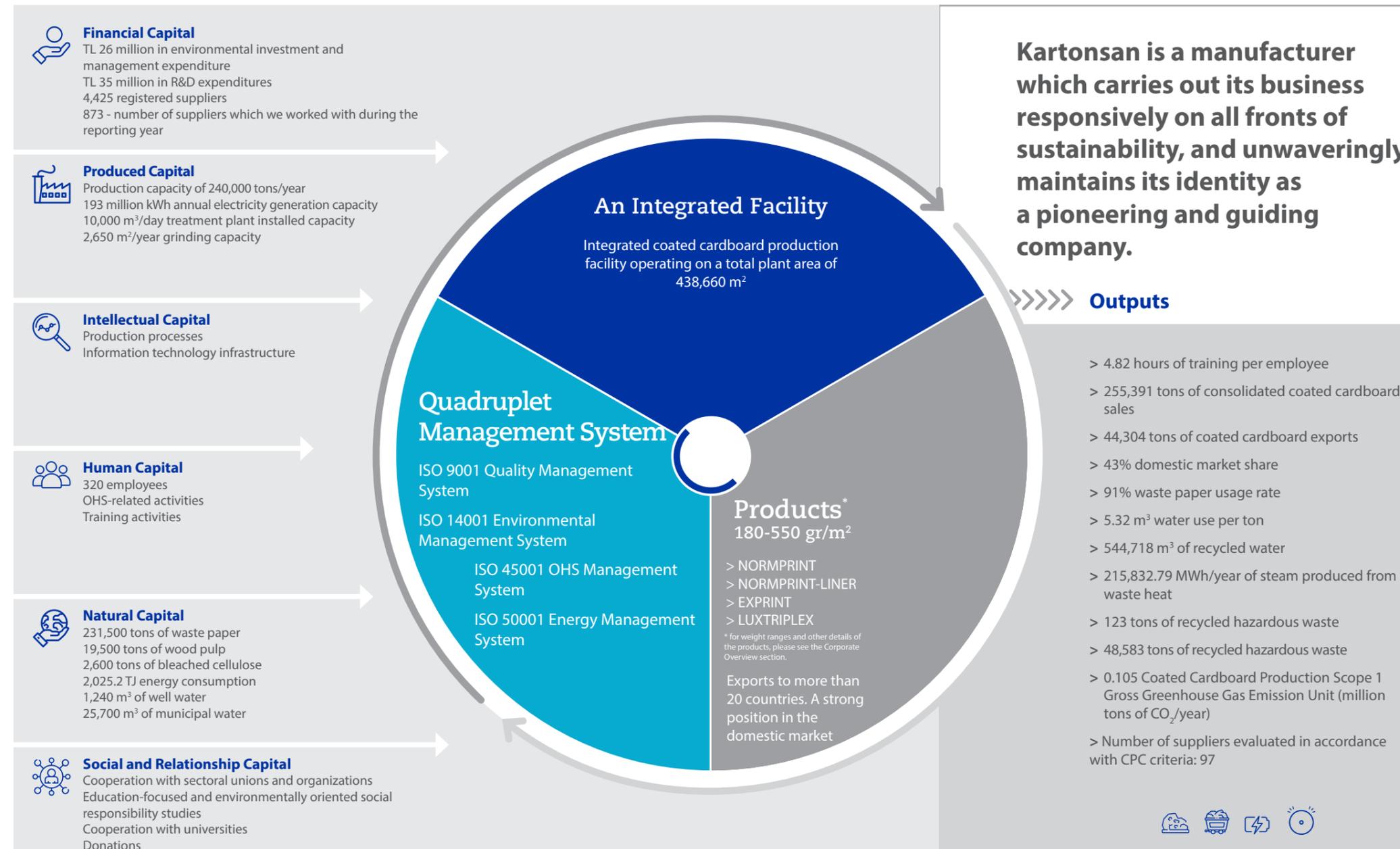
The Value Generation Model also sets out Kartonsan's contribution to the universally accepted SDGs



Kartonsan's Business Model

Waste paper comprises 91% of coated cardboards in their production at Kartonsan, placing Kartonsan in the position of being a recycling company. It provides low carbon-containing alternatives to products based on natural resources limited to the coated cardboard it produces.

Inputs



Kartonsan is a manufacturer which carries out its business responsibly on all fronts of sustainability, and unwaveringly maintains its identity as a pioneering and guiding company.

GRI 102-7, 103-2, 103-3, 201-1, 203-1, 203-2, 204-1, 301-2

OUR CONTRIBUTION TO SGDs



Outcomes

Financial Capital

- Net sales of TL 1,589 million
- TL 1,173 million in supply chain expenditure
- TL 182 million in tax payments
- TL 55 million in dividends paid to shareholders
- TL 495 million in EBITDA

Produced Capital

- 230,926 tons of coated cardboard produced
- Projects and investments initiated to enhance efficiency within the production cycle
- Investments undertaken in IT

Intellectual Capital

- Projects implemented in cooperation with universities
- Research and Development efforts
- Product development initiatives
- Cooperation with the public and private sector

Human Capital

- TL 32 million in salary payments paid to employees
- A capable and experienced organization

Natural Capital

- Net climate impact caused by greenhouse gas emissions
- Contribution provided by recovery of waste
- Climate impact throughout the value chain

Social and Relationship Capital

- Kartonsan was involved in people's lives with its products in 22 different countries
- Cooperation with ECMA and CEPI abroad; cooperation with KASAD and Foundation of Cellulose and Paper Industry in Turkey

Kartonsan describes how the Value Generation Foundation generates value using different forms of capital in accordance with the Integrated Reporting Framework in the above diagram.



For more <https://www.kartonsan.com.tr/en/>

Performance

In this section, we share information about how we evaluate our capital elements, the added value that we generate, how we manage our investments, our contribution to our employees, and our impact on the environment within the framework of the Kartonsan Business Model in 2021.



Overall Review of the Year 2021 and Achievements



IN SUMMARY

Despite the changing domestic and international market conditions, Kartonsan focused on maximizing its production capacity in 2021, responding to the demands of both domestic and foreign markets throughout the year, and continued to offer the consumer high quality and environmentally friendly coated cardboard.

Producing the best financial and operational results of the last period, Kartonsan left behind its 54th operating year as an efficient and profitable company. Responding proactively to market conditions, the Company correctly evaluated business opportunities with its strong financial structure and ideally balanced production-marketing-sales strategy.

WE GENERATED STRONG RESULTS BY CORRECTLY USING OUR FINANCIAL CAPITAL.

In 2021, an increase in demand and a rise in prices were observed in the domestic market.

Remote access shopping, which gained momentum with the Covid-19 pandemic, has greatly increased the demand for coated cardboard. On the other hand, the amount of imported cardboard from Europe and the Far East entering the Turkish market in 2021 has decreased significantly.

Kartonsan has worked hard to respond to the rapidly increasing domestic demand and to offer uninterrupted products to its customers with whom it has been in contact for many years. With a strategic choice, some of the coated cardboard produced for exports was shifted to the domestic market, and the product stock was managed at historically low levels throughout the year.

Kartonsan managed both its raw material supply and logistics needs with a prudent and planned approach that would not cause any disruption in production and trade cycles in 2021, when global challenges were observed in the logistics and supply chain.

On the other hand, in 2021, significant price increases were experienced in production inputs, along with the rise in the cost of natural gas, Kartonsan's main energy source, significant increases were observed in the price of waste paper used in production. Availability of waste paper as raw material from the domestic market has become more difficult. In the face of this situation, Kartonsan has turned to the supply of waste paper from international markets in line with its needs.

Strong financial performance

Kartonsan is positioned as a strong manufacturer and a well-established industrial company, meeting the need for coated cardboard in the Turkish market with a market share of 43% in 2021.

In 2021, Kartonsan's gross production was 230,926 tons, while its total consolidated coated cardboard sales were 255,391 thousand tons, and its consolidated sales revenue was 1,589 million TL. While there was a 77% increase in total sales tonnage compared to 2020, 2021 was crowned with the highest domestic market sales volume of all time.

Kartonsan has followed a rational pricing strategy that manages competitive conditions, protects its customers with a win-win approach, and supports the sustainability of domestic production. Thanks to this approach, which contributes to customer satisfaction, Kartonsan met the demand of the domestic market on time throughout the year.

Kartonsan delivered a total of 211 thousand tons of consolidated coated cardboard to the domestic market in 2021 (197 thousand tons in 2020), while its total sales tonnage increased by 14 thousand tons compared to 2020.

With its performance in 2021, Kartonsan continued to test its durability, agility and strategic advantages under extraordinary conditions. The Company successfully passed this test, confirmed its ability to create long-term added value with its recorded financial and operational performance, and strengthened its financial capital.

On the other hand, Kartonsan also achieved gains in terms of operational efficiency, customer and employee satisfaction. Kartonsan displayed a strong performance in many areas from machine efficiency to stock management; recorded the highest daily, monthly and annual production amounts of recent times. The Company once again confirmed its operational strength by recording the lowest unintentional downtime and specific energy consumption of all time in 2021.

Sustainable export performance

In the conduct of its export operations, Kartonsan's strategic goal is to be a supplier with an enduring market presence who enters into long-term relationships with customers.

2021 was a period that marked Kartonsan's ability to continue operating under all market conditions. In the presence of decreasing restrictions in the second year of the pandemic, the negativities in the transportation process have relatively disappeared.

Overall Review of the Year 2021 and Achievements

Being one of Europe's leading coated cardboard manufacturers, Kartonsan realized USD 24.4 million coated cardboard exports in 2021.

Exporting its products to more than 20 countries in three continents, the countries where Kartonsan had highest share in 2021 were Bulgaria, Greece, Spain, Portugal, Israel, Romania and Egypt.

WE CONTINUED OUR OPERATIONS THAT CONTRIBUTED TO OUR SOCIAL AND RELATIONSHIP CAPITAL

Long-term partnerships approach

Kartonsan's essential target in export markets is to develop long-term business relations with cardboard packaging producer printing houses and to become the permanent supplier of these printing houses. Kartonsan develops distinctive solutions to meet its customers' needs without compromising its high quality and effective service approach in accordance with this export strategy.

Kartonsan will continue to develop its export performance in 2021 and will concentrate its efforts on increasing its sales in particularly larger markets of Europe. Kartonsan is focused on making the greatest possible benefit from the anticipated economic recovery in the post-pandemic period. In this respect, the Company will continue down the road being prudent, cautious, resilient against fluctuations in the market and with a strong competitive edge, following its export strategy.

Contribution to Customer Satisfaction with Sales Facilitation

One of Kartonsan's priorities is to meet domestic and international customer requests who are regular users of its products, on a timely basis. Caring about satisfaction of customers which constitute one of the main stakeholder groups, Kartonsan protects and develops these relationships under all circumstances and is focused on building long-term and sustainable business relations.

With practices implemented recently, Kartonsan offers less production time to customers enabling them to make shorter term planning. Advantageous terms in delivery and payments were provided for customers in the volatile market conditions of 2021, additional facilities were offered and no concessions were made for customer satisfaction.

Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales in 2021.

Wide Area of Use and Influence of Our Products

Kartonsan meets the packaging needs of many different industries with its wide product portfolio made of recycled paper, which is called "duplex (GD)" and "triplex (GT)" in the industry. Developed in line with market demands and customer expectations, Kartonsan products are widely used in various areas of daily life.

The suitability of Kartonsan coated cardboard for packaging foodstuffs has been approved by the Ministry of Food, Agriculture and Livestock. On the other hand, the compliance of the coated cardboard produced by Kartonsan with the BfR (German Risk Assessment Institute) norms in packaging that comes into direct contact with dry foods has been documented by the reports of independent international analysis institutions.

With a focus on sustainability, Kartonsan closely monitors the new legislation on products. In the EU, it will become a legal requirement that the mineral oil transfer of packaging cartons in contact with food be within certain limits. Kartonsan continues its work in this direction.

Putting customer satisfaction at the center of all its activities, Kartonsan attaches importance to establishing long-term and sustainable business relationships with its customers. Kartonsan will continue to respond to customer demands and diversify its product portfolio in the light of current needs and expectations.

E-Sales Channel

In parallel with the increasing digitalization, remote shopping has become increasingly important in B2B commerce. Kartonsan continued to update and develop its electronic service infrastructure in 2021 in order to provide better and faster service to its customers. Accessed via the Kartonsan website, the "E-Sales" application offers customers the opportunity to make secure transactions with a credit card and to send their orders over the Internet with the password sent to their mobile phones. As of the end of 2021, Kartonsan has received more than 10 thousand tons of coated cardboard

Normprint was the most preferred coated cardboard of Kartonsan while Exprint and Luxtriplex were the runners up.

Kartonsan's products are mostly used in food packaging.

Caring about satisfaction of customers which constitute one of the main stakeholder groups, Kartonsan protects and develops these relationships under all circumstances and is focused on building long-term and sustainable business relations.

orders from the E-Sales channel opened to all domestic market customers. Kartonsan expects an increase in the use of its E-Sales channel in the upcoming period, when digitalization will increase even more.

The Most Preferred Product of Kartonsan: Normprint.

Diversifying itself in the market with its innovative and high quality product range, Kartonsan always offers its customers the best and the highest quality products under all circumstances.

The Company regards R&D as a way to achieve its constant goal of offering sustainable and innovative products and carries out all projects with a mindfulness for efficiency, effectiveness, customer satisfaction, and profitability. Among Kartonsan products, Normprint, once again, was the most preferred coated cardboard in 2021 while Exprint and Luxtriplex were the runners up. Kartonsan's products are mainly used in the packaging of food products. In addition, pharmaceuticals, detergents, perfumery, textiles, corrugated lamination, book and notebook cases, glassware and small electrical goods packaging are other areas where Kartonsan products are used. Kartonsan will continue to develop its product range in the coming period in light of the developments in market demand conditions.

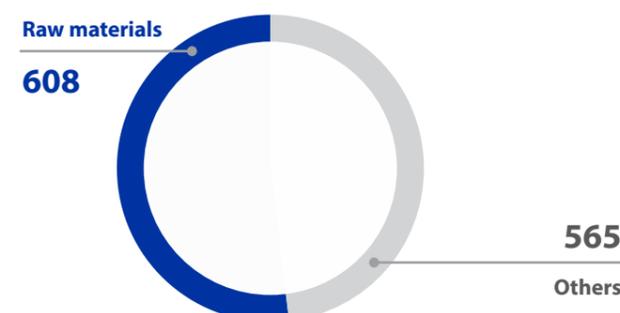
We develop our relations with our suppliers within the scope of mutual respect and ethical values.

Kartonsan has an extensive supply chain. Kartonsan's suppliers, which form an important part of its value chain, have a commercial relationship with the Company in a range of products and services ranging from raw materials to chemicals and daily consumables needed by office spaces.

Highlights from Kartonsan Supply Chain

Number of registered suppliers of Kartonsan	4,425
Number of suppliers worked in 2021	873
General purchase amount for 2021	TL 1,173,195,578
Amount of projects for 2021	TL 107,483,412

Breakdown of expenditures on suppliers in 2021 (TL million)



Successful Procurement Works Performed in the Special Conditions of 2021

The Covid-19 global epidemic, which started in 2020, continued its impact in 2021 in terms of social life and business practices relatively. Kartonsan, while maintaining its relations with its suppliers remotely during this difficult period, added new suppliers to its supply chain.

The global revival in 2021 supported the increase in demand for coated cardboard, and accordingly, there was a strong demand for waste paper, wood pulp and cellulose required to produce coated cardboard.

Thanks to its strong and well-established supplier relationships, Kartonsan has made all of its basic input purchases on time and under the best possible conditions. This supported the optimal management of raw material stocks and the uninterrupted operation of the production cycle.

The Company conducts evaluation studies in order to minimize supply risks. In 2021, 97 suppliers were evaluated according to various criteria.

In accordance with its procurement policies, Kartonsan did not make any purchases from a disputed region in 2021. On the other hand, Kartonsan has not received any official information that any of its suppliers are party to a legal sanction on ESG issues in 2021.

WE PROVIDED VALUABLE GAINS IN OUR PRODUCED CAPITAL DURING 2021.

Efficiency at Kartonsan

Kartonsan realized a gross production of 230,926 tons in 2021. This level is the highest production tonnage reached in Kartonsan's history.

Production availability of BM1 and BM2 stood at 97% and 92% respectively.

We consider our investments as an important driving force of our sustainability strategy.

Kartonsan continued to create value in 2021 with its investments focused on overall efficiency, product quality, improving environmental footprint, industry 4.0, improving waste quality, energy efficiency and OHS. Our total investment expenditure, which supports our corporate targets and contributes to our generated capital, has reached TL 72 million.

Highlights from Investment Activities Completed in 2021

Compactor Installation of Line 14

Compactor equipment has been added to the pulper and twinpulper solid waste removal system. With the system, the water removal process has been improved and savings have been achieved in the total amount of solid waste.

Installation of BM2 Mist Removal System and Installation of On-Line Monitoring System

The mist formed in the BM2 wet area process and the water particles coming out of the fountains were removed from the environment, the life of the equipment in the area was extended and the environment was cleaned. Thus, the falling of dough on the cardboard is minimized and the production losses due to this reason are prevented. In addition to this, an on-line system has been put into use where we can monitor the efficiency of the system.

Upgrading the Vacuum System with the Installation of Turbo Blower to BM2

By installing a turbo blower instead of the 10 vacuum pumps in our BM2 machine, the optimization of the vacuum system has been made easier and approximately 400 kWh of energy has been saved.

Transfer project of BM1 & BM2 Coating Units from PLC to DCS (S5 to DCS)

The old automation system, which has completed its economic life, has been renewed and integrated into the existing DCS system, and facilitation has been provided in fault detection, fault response and on-line monitoring of the system.

BM1 QCS Frame+Dilution Renewal and BM2 QCS+DCS Upgrade

The quality control system, which provides on-line monitoring of product quality, has been improved and updated in both machines. It has allowed to increase customer satisfaction and product quality.

Installation of Archive and Transformer Fire Extinguishing Systems and Montage of BM1 & BM2 Diesel Fire Pumps

Improvements were made in firefighting in various parts of the factory, and security measures were increased.

SY35 Revision

Our cutter used for sizing was revised and our cutting capacity was increased by around 40%. In addition, the risk of receiving customer complaints due to size difference has been eliminated.

Setup of a New Pallet Wrapping Line

A completely new line was installed instead of the old line that had completed its economic life, and customer satisfaction was improved by increasing the packaging quality. In addition, the handling capacity was increased by 150%. A plastic strapping

unit was installed instead of steel strapping, thus minimizing the risk in terms of occupational safety. In addition, cardboard angles were used instead of wooden covers in exported bales, resulting in a cost advantage.

Cooling of BM2 Electrical Rooms with Chiller System

Since we could not get enough efficiency from the cooling system working with the VRF system due to our production process, we switched to a water-cooled system and improvements were made in the air conditioning of the electrical rooms. Production losses due to the negative situation in the past due to the conditioning of the electrical rooms have been prevented.

Significant Gains in Energy Efficiency

Maintenance optimization and vacuum improvements realized within the scope of 2021 investments in BM1 and especially in BM2 provided significant and rapid savings in terms of energy efficiency.

Another improvement was noted in the detection of air leaks in pneumatic systems. Air generation is among the most costly subjects of industries. With the investment made, spot detections and rapid improvements were started by means of ultrasonic sensors.

In 2022

Works aiming to meet the differing needs of customers and employees in changing conditions, to improve the quality of the product and service range, and to increase efficiency will continue in 2022 as well. Continuous modernization of the Kartonsan Factory, investments to increase the technological level, and feasibility studies will also contribute to the optimization of our environmental footprint.

Highlights from the Investment Activities Targeted to be Completed in 2022

Procurement of BM1 Mist Removal System

By installing the BM1 wet part mist absorber system, the equipment in the environment will be protected and production losses due to dough drops will be prevented.

BM1 and BM2 Steam System Overhaul

Software improvements will be provided along with hardware improvements in BM1 and BM2. With the investment, it is aimed to increase the efficiency of the system and to acquire gains in energy efficiency.

Electromechanical Tail Cutter Procurement for BM1 Pre-Coating and Equalization

The way of working, which is risky in terms of occupational safety during cardboard binding, will be replaced with a system that can cut automatically.

Improvement of BM2 Press Tension Regulating System

The old system, which has completed its economic life and caused production loss due to malfunctions, will be replaced with a new and more technological system.

Decanter Procurement for Purification

With the additional decanter to be purchased at the Kartonsan Treatment Plant, the dewatering capacity will be increased and profits will be gained in solid waste disposal.

Procurement of a Round Griddle for BM1

A spare round griddle will be purchased in order to intervene quickly in the continuity of production. With the investment, it is aimed to prevent production losses and poor quality product costs.

New Cutter Procurement

It is aimed to plan the dimension orders in accordance with the delivery dates and to increase the cutting quality.

Renewal of BM1 Line 113 - BM2 Line 13 Conveyors

With the renewal of pulper feeding conveyors that have completed their economic life, it is aimed to prevent production losses due to malfunctions.

Fire Detection and Fire Response

- Buying 3 remote controlled fire water cannons
- BM1-BM2 machine subfloor fire detection lines replacement
- Sprinkler system procurement for BM1 drying rollers bearing housings
- Installation of fire extinction system into the System Room

Improvements will be made in early fire detection and fire response at different points of the Kartonsan Factory, and security measures will be increased.

Maintenance optimization and vacuum improvements realized within the scope of 2021 investments in BM1 and especially in BM2 provided significant and rapid savings in terms of energy efficiency.



Highlights from the Project Feasibility Studies Targeted to be Completed in 2022

BM1 - BM2 Hall Ventilation System Procurement

Preliminary studies will be carried out to improve the working conditions of the environment by removing the hot air and odor in the halls where the BM1 and BM2 lines are located.

Raw Water MBR System Improvement Project

A general improvement work will be carried out to eliminate the negativities in the system they feed by bringing the water systems used at different points of the Kartonsan Factory to the desired values.

Procurement of BM2 WEB Inspection & Monitoring System

Work will be started on the commissioning of a camera system, which monitors the manufactured products on-line, warns the operators against possible production errors, can mark and displays the live production status. With the investment, it is also aimed to identify products with potential for complaints before they are sent to the customer.

BM2 Curtain Coater Coating Station Procurement

With the station montage that will increase the coating quality, works on customer satisfaction will be carried out, and a serious improvement will be achieved in the costs of poor quality products.

Solid Waste System Improvement Project

Efforts will be made to reduce the total amount of the solid wastes sent to disposal through dewatering and drying processes. Thus, the disposal cost, which is one of our serious cost items, will be saved.

BM1 & BM2 Low Vacuum System Improvement Project

Instead of low vacuum systems that have completed their economic life, system improvement works will be carried out in terms of energy efficiency and which we believe will reduce the frequency of maintenance.

Improvements and Developments in Production Services

Production services, which are the intersection points of all functions at Kartonsan, are an important area where customer expectations are met and reflected in production. The Company recently restructured itself in order to increase the efficiency of its production services and added many new software to its processes.

Thus, a valuable gain has been added to the produced capital in order to manage the entire cycle from input to output much more effectively.

2021 audits and updates for our integrated management system have been completed.

The management systems in practice at Kartonsan are structured under the Integrated Management System, which offers a holistic framework.

These systems, which are activators of produced capital, continuously contribute to Kartonsan's performance by working in an integrated manner in line with common goals and policies; supports the sustainability of the production and trade cycle.

Coated cardboard production is carried out with a methodology in which quality, procurement, production, human resources, sales processes management systems are handled and managed holistically. All production processes and management activities of Kartonsan are carried out within the scope of the Integrated Management System, which offers a platform that can be defined, measured, monitored, analyzed and developed. The Company continues its projects and investments in a versatile and systematic way to maintain this system up to date and takes appropriate steps in line with global trends.

Kartonsan also performs internal audits, which are required by management systems, and evaluates the findings and implements corrective actions.



Kartonsan's Integrated Management System



Kartonsan's Integrated Management System consists of four management systems.

To ensure the continuity of Kartonsan's Integrated Management System, re-certification audits of standards-compliance are conducted regularly and action is taken accordingly.

In 2021, systematic audits and implementations of the Integrated Management System continued, and ISO 45001, ISO 50001, ISO 9001 and ISO 14001 audits were carried out by Bureau Veritas. Kartonsan successfully passed these three elements of its integrated management system.

FSC-CoC certification

Within the scope of protection and development of forested land, Kartonsan met its obligations on the FSC-CoCTM certification it holds since 2011. It has passed the audit performed in 2021 and received the accreditation for the new period. Kartonsan purchases cellulose used in production from sustainable sources holding FSC certificates.

Covid-19 safe production certificate

Kartonsan's Covid-19 safe production certificate, which was obtained in 2020, was successfully passed the certification audit in 2021 as well.

Training activities, which were interrupted in 2020 under pandemic conditions, started partially in 2021, and some of the trainings for management systems were carried out remotely.



Protecting our World and Forests

In 2021, the total quantity of waste paper used in coated cardboard production of Kartonsan was 231,523 tons.

The global cardboard and paper industry carries out various studies aimed at increasing the use of waste paper instead of cellulose as a raw material in production and reducing greenhouse gas emissions arising from production.

Kartonsan's environmental goal

Kartonsan is a producer respectful and sensitive for the environment. When addressing environmental-impact issues, Kartonsan's basic principle is to ensure the sustainability of natural resources by consuming them responsibly, by not causing environmental pollution, and by complying fully and continuously with current environmental laws and regulations.

Kartonsan believes that the only way to achieve sustainability is the rational and efficient use of natural capital.

Shaping its infrastructure and superstructure with an approach that envisages rational and efficient use of natural capital, Kartonsan differentiates itself with its prudent approach to raw materials and energy usage in its production activities.

As a responsible producer and corporate citizen, Kartonsan demonstrates its responsibility towards nature;

- by using the highest possible amount of waste paper during the production phase,
- by producing its own energy and steam,
- by minimizing the amount of raw water through treating and reusing waste water with the most modern techniques,
- by carrying out studies in order to control greenhouse gas emissions.

In 2021, the total quantity of waste paper used in coated cardboard production of Kartonsan was 231,523 tons.

As a respectful to nature and environmentally friendly company, Kartonsan works to keep its environmental impacts at a minimum level, operates without creating environmental pollution and complies with legal regulations.

The amount of raw materials used at Kartonsan may vary depending on the planned downtimes and revisions throughout the year. Using up to 91% recycled paper in its production cycle, Kartonsan used 231.523 tons of waste paper in its production in 2021. Kartonsan also uses bleached cellulose and wood pulp. In 2021, the use of these inputs remained limited.

Kartonsan contributes directly and strongly to the protection of the world's forests with its recycling facility identity and the high rate of waste paper it uses in production.

Kartonsan cooperates on waste paper and its supply with its subsidiary DÖNKASAN, which provides services such as the collection of waste paper, sorting it according to types and preparing it for recycling for paper/cardboard production.



Kartonsan holds an Environmental Permit and License issued by the Ministry of Environment, Urbanization and Climate Change.

Kartonsan uses limited amounts of cellulose in the production of Exprint and Luxtriplex. Wood pulp is also used due to the recent decrease in the supply of recycled newsprint in the market.

The global cardboard and paper industry is actively working on climate change and environmental issues.

Climate change, which is a global threat, is gaining more and more importance in terms of affecting the future of humanity.

The global cardboard and paper industry carries out various studies aimed at increasing the use of waste paper instead of cellulose as a raw material in production and reducing greenhouse gas emissions arising from production.

Coated cardboard manufacturers, which have carried out many works from the use of waste paper to the preference of renewable energy sources and sustainable forest management, set an example for other industries with the projects they have developed within this framework.

For an uninterrupted production process

Since 1995, Kartonsan has been generating its own electrical and steam energy in order to minimize waste and quality problems caused by power interruption and voltage fluctuations.

As a result of improvements that were made in 2021, specific electricity-consumption and specific steam-consumption ratings were reduced to 466 kWh/ton (2020: 500 kWh/ton) and 1.5 ton/ton levels respectively for the process. These ratings put Kartonsan in the energy-efficient plant category.

Kartonsan and Environment

About Kartonsan Cogeneration Plant

Kartonsan Cogeneration Plant has 4 generators, each with a power of 5.5 MW; the system generates heat and electrical energy. With a generation capacity of 193 million kW of electrical energy with four turbines which can be operated with natural gas, Kartonsan sells the excess electrical energy through the interconnected network.

The electrical energy produced at the plant is transmitted to the production process through alternators, and steam is obtained from the turbine exhaust gases in the waste heat boilers.

Since the system is operated according to the steam requirement, which is a key factor in coated cardboard production, Kartonsan generates more electrical energy than it needs. The excess electricity produced is sold to the grid.

The Cogeneration Plant is one of the most important units of the Kartonsan Factory and is the basis of efficient production. The energy produced in the Cogeneration Plant is different from the grid energy, and its stable structure ensures that the production process is not affected by problems such as voltage fluctuations and sags.

Waste water recycling is an area where Kartonsan undertakes ambitious work.

Kartonsan engages in a never-ending effort to develop and improve the performance of its Wastewater Treatment Plant in order both to protect groundwater resources and to increase the Company's water-use efficiency.

Kartonsan saves 30% of clean water by reusing the water it has treated with the advanced treatment technologies used in the Wastewater Treatment Plant in the production processes.

Water consumption/tons manufactured output in 2021: 5.32 m³

In terms of the amount of water that Kartonsan uses per ton of manufactured output, the company is in a much better place than are either its Far Eastern or its European rivals.

In 2018 Kartonsan initiated a series of improvement and efficiency projects by means of which it had reduced the average amount of clean water used in all of its operations to produce one ton of cardboard from 8.95 m³ (2007-2017 average) to 5.32 m³ as of 2021 (2020: 6.3 m³). The Company followed up these projects with another project to improve the performance of its membrane bioreactor (MBR) processes.

The addition of a grid system for 2022 has been included in the investment plans within the scope of more efficient operation of the MBR facility and extension of membrane lifetime.

In future periods, Kartonsan will continue to reduce consumption of natural resources, increase efficiency in all types of resources and reach higher recycling rates through systematic and well-planned activities.

In 2018 Kartonsan initiated a series of improvement and efficiency projects by means of which it had reduced the average amount of clean water used in all of its operations to produce one ton of cardboard from 8.95 m³ (2007-2017 average) to 5.32 m³ as of 2021 (2020: 6.3 m³). The Company followed up these projects with another project to improve the performance of its membrane bioreactor (MBR) processes.

Greenhouse gas emissions

In 2021, Kartonsan completed the measurement and verification studies regarding greenhouse gas emissions within the scope of the environmental legislation in force, and continued to make the required legal notifications.

Kartonsan measures and reports its Scope 1 emissions. Emission values are presented in the Environmental Performance table. The Company's goal is to switch to Scope 2 and Scope 3 emission calculations in the upcoming period and to publish it.

As an environmentally conscious company, Kartonsan's basic principle is to continue its production activities within the framework of legal regulations and globally accepted best practices, and to manage its possible impacts on the environment at the lowest possible level.

Waste management at Kartonsan

By the nature of its operations, Kartonsan is an industrial plant which recycles wastes.

The Company contributes to national-scale studies in the field of waste paper recycling and waste treatment. At the periodic environmental trainings organized for employees, information on waste types, waste treatment processes, legal requirements and importance of separating waste are shared.

Certifying its waste management with the Zero Waste Certificate, Kartonsan maintains waste containers specifically allocated for different types of waste in its working areas for the separation and collection of waste at source. Hazardous waste, non-hazardous waste and scrap waste are temporarily stored separately at areas designated for them. Wastes are sent to licensed firms for recycling or disposal within the process. Kartonsan's waste management approach is primarily to reduce waste at its source, and then to recycle and dispose of wastes that are not suitable for recycling.

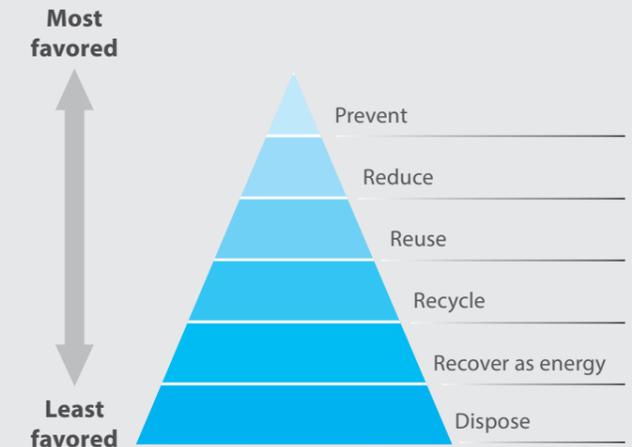
Supporting packaging waste recovery and recycling

Qualified as a packaging waste recycling company within the framework of current regulations governing packaging waste control in Turkey, Kartonsan collects and sends to licensed recovery & recycling firms any waste that is generated in the course of Kartonsan's operations and which cannot be reused.

GRI 302-1, 302-4, 303-1, 303-2, 303-3, 303-4, 303-5, 305-1, 305-4, 305-5, 306-1, 306-2, 306-3, 306-4, 306-5



For detailed information about Zero Waste: <https://sifiratik.gov.tr>



Waste paper is within the scope of Zero Waste Project. Recycling of paper is important in terms of providing significant savings in raw material consumption and its economic value.

Zero Waste Project

In 2017, Ministry of Environment, Urbanization and Climate Change started the Zero Waste project within the scope of sustainable development principles with the objective of keeping waste under control and leaving a cleaner and more livable world for future generations. The project was first launched at the main service building of the Ministry and was later extended.

The Zero Waste Project is expected to be launched gradually all across Turkey until 2023. The implementation areas of the project are public institutions, shopping malls, hospitals, educational institutions, social and hospitality facilities and large working places at the first phase.

The purposes of the zero waste project are preventing waste to reduce costs and to increase efficiency, decreasing environmental risks and developing a "sensitive consumer" identity among individuals by increasing environment protection awareness.

Waste paper is within the scope of Zero Waste Project. Recycling of paper is important in terms of providing significant savings in raw material consumption and its economic value.

Zero Waste is a set of principles focused on making the most efficient use of resources, on preventing or minimizing the creation of waste, and, if waste is created, on collecting, sorting, and reusing it where it is created. Another aspect of the Zero Waste approach is that all waste arising in the course of everyday life as well as in the conduct of economic activity should be managed appropriately in the process of achieving cultural, economic and social development and progress.

WHAT IS THE ZERO WASTE APPROACH?

The Zero Waste approach calls for:

- reusing products
- extending products' useful lifetimes
- avoiding or reducing the use of hazardous materials in product manufacturing processes
- making products that can be recycled.

The waste hierarchy provides the basis for the Zero Waste approach. The most-preferred methods in waste management are preventing waste-generation, reducing waste-generation, and reusing any waste that is generated in that order. The least-preferred method consists of disposing waste that cannot be reduced, reused, or recycled as landfill or through such methods as incineration etc.

The Value We Offer Our Employees



Our Human Resources at a Glance



320
Total number
of employees
(31 December 2021)

Union relations constitute an irreplaceable communication channel through which Kartonsan establishes dialogs with one of its primary stakeholder groups, its employees. Kartonsan, of which 62% of its employees are union members, fully implemented the provisions of the existing collective bargaining agreement in 2021.

Kartonsan considers its human capital as its most valuable asset as well as the biggest contributor to its success. Believing that the way to quality products is through a qualified workforce, Kartonsan has a human resource that is reliable, trustworthy, researching, following, and compatible with teamwork.

Kartonsan considers its human capital as its most valuable asset as well as the biggest contributor to its success.

Kartonsan's human resources, which are distinguished by their competencies and qualifications, consist of individuals who are committed to the corporate culture, whose sense of belonging is at the forefront, and who are success-oriented with their knowledge and experience.

Kartonsan cares about the technical and professional competencies of its employees.

Training activities developed for the personal development and career goals of employees are also determined in line with Kartonsan's needs and operations. These studies also aim to differentiate human resources in the sector and increase their knowledge.

Besides professional development trainings, occupational health and safety, lean management, energy and environmental trainings are also offered to employees.

In 2020, the Covid-19 pandemic made it impossible to conduct the training and personal development programs which had been planned for the Company's human resources for quite some time.

With the implementation of epidemic measures in 2021, the trainings started to be reorganized with a limited number of participants.

As of end-2021, average training time/person at Kartonsan was 4.82 hours. This figure includes training given to subcontractor personnel. Because of the limited training activities due to ongoing pandemic conditions, the targeted training period for 2021 could not be reached.

Kartonsan offers internship opportunities to students and new graduates.

In order to contribute to the professional development of students and new graduates and to facilitate their adaptation to business life, Kartonsan offers internship opportunities.

In 2021, 37 vocational high school, technical high school, vocational school and university undergraduate students were offered internships in all companies.

Within the scope of cooperation with universities, a Vocational Training agreement covering Kartonsan and affiliated companies was signed and 3 university students were provided with internship opportunities for long years in 2021.

Kartonsan is one of the companies with the most deep-rooted tradition of union relations in Turkey.

Union relations constitute an irreplaceable communication channel through which Kartonsan establishes dialogs with one of its primary stakeholder groups, its employees. Kartonsan, of which 62% of its employees are union members, fully implemented the provisions of the existing collective bargaining agreement in 2021.

A collective bargaining agreement between Kartonsan and the Seluloz-İş Union, effective for the period 2020-2022, was signed in March 2021.

Individual Suggestion System

The Individual Suggestion System, which has been implemented at Kartonsan since 2017, is an application that encourages employees to be more participatory. Within the scope of the said application, employees are given the opportunity to submit their own suggestions regarding the areas they work in or the machinery under their responsibility. Training documents prepared by employees in the Individual Suggestion System, which also includes a rewarding system, were integrated into the system and opened to joint sharing.

During 2021, work has restarted under Covid-19 measures to improve Lean Management practices and a total of 22 projects were carried out by Kartonsan employees. The Company's usual efforts to deal with customer complaints, OHS, environment, quality, costs, lockdowns, and similar issues were continued, albeit on a much reduced basis; successful results were achieved nonetheless.

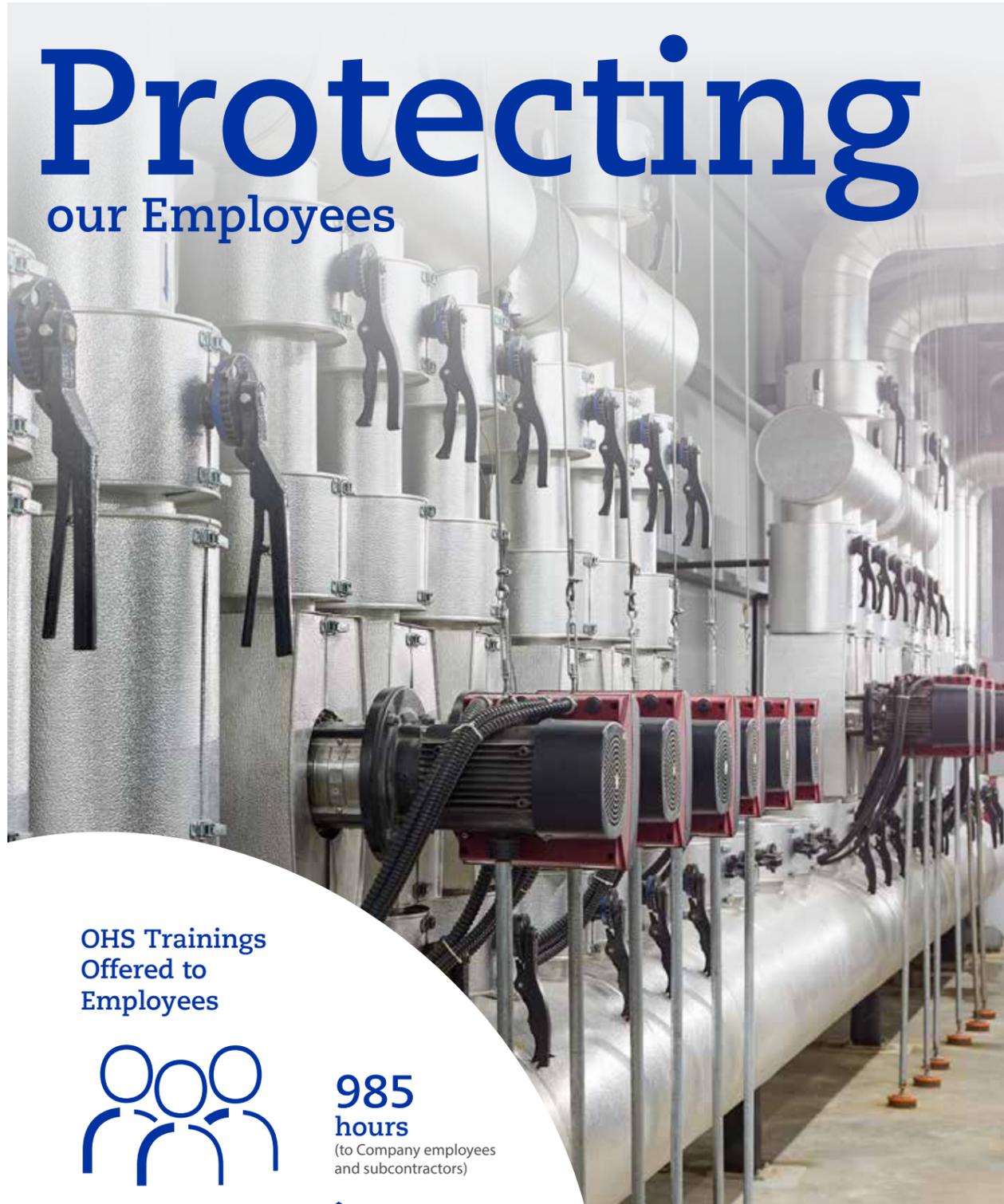
Plans and related organizations have been made and teams have been formed for field studies in the 5S leg of Lean Management to be activated in 2022.

Key Demographic Indicators of Kartonsan and Its Affiliated Companies Dönkasan and Selka

	2020	2021
Total Workforce (number)		
Total Employment	320	320
Female	39	35
Male	281	285
Total Workforce by Category (number)		
Blue Collar	195	199
White Collar	125	121
Total Workforce by Age (number)		
Under 30	22	30
Between 30-50	238	237
Over 50	60	53
Employees Under Collective Labor Agreement (number)	171	170

Occupational Health and Safety at Kartonsan

Protecting our Employees



OHS Trainings Offered to Employees



985 hours
(to Company employees and subcontractors)

In 2021, the Company made the necessary arrangements in the measures and practices of the Covid-19 pandemic continued to implement it actively in line with the course of the pandemic and the evaluations announced by the Ministry of Health.

Kartonsan aims to comply with the Occupational Health and Safety Law No. 6331 and legal regulations in the field of OHS and implements the necessary practices.

In addition, the Company closely follows the legal regulations applied in international standards. In this direction, it focuses on improving the safety of its working areas day by day.

Training and application activities that raise the occupational safety awareness of all units within the Company are carried out regularly.

At Kartonsan, occupational health and safety activities are carried out in a planned manner under the coordination and responsibility of the Human Resources and Quality Systems Department.

Kartonsan Occupational Health and Safety Board and related units carried out systematic and effective studies focused on the pandemic in 2021.

With the onset of the spread of the Covid-19 pandemic in the first quarter of 2020, Kartonsan quickly took measures to protect itself from the possible negative effects of the health crisis and to minimize the risk of contamination. In this direction, protecting its employees and their relatives was the primary goal for Kartonsan, while protective, preventive and improving measures were started to be implemented in the Headquarters and Factory areas.

Based on the mask-distance-cleaning principle, hygiene and cleaning measures were maximized at Kartonsan Headquarters and Factory, and many practices were implemented to prevent close contact. Emergency plans, risk assessments and necessary updates were made within the scope of Covid-19.

In 2021, the Company made the necessary arrangements in the measures and practices of the Covid-19 pandemic continued to implement it actively in line with the course of the pandemic and the evaluations announced by the Ministry of Health.

Another goal of Kartonsan is to keep the potential negative effects of the global health crisis on the daily production and trade cycle at a minimum level.

OHS Target

Kartonsan's primary goal is to fully meet the occupational health and safety criteria in the places where it operates. The work of the Company's Occupational Health and Safety Board continued in 2021 as well, and actions were taken on training, improvement and health with the aim of reducing occupational accidents.

OHS AWARENESS STRENGTHENED BY CONTINUOUS TRAINING

Kartonsan supports its employees with applied and theoretical training programs by raising awareness about OHS.

Aiming to increase the knowledge level of Kartonsan employees on OHS, training activities were conducted remotely and face-to-face within the framework of pandemic rules. Basic OHS trainings were completed in 2021.

In 2021, a total of 985 hours of OHS training activities were carried out for Company employees and subcontractors.

In 2021, workplace doctors continued to provide Covid-19 information to raise awareness about the pandemic at the Kartonsan Factory.

At Kartonsan, OHS issues are handled by the 15-member OHS Board, which includes 2 employee representatives. The Board meets every month under the chairmanship of the Factory Manager, and carries out the activities of determining the suggestions, near-miss notifications, opinions and determinations conveyed by the representatives and the occupational safety expert, and the work accident evaluations, if any, and the studies to be carried out to prevent the recurrence of these accidents.

Kartonsan offered training programs in the area of OHS to its employees in 2021. The total number of participants and training hours are presented in the table.

OHS Trainings Offered to Employees - Number of Participants	2020	2021
Blue collar	69	45
White collar	16	82
Other employees	38	43
Female	6	18
Male	117	152
OHS Trainings Offered to Employees - Total Hours	2020	2021
Blue collar	456	288
White collar	104	429
Other employees	288	268
Female	36	92
Male	812	893

Corporate Social Responsibility

SGDs 3 6 7 8 9 12 13 15



Kartonsan designs and implements its social responsibility activities with a long term approach aiming to create permanent value for the society. The work carried out by the Company in the field of social responsibility points to an important contribution to **social and relationship capital**.

Kartonsan focuses on educational and environmental subjects in social responsibility activities and contributes to social development with its projects.

Kartonsan shares the value it produces with the society, which is its largest stakeholder group. Education and the environment form the basis of the areas where the Company adds value to society.

Kartonsan contributes to social development with its social responsibility activities in education and environment areas and supports our country to reach the level of modern civilizations.

In the extraordinary conditions experienced in 2021 due to the Covid-19 pandemic, Kartonsan could not carry out the face-to-face events, trainings and other activities planned within the scope of corporate social responsibility. The company will continue to contribute to society in the post-pandemic period.

The donations made by Kartonsan in 2021 are summarized in the table below.

Donations to	Amount (TL)
Associations and foundations (Educational, sports-related, sectoral and social)	27,266
Other institutions and organizations	61,901
Total	89,167

Affiliated Companies

Selka İç ve Dış Ticaret A.Ş.

Solution partner of companies in the printing, packaging and cardboard industries

Founded in 1991, Selka İç ve Dış Ticaret A.Ş. (Selka) conducts its operations in coated cardboard trade area.

Selka meets coated cardboard needs of printing, packaging and cardboard industries in Turkey in a quick, economic and perfect manner with its high quality product range.

Selka sells Kartonsan's standard sized or mixed sized cardboard. It is also the sole seller of lower quality cardboard (K-3) which is the output of the production process.

Selka also imports chromo boards in accordance with Kartonsan's strategic market policies within current market conditions. Since 2017, the Company has been importing Bristol board which is not produced in Turkey and selling them in the domestic market.

Selka provides logistic services to Kartonsan in its premises in İstanbul- Sefaköy where it handles its marketing and sales activities.

Selka's coated cardboard sales which amounted 47,276 tons in 2020 reached 48,326 tons at the end of 2021. In the same period, the Company's turnover increased by 87% to approximately TL 321.6 million.

Net pre-tax profit of the Company was TL 16.9 million in 2020 which was in line with its target.

Selka is a subsidiary of Kartonsan which has an ownership stake of 99.37%

Selka's comparative net sales quantities and amounts for 2020 and 2021 are presented below:

	January-December 2020	January-December 2020	January-December 2021	January-December 2021
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (ton)	Sales Amount (TL)
K1-K2 cardboard	11,029	40,351,224	9,943	68,455,030
K3 cardboard	14,753	39,010,552	12,571	62,919,649
Imported cardboard	21,494	92,262,237	25,812	190,205,108
Total	47,276	171,624,013	48,326	321,579,787

Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.

Strong contribution to cyclical economy through recycling

Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. (DÖNKASAN) is a recycled waste paper manufacturing and trading company that was founded as a result of a demerger of its predecessor (Dönkasan Dönüßen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş.) in 2015. The company is a wholly-owned subsidiary of Kartonsan. DÖNKASAN is involved in the collection of wastepaper, sorting them according to their types and preparing them for the production of paper and cardboard.

DÖNKASAN has reached a higher capacity with its infrastructure investments and turned into a company that operates even more efficiently. Also in 2021, investments were made for the maintenance of the facility.

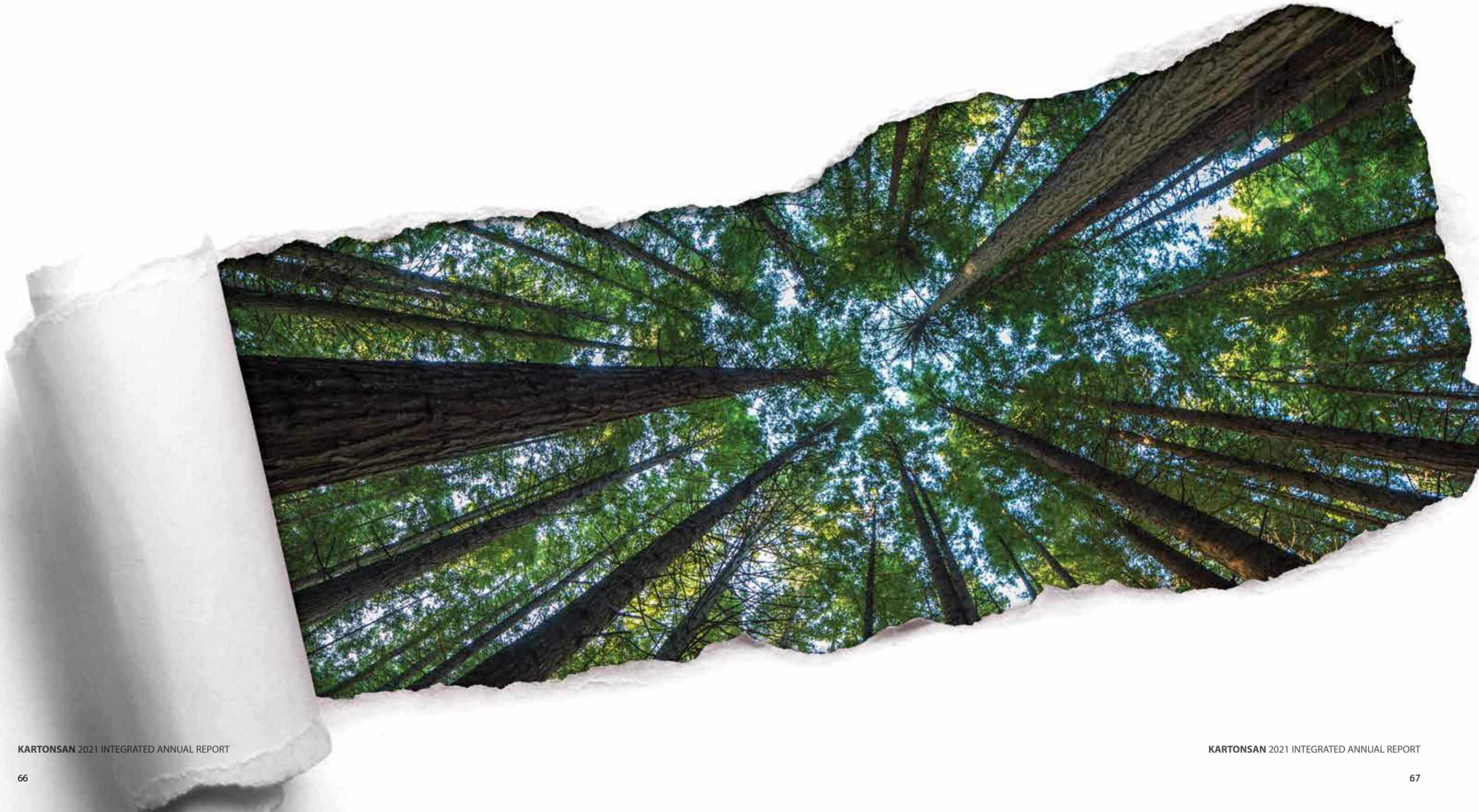
DÖNKASAN continues its activities in the facilities located in Esenyurt, İstanbul. DÖNKASAN sold 45.1 thousand tons of waste paper in 2021, including intra-group sales, and generated net revenue of approximately TL 97.6 million.

The company's pre-tax profit for the period reached TL 5.6 million with 97.4% increase compared to previous year.

DÖNKASAN continues to supply waste paper in line with Kartonsan's market policies and targets a growth parallel with market conditions.

	January-December 2020	January-December 2020	January-December 2021	January-December 2021
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (tons)	Sales Amount (TL)
Waste paper	42,433	47,048,961	45,118	97,620,438

Corporate Governance, Risk Management and Financial Information



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

Opinion

We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi ("the Company") for the period 1 January 2021 - 31 December 2021, since we have audited the complete set of financial statements for this period.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited complete set of financial statements and the information we obtained during the audit

Basis for Opinion

We conducted our audit in accordance with standards on auditing as issued by the Independent Auditing Standards ("ISAs") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants ("IESBA Code") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Auditor's Opinion on Complete Set of Financial Statements

We have expressed an unqualified opinion in our auditor's report dated 2 March 2022 on the complete set of financial statements of the Company for the period of 1 January - 31 December 2021.

Board of Directors' Responsibility for the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") and communique on Principles and procedures set out by the regulations on preparation and issuance of annual reports, the management of the Company is responsible for the following items:

- Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly
- Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- The annual report also includes the matters below:
 - Subsequent events occurred after the end of the fiscal year which has significance,
 - The research and development activities of the Company,
 - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Customs and Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code and the Communiqué, on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's complete set of financial statements and to prepare a report including our opinion

The independent audit we have performed is conducted in accordance with ISAs and the standards on auditing as issued by POA. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements. The name of the engagement partner who supervised and concluded this audit is Mustafa Özgür Günel.

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


Dr. Mustafa Özgür GÜNEL
Partner
Istanbul, 9 March 2022

(CONVENIENCE TRANSLATION OF LIMITED ASSURANCE REPORT ORIGINALLY ISSUED IN TURKISH)

Limited Assurance Report to the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş.,

We have been engaged by Kartonsan Karton Sanayi ve Ticaret A.Ş. ("Kartonsan" or the "Company") to perform a limited assurance engagement by General Assembly in respect of the Selected Sustainability Information ("Selected Information") stated in the 2021 Integrated Report ("the 2021 Integrated Report") under section of "Kartonsan Performance Indicators" for the year ended 31 December 2021 and listed below.

Subject Matter Information

The scope of the Selected Information for the year ended 31 December 2021, which is subject to our limited assurance work, set out in the 174 and 181 pages of the 2021 Integrated Report is summarised below:

- Total number of employees
- Breakdown of employees by categories and gender
- Labor force in accordance with the collective bargaining agreement and unionization ratio
- Amount of recycled paper (wastepaper)
- Amount of recoverable waste heat
- Amount of non-hazardous waste in accordance with the disposal methods
- Total water consumption
- Number of employees in "Occupational Health and Safety" training and number of training hours
- Number of suppliers evaluated in accordance with the "Environmental, Social and Governance" performance criteria

Our independent limited assurance report ("Report") was with respect to the year ended 31 December 2021 information only and we have not performed any procedures with respect to earlier periods or any other elements including subsidiaries (Dönkasana and Selka), other than Selected Information included in the 2021 Integrated Report and, therefore, do not express any conclusion thereon.

Criteria

The criteria used by Kartonsan to prepare the Selected Information is set out in Kartonsan 2021 Integrated Report - Reporting Guidance' (the "Reporting Guidance") determined by "Sustainability Committee".

Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information and 2021 Integrated Report, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

In particular, the calculations related to carbon emissions is based upon, inter alia, laboratory analysis, information, gas flow measurement parameters and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third party information.

The Management's Responsibility

Kartonsan is responsible for the content of the 2021 Integrated Report and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.



Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 ("Revised"), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA").

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 in accordance with the Reporting Criteria of Selected Information. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

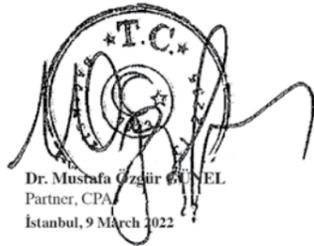
- Making inquiries of the persons responsible and the Kartonsan's management for the Selected Information;
- Understanding the process for collecting and reporting the Selected Information. This included analyzing the key processes and controls for managing and reporting the Selected Information;
- Evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- Performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by Kartonsan; and
- Undertaking analytical procedures over the reported data

Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Kartonsan's Selected Information for the year ended 31 December 2021, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Kartonsan as a body, to assist the Board of Directors in reporting Kartonsan's performance and activities related to the Selected Information. We permit the disclosure of this report within the Integrated Report for the year ended 31 December 2021, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body and Kartonsan Karton Sanayi ve Ticaret A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

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



Dr. Mustafa Özdür
Partner, CPA
İstanbul, 9 March 2022

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Kartonsan")** and its subsidiaries (**collectively referred to as the "Group"**) which comprise the consolidated statement of balance sheets as at 31 December 2021 consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash-flow for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS/TAS").

Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion

Key Audit Matters

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

Inventories

Please refer to notes 2.5 and 9 to the consolidated financial statements

Key audit matters

Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements.

The cost of inventories is determined by the weighted average method.

Cost elements of inventories, inventory impairment policy, determination of provision for inventory impairment and inventory valuation determined as a key audit matter for audit of the consolidated financial statements.

How our audit addressed the key audit matter

We performed the following procedures in relation to the provision for inventory impairment and net realisable value:

As a part of our audit procedures;

- Evaluating whether there is a need for provision for net realizable value in accordance with the changes in gross sales profit on a general or product basis,
- Evaluating the sales invoice samples and the unit prices in these invoices were compared with the unit prices in the balance sheet period and after the balance sheet date,
- Testing inventory impairment balances with the inventory aging reports prepare and comparing the year-end inventory counts indicate that whether there were inventories that had not moved or been damaged for a long time,
- Comparing the inventory turnover ratio, statement of cost of sales and selling costs to sales ratio with the prior period,
- Recalculating the inventory cards selected as a sample for the cost calculation of the Group,
- Evaluating inventory impairment study of the Group,
- Testing the disclosures in the consolidated financial statements in relation to the inventories and evaluating the adequacy of such disclosures for TFRS requirements,

We had no material findings related to the accounting for inventories as a result of these procedures.



INDEPENDENT AUDITOR'S REPORT

Property, Plant and Equipment	
Please refer to notes 2.5 and 11 to the consolidated financial statements.	
Key audit matters	How our audit addressed the key audit matter
<p>The consolidated financial statements as of 31 December 2021 include property, plant and equipment with carrying values of TL 300.334.864. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives for property, plant and equipment and management used some estimates for the calculation of the relevant property, plant and equipment. In addition, the Group management has been tested for impairment on property, plant and equipment in every reporting period.</p> <p>The accounting estimates used by the Group management for calculating the depreciation on these estimates and the impairment tests and related notes determined as a key audit matter for audit of the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the depreciation calculation methods of property, plant and equipment and evaluating the related impairment tests</p> <p>As a part of our audit procedures;</p> <ul style="list-style-type: none"> - We have evaluated the model of impairment tests critically based on the Group management estimates and assumptions. We have examined the discounted cash flow estimates and past financial performances and trends of the Group. We have recalculated the impairment model in order to evaluate the sensitivity of the growth rates, discount rates and some basic assumptions used by the Group management. - Evaluating the consistency of estimates performed by the Group management for property, plant and equipment based on retrospective comparison, - Assessing and recalculating the inputs and estimates used including the depreciation studies for the impairment analysis of property, plant and equipment performed by the Group management, - Testing the disclosures in the consolidated financial statements in relation to the impairment on property, plant and equipment and evaluating the adequacy of such disclosures for TFRS requirements, <p>We had no material findings related to the accounting for property, plant and equipment as a result of these procedures.</p>
Revenue	
Please refer to notes 2.5 and 19 to the consolidated financial statements.	
Key audit matters	How our audit addressed the key audit matter
<p>The Group recognizes the revenue when the Group transfers control of a good or service over time and economic benefits associated with the item will flow to the Kartonsan. Revenue is recognised on an accrual basis in the accompanying consolidated financial statements.</p> <p>The consolidated financial statements as of 31 December 2021 include revenue with carrying values of TL 1.588.647.216 which is recognized in consolidated statements of other comprehensive income.</p> <p>Recognition of sales on correct period on the basis of periodicity assumption in accordance with matching principle determined as a key audit matter for audit of the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the testing recognition of revenue:</p> <p>As a part of our audit procedures;</p> <ul style="list-style-type: none"> - Evaluating the revenue as a process is evaluated by observing the sales and delivery procedures of the Group. - Our audit procedures are focused on the assessment of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated. - We have evaluated revenue recognition during the period by applying the material verification procedures and substantive tests to the sales returns during the period following the end of the year. - Testing the disclosures in the consolidated financial statements in relation to the recognition of revenue and evaluating the adequacy of such disclosures for TFRS requirements, <p>We had no material findings related to the accounting for revenue as a result of these procedures.</p>



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

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

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

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

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

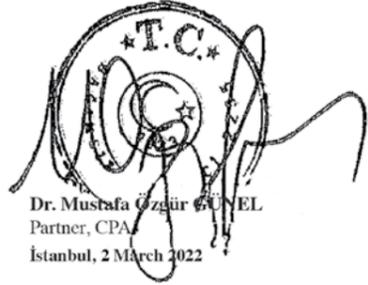
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law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

Other Responsibilities Arising from Regulatory Requirements

- 1) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Group's Board of Directors on 2 March 2022.
- 2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Group's articles of association related to financial reporting.
- 3) In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is Mustafa Özgür GÜNEL.

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



Dr. Mustafa Özgür GÜNEL
Partner, CPA
İstanbul, 2 March 2022

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**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

	Notes	(Audited Current Period) 31 December 2021	(Audited Prior Period) 31 December 2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	420.621.833	184.978.244
Trade Receivables	5-6	174.155.921	92.438.904
- Trade Receivables from Related Parties	5	10.754.792	4.436.821
- Trade Receivables from Non-Related Parties	6	163.401.129	88.002.083
Other Receivables	8	1.151.294	810.139
- Other Receivables from Non-Related Parties	8	1.151.294	810.139
Inventories	9	171.495.394	128.906.230
Prepaid Expenses	5-17	51.178.701	13.320.564
- Prepaid Expenses to Related Parties	5	13.987.543	7.613.374
- Prepaid Expenses to Non-Related Parties	17	37.191.158	5.707.190
Other Current Assets	17	372.208	778.540
- Other Current Assets from Non-Related Parties	17	372.208	778.540
Total Current Assets		818.975.351	421.232.621
Non-Current Assets			
Other Receivables	8	25.183	44.250
- Other Receivables from Non-Related Parties	8	25.183	44.250
Investment Properties	10	229.270	229.270
Property, Plant and Equipment	11	300.334.864	233.217.556
- Land		24.059.097	24.059.097
- Land improvements		6.725.351	6.564.859
- Buildings		40.939.968	36.157.840
- Plant, machinery and equipment		214.719.438	149.243.936
- Motor vehicles		1.230.912	972.843
- Furniture and fixtures		11.200.915	7.971.182
- Leasehold improvements		82.497	65.525
- Constructions in progress		670.815	7.497.489
- Other property, plant and equipment		705.871	684.785
Right of Use Assets		5.480.627	5.295.181
Intangible Assets		5.100.683	3.487.585
- Other Intangible Assets		5.100.683	3.487.585
Prepaid Expenses		28.190.378	10.812.307
- Prepaid Expenses to Non-Related Parties		28.190.378	10.812.307
Deferred Tax Assets		25.617.415	24.272.551
Total Non-Current Assets		364.978.420	277.358.700
TOTAL ASSETS		1.183.953.771	698.591.321

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

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

	Notes	(Audited Current Period) 31 December 2021	(Audited Prior Period) 31 December 2020
LIABILITIES			
Current Liabilities			
Short-term borrowings	5-7	1.127.709	760.356
- Short-Term Borrowings to Related parties	5-7	233.819	168.528
- Lease Liabilities	5-7	233.819	168.528
- Short-Term Borrowings to Non-Related parties	7	893.890	591.828
- Bank Borrowings	7	177	-
- Lease Liabilities	7	893.713	591.828
Trade Payables	5-6	188.157.125	80.459.983
- Trade Payables to Related Parties	5	60.079	59.852
- Trade Payables to Non-Related Parties	6	188.097.046	80.400.131
Employee Benefits	16	4.247.696	3.286.264
Other Payables	5-8	17.260.121	4.967.114
- Other Payables to Related Parties	5	56.381	38.451
- Other Payables to Non-Related Parties	8	17.203.740	4.928.663
Current Income Tax Liabilities	25	45.748.106	7.694.586
Short-Term Provisions	14-16	8.216.818	4.530.238
- Short-Term Provisions for Employee Benefits	16	1.821.769	1.839.717
- Other Short Term Provisions	14	6.395.049	2.690.521
Total Current Liabilities		264.757.575	101.698.541
Non-Current Liabilities			
Long-Term Borrowings	5-7	5.145.854	5.000.691
- Long Term Borrowings to Related Parties	5-7	4.147.419	3.895.371
- Lease Liabilities	5-7	4.147.419	3.895.371
- Long Term Borrowings to Non-Related Parties	7	998.435	1.105.320
- Lease Liabilities	7	998.435	1.105.320
Long-Term Provisions	16	23.157.194	15.293.908
- Long-Term Provisions for Employee Benefits	16	23.157.194	15.293.908
Deferred tax liabilities	25	2.756.587	2.787.391
Total Non-Current Liabilities		31.059.635	23.081.990

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

**CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

	Notes	(Audited Current Period) 31 December 2021	(Audited Prior Period) 31 December 2020
LIABILITIES			
Equity Holders of the Parent			
Paid in Share Capital	18	887.585.636	573.577.218
Adjustment to Share Capital	18	75.000.000	75.000.000
Share Premium		21.135.671	21.135.671
Other Comprehensive Income or Expenses not to be Reclassified to Profit or Loss		7.529	7.529
- Gains/(losses) on remeasurements of defined benefit plans	18	(7.802.118)	(3.132.045)
- Restricted Reserves	18	(7.802.118)	(3.132.045)
- Gains on Disposal of Subsidiaries or Property, Plant and Equipment and Intangible Assets	18	47.838.946	35.326.182
- Legal Reserves	18	2.315.343	2.315.343
Retained Earnings		45.523.603	33.010.839
Net Profit of the Period		372.385.619	307.975.367
Non-Controlling Interests		550.925	233.572
Total Equity		888.136.561	573.810.790
TOTAL LIABILITIES AND EQUITY		1.183.953.771	698.591.321

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

**CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

	Notes	(Audited Current Period 1 January- 31 December 2021	(Audited Prior Period 1 January- 31 December 2020
Revenue	19	1.588.647.216	898.903.315
Cost of Sales (-)	19	(1.166.395.954)	(698.402.343)
Gross Profit from Financial Operations		422.251.262	200.500.972
Gross Profit		422.251.262	200.500.972
General Administrative Expenses (-)	20	(26.395.624)	(20.113.428)
Marketing Expenses (-)	20	(38.143.366)	(29.545.778)
Other Operating Income	22	90.492.360	32.294.654
Other Operating Expenses (-)	22	(66.570.699)	(22.051.993)
OPERATING PROFIT		381.633.933	161.084.427
Gains from Investment Activities	23	121.777.033	36.368.911
Losses from Investment Activities (-)	23	(8.846.263)	(13.651.789)
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		494.564.703	183.801.549
Financial Expenses (-)	24	(23.704.515)	(10.896.416)
PROFIT BEFORE TAX		470.860.188	172.905.133
Tax income/(expense)		(91.479.451)	(35.552.400)
Current income tax expense	25	(91.617.001)	(34.816.011)
Deferred tax income/expense	25	137.550	(736.389)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		379.380.737	137.352.733
PROFIT FOR THE PERIOD		379.380.737	137.352.733
Attributable to:		379.380.737	137.352.733
- Non-Controlling Interests		360.748	88.219
- Equity Holders of the Parent		379.019.989	137.264.514
Earnings Per Share			
- Earnings Per Share from Continuing Operations	26	5,05359985	1,83019352
Other Comprehensive Income			
Items Not to be Reclassified in Profit or Loss	18	(4.670.073)	(899.346)
- Gains/(losses) on remeasurements of defined benefit plans	18	(4.670.073)	(899.346)
Other Comprehensive Income		(4.670.073)	(899.346)
Total Comprehensive Income		374.710.664	136.453.387
Attributable to:		374.710.664	136.453.387
Non-Controlling Interests		360.748	88.219
Equity Holders of the Parent		374.349.916	136.365.168

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

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

Prior Period - 31 December 2020 (Audited)

	Paid in share capital	Adjustment to Share Capital	Share Premium	Other comprehensive income and expense not to be reclassified to profit or loss Gains/(losses) on remeasurement of defined benefit plans	Retained Earnings			Equity Holders of the Parent	Non-Controlling Interests	Total Equity
					Restricted Reserves	Prior years income	Net Profit for the Period			
Balances at 1 January 2020	2.837.014	93.298.657	7.529	(2.232.699)	33.055.650	247.684.119	81.344.785	455.995.055	173.260	456.168.315
Amounts After Adjustments	2.837.014	93.298.657	7.529	(2.232.699)	33.055.650	247.684.119	81.344.785	455.995.055	173.260	456.168.315
Transfers	72.162.986	(72.162.986)	-	-	2.270.532	79.074.253	(81.344.785)	-	-	-
Total comprehensive income	-	-	-	(899.346)	-	-	137.264.514	136.365.168	88.219	136.453.387
Dividends paid	-	-	-	-	-	(18.783.005)	-	(18.783.005)	(27.907)	(18.810.912)
Balances at 31 December 2020	75.000.000	21.135.671	7.529	(3.132.045)	35.326.182	307.975.367	137.264.514	573.577.218	233.572	573.810.790

Current Period - 31 December 2021 (Audited)

	Paid in share capital	Adjustment to Share Capital	Share Premium	Other comprehensive income and expense not to be reclassified to profit or loss Gains/(losses) on remeasurement of defined benefit plans	Retained Earnings			Equity Holders of the Parent	Non-Controlling Interests	Total Equity
					Restricted Reserves	Prior years income	Net Profit for the Period			
Balances at 1 January 2021	75.000.000	21.135.671	7.529	(3.132.045)	35.326.182	307.975.367	137.264.514	573.577.218	233.572	573.810.790
Transfers	-	-	-	-	12.512.764	124.751.750	(137.264.514)	-	-	-
Total comprehensive income	-	-	-	(4.670.073)	-	-	379.019.989	374.349.916	360.748	374.710.664
Dividends paid	-	-	-	-	-	(60.341.498)	-	(60.341.498)	(43.395)	(60.384.893)
Balances at 31 December 2021	75.000.000	21.135.671	7.529	(7.802.118)	47.838.946	372.385.619	379.019.989	887.585.636	550.925	888.136.561

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

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		399.219.813	166.148.402
Profit for the period		379.380.737	137.352.733
Profit for the period from continuing operations		379.380.737	137.352.733
Adjustments to reconcile profit for the period to cash generated from operating activities:		125.982.471	65.197.961
Depreciation and amortisation	11,12,21	38.676.342	30.846.401
Adjustments for Impairment (Reversal)		2.270.631	266.531
Adjustment Related to Impairment (Reversal) of receivables		2.205.317	803.556
Adjustment Related to Impairment (Reversal) of inventory		65.314	(537.025)
Adjustment Related to Provisions		(6.104.107)	901.175
Adjustment Related to provisions for employee benefits (Reversal)		(9.808.635)	293.600
Adjustment Related to free provisions for potential risks (Reversal)		-	-
Adjustment Related to Other Provisions		3.704.528	607.575
Adjustment related to interest income and expenses		117.939	(2.128.749)
Adjustment related to interest income		(20.826.028)	(8.678.246)
Adjustment related to interest expenses	24	23.704.515	10.896.416
Deferred financing expense arising from term purchases	22	7.792.013	3.036.705
Unearned finance income from term sales	22	(10.552.561)	(7.383.624)
Adjustment Related to Tax income/expense	25	91.479.451	35.552.400
Adjustments for Losses (Gains) from Disposal of Non-Current Assets		(457.785)	(239.797)
Adjustments for Losses (Gains) from Disposal of Property, Plant and Equipment		(457.785)	(239.797)
Changes in working capital		(31.745.002)	(2.556.172)
Adjustment related to decrease/(increase) in trade receivables		(84.515.250)	(31.082.675)
Decrease (increase) in trade receivables from related parties		(6.317.971)	888.393
Decrease (increase) in trade receivables from non-related parties		(78.197.279)	(31.971.068)
Adjustment related to decrease (increase) in other receivables related to operations		(322.088)	2.391.943
Decrease (increase) in related receivables related to operations from non-related parties		(322.088)	2.391.943
Adjustments related to decrease (increase) in Inventory		(42.654.478)	4.712.258
Decrease (increase) in prepaid expenses		(37.858.137)	(2.654.410)
Adjustment Related to Increase/(decrease) in trade payables		108.198.398	15.696.364
Increase (decrease) in trade payables to related parties		227	4.946
Increase (decrease) in trade payables to non-related parties		108.198.171	15.691.418
Increase (decrease) in payables due to employee benefits		961.432	475.682
Adjustments related to increase (decrease) in other liabilities related to activities		12.293.007	2.466.261
Increase (decrease) in other liabilities related to operations to related parties		17.930	14.785
Increase (decrease) in other liabilities related to operations to non-related parties		12.275.077	2.451.476
Adjustments related to other increase (decrease) in working capital		12.152.114	5.438.405
Decrease/(increase) in other assets related to operations		12.152.114	5.438.405
Total Cash flows from operating activities		473.618.206	199.994.522
Interest Paid		(31.997.784)	(14.115.141)
Interest Received		11.162.872	7.746.847
Income taxes refund/(paid)	25	(53.563.481)	(27.477.826)
CASH FLOWS FROM INVESTING ACTIVITIES		(102.096.160)	(54.155.950)
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		807.140	556.907
Cash Inflows from Sales of Property, Plant and Equipment		807.140	556.907
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		(106.456.743)	(59.836.521)
Cash Outflows from Purchase of Property, Plant and Equipment	11	(103.535.759)	(59.287.282)
Cash Outflows from Purchase of Intangible Assets	12	(2.920.984)	(549.239)
Repayments of cash advance and debts given		(17.378.071)	(3.143.982)
Repayments from other cash advance and debts given		(17.378.071)	(3.143.982)
Interest Received		20.931.514	8.267.646
CASH FLOW FROM FINANCING ACTIVITIES		(61.357.185)	(17.471.151)
Cash inflows from borrowings		177	2.251.711
Cash outflows from repayments of borrowings		-	(911.950)
Cash Outflows from loan repayments		-	(911.950)
Cash Outflows from payments of lease liabilities		(972.469)	-
Dividends paid		(60.384.893)	(18.810.912)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		235.766.468	94.521.301
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		235.766.468	94.521.301
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	184.501.602	89.980.301
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	420.268.070	184.501.602

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret AS (the "Company" or "Kartonsan") was established on 1967 in Turkey. Kartonsan's business activities include production and trade of coated cardboard. Kartonsan is subject to regulations of the Capital Markets Board ("CMB"), and its shares have been quoted on the Borsa Istanbul AS ("BIST") since 1985. The shares that are quoted on BIST are traded on the star market. Kartonsan's free float percentage is 21,86%, and the Company's ultimate controlling party is the "PAK Group" through the PAK Group companies (Note 18).

The registered address of Kartonsan is as follows:

Prof. Dr. Bülent Tarcan Cad. No: 5 Engin Pak İş Mrk. Kat: 3 Gayrettepe/İSTANBUL

The Company's head office is in Istanbul and has a factory in Kullar Koyu 41001 in Kocaeli.

As of 31 December 2021 and 2020, the subsidiaries included in the consolidation scope of Kartonsan, their nature of business and effective interests are as follows:

Subsidiaries	Nature of business	Effective Ownership Interest	
		31 December 2021	31 December 2020
Selka İç ve Dış Ticaret A.Ş. ("Selka")	Coated cardboard trade	99,37%	99,37%
Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. ("Dönkasan")	Waste Paper production and trade	100,00%	100,00%

The accompanying consolidated financial statements and related notes of the Company and its Subsidiaries together referred as the "Group".

Total end of period and average number of personnel employed by the Kartonsan except subcontractors is 299 (31 December 2020: 300).

These consolidated financial statements as of and for the year ended 31 December 2021 have been approved for issue by the Board of Directors ("BOD") on 2 March 2022 numbered YK/2022-08 and on behalf of the Board of Directors which was signed by Member of the Board of Directors and General Manager Haluk Iber and Vice Chairman Süleyman Kaya.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards

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

The accompanying consolidated financial statements have been prepared in accordance with Communiqué No: II-14.1 and consolidated financial statements and notes are presented in accordance with the formats required by the CMB dated on 7 June 2013. In addition, the consolidated financial statements were published by POA with the decision numbered 30 on 2 June 2016 and together with the changes in TFRS 15 Revenue from Contracts with Customers and TFRS 16 Leases standards, it was presented in accordance with the "Announcement regarding to TAS Taxonomy", or "TFRS 2019" which was published on 15 April 2019.

2.1.1.1 Adjustments of financial statements in hyperinflationary economies

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority of Turkey on 20 January 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of 31 December 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of 31 December 2021 are not adjusted for inflation in accordance with IAS 29.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

GRI 102-46

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1.2 Functional and reporting currency

Items included in the consolidated financial statements of the Kartonsan are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Kartonsan's functional and presentation currency

2.1.3 Comparatives and Adjustment of Prior Period Financial Statements

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

2.1.4 Consolidation

Basis of Consolidation

The consolidated financial statements include Group accounts prepared in accordance with the principles set out in the following basics. Necessary adjustments and reclassifications have been made for compliance with CMB Financial Reporting Standards and compliance with accounting policies and presentation formats applied by the Group during the preparation of the consolidated financial statements of the companies included in the scope of consolidation. The operating results of the subsidiaries and joint ventures are included or excluded from the effective dates of such transactions in accordance with the purchase or disposal procedures.

Subsidiaries

Subsidiary is company over which Kartonsan has the power to control the financial and operating policies for the benefit of Kartonsan, either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself, and/or by certain Kartonsan members and companies owned by them where by Kartonsan exercises control over the ownership interest of the shares held by them and shares to be used according to Kartonsan preferences; or (b) although not having the power to exercise more than 50% of the ownership interest, Kartonsan has power to control the investee due to the dispersed capital structure of the investee and/or Kartonsan has rights or is exposed to variable returns from its involvement with the investee and when at the same time it has the power to affect these returns through its power over the investee.

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

Non controlling interests include the share option under non controlling interest in the subsidiaries' net assets and operating results for the period. The amounts are presented separately from the consolidated balance sheet and statement of income. The obligation of non controlling interest exceeds more than the non controlling interest belonging to the interests of subsidiary, if the non controlling interest has no binding obligations, the benefits of non controlling interest may result against the interests of the majority.

As of 31 December 2021 and 2020, the subsidiaries included in the consolidation scope of Kartonsan is as follows:

Subsidiaries	Effective Ownership Interest held by Kartonsan							
	31 December 2021				31 December 2020			
	Share Capital	Proportion of Effective Interest	Direct and Indirect Ownership Interest held by Kartonsan	Total Ownership Interest	Share Capital	Proportion of Effective Interest	Direct and Indirect Ownership Interest held by Kartonsan	Total Ownership Interest
Selka	1.250.000	99,37%	99,37%	99,37%	1.250.000	99,37%	99,37%	99,37%
Dönkasan	4.000.000	100,00%	100,00%	100,00%	4.000.000	100,00%	100,00%	100,00%

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1.5 Significant Accounting, Judgements, Estimates and Assumptions

Preparation of the consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering

the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

Estimates and assumptions that may cause significant adjustments in the book value of assets and liabilities in the next financial reporting period are as follows:

Deferred tax assets

The Group has been recognized of deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported and its financial statements prepared in accordance with Turkish Accounting Standards ("TAS"). The Group has deferred tax assets resulting from unused tax losses and deferred tax assets resulting from deductible temporary differences arising from investment incentives that can be deducted from future profits. During the recognition the deferred tax assets, it has been taken into consideration the future profit projections and the last dates of the losses that occurred in the current period that can be used (Note 25). Where the final tax consequences of this matter are different from the amounts initially recorded, these differences may have an effect on the income tax and deferred tax assets and liabilities in the period in which they are determined.

Reduced Corporate Tax Application

As disclosed in the Note 13, the Group, as a result of the evaluation, by stipulating that the reduced corporate income tax may be utilized in the current period and in the following periods within the framework of Article 32/A of the Corporate Tax Law No. 5520, has calculated the deferred tax assets in a TL amount corresponding to 15% of the total investment expenditures within the scope of incentives, of which the details are shown below and has included in the consolidated financial statements (Note 25). Completion examination was completed in April 2018. Total investment expenditure is amounting to TL 139.662.402.

	31 December 2021 Deferred Tax Asset	31 December 2020 Deferred Tax Asset
Outstanding Balance (Beginning of the Period)	28.520.568	29.216.286
Investment Discount Indexing	10.324.445	2.661.604
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(5.373.697)	(3.357.322)
Balance at the End of the Period	33.471.316	28.520.568

In 2018, the Group filed an application to the Ministry of Industry and Technology in order to modernize its production facilities and to link some investments, which were made intended for continuance of the facilities activities, to the "Investment Incentive Certificate". As a result of the application and a subsequent application filed for amendment thereof, the final certificate of investment incentive numbered B137821 dated 18.10.2018 has been issued. The following incentives have been provided for the investment that is to be made pursuant to the incentive certificate.

- Investment Period: 09.04.2018-09.10.2022
- VAT Exemption
- Customs Duty Exemption
- Tax Deduction Rate: 50%, Investment Contribution Rate: 15% (In accordance with the relevant Turkish tax legislation, tax deduction rate was applied as 100% and investment contribution rate was applied as 30% accordingly for the expenditures of the Group for the period between 2017-2021).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1.5 Significant Accounting, Judgements, Estimates and Assumptions (continued)

Reduced Corporate Tax Application (continued)

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 38.761.214 and the total sum of expenditures having been incurred is equals to TL 67.318.796. The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 9.872.575 on corporation tax.

2.2 New and Revised Turkish Financial Reporting Standards

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows:

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board ("IASB") has extended the practical expedient by 12 months - permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on 5 June 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations. The amendments updated TFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Property, Plant and Equipment-Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment-Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements-specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other appropriate component of equity.

Onerous Contracts-Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts-Cost of Fulfilling a Contract, which made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

TFRS 17 - Insurance Contracts

On 16 February 2019, POA issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values - instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 17.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Initial Application of TFRS 17 and TFRS 9-Comparative Information (Amendment to TFRS 17)

In December 2021, IASB issued Initial Application of TFRS 17 and TFRS 9-Comparative Information (Amendment to TFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 17.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before 1 January 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 4.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends TAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current-that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
- Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
- Clarifying how lending conditions affect classification; and
- Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of TAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to TAS 1

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended TAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions - e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 12.

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) - e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying TFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique - e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 8.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to TAS 1 Presentation of Financial Statements and an update to TFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 1.

Annual Improvements to TFRS Standards 2018-2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs/2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have material impact on its consolidated financial statements.

TFRS 1 First-time Adoption of Turkish Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of TFRS Standards later than its parent - i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that - for the purpose of performing the "10 per cent test" for derecognition of financial liabilities - in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

TAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

Amendments are effective on 1 January 2021

Amendments that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

- 1) Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.3 Changes in Accounting Policies

Whether there are changes and errors in accounting policies and accounting estimates, the amended significant changes and the identified significant accounting errors are implemented retrospectively and the previous periods Group's consolidated financial statements are adjusted.

2.4 Changes in Accounting Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively to period profit or loss and prior year financial statements are restated as follows:

- If changes in accounting estimates and errors are for only one period, changes are applied in the current year,
- If the estimated changes affect the following periods, changes are applied both on the current and following years prospectively.

The significant estimates used during the preparation of the consolidated financial statements for the period between January 1 and 31 December 2021 are consistent with the estimates used in the preparation of the consolidated financial statements for the period between 1 January and 31 December 2020. If any material changes in accounting policies or material errors are corrected, changes are applied retrospectively by restating the prior period consolidated financial statements.

2.5 Summary of Significant Accounting Policies

Offsetting

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

Revenue Recognition

TFRS 15 "Revenue from Contracts with Customers" standard

TFRS 15 has developed a comprehensive framework to determine when and at what amount the proceeds will be recognized and replaces the TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. The new standard replaces the guidance on existing TFRSs; regulates the principles that will be applied by the entity in reporting the financial statements to the users of the financial statements about the nature, amount, timing and uncertainty of the contract revenue and cash flows. The basic principle of the standard is that the entity reflects the proceeds to the financial statements from an amount that reflects the cost that the Group expects to qualify for the transfer of the goods or services it commits to its customers.

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

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

In accordance with TFRS 15, when the entity fulfills its operating obligations, in other words, the control of the goods or services specified in a performance obligation is transferred to the customer; the revenue is recognized in the financial statements. TFRS 15 provides more guidance on more specific scenarios. In addition, TFRS 15 requires more comprehensive disclosures. Subsequent disclosures related to TFRS 15 include the assessment of the entity became principal or proxy and entity's application for licensing.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Inventories

The Group's inventories consist of raw materials, chemical materials, operating materials and scrap paper and finished goods inventories include ready-made coated cardboard inventories.

Inventories are valued at the lower of cost or net realisable value. Cost of inventories includes; all purchasing costs, covering costs and other costs incurred to make the inventories ready to sell. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. Those costs also include systematically distributed costs from fixed and variable general production expenses incurred in covering direct raw material to the goods.

The cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 9).

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment and reflected to the consolidated financial statements.

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

Type	2021 Ratio (%)	2020 Ratio (%)
Buildings	2 - 2,5	2 - 2,5
Land Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67 - 25	6,67 - 25
Furniture and Fixtures	20 - 33	20 - 33
Motor Vehicles	20 - 25	20 - 25
Leasehold Improvements	20	20
Other Property, Plant and Equipment	10 - 20	10 - 20

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under "gains/losses from investing activities" in the current period. Repairs and maintenance expenses are charged to the income statements during the period in which they are incurred. Machinery and equipment are capitalised and amortised when their capacity is fully available for use (Note 11).

Intangible assets and Related Amortisation

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost. Intangible assets are carried at cost less accumulated amortization and impairment, if any. These assets are amortized using the straight-line basis over their estimated useful lives. The estimated depreciation rates are between 20% and 33%. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being recognized for on a prospective basis. (Note 12).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Assets

The carrying amounts of the Group's assets are reviewed at each reporting date and (for assets with indefinite useful lives, whenever there is an indication of impairment) to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted in profit or loss. The cash-generating unit represents the smallest group of identifiable assets whose cash inflows are substantially independent of other assets or asset groups.

An impairment loss recognized in prior periods 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 is recognized as income in the consolidated financial statements and cannot exceed 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 current and prior years.

Leases

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

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

The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),

- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset

The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct the use of the asset throughout the period of use only if either:

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

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

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Right-of-use asset

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

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the Group, and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group is liable for these costs starting from the date the lease actually begins or as a result of using the underlying asset for a certain period of time.

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

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

The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset. In the event that the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of use rights indicates that the Group will use a purchase option, the Group depreciates the right of use asset from the effective date of the lease to the end of the useful life of the underlying asset. In other cases, the Group depreciates the right of use assets on the basis of the shorter of the useful life or the lease term of the asset, starting from the effective date of the lease.

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

Lease liability

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

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

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

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

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made, and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Lease liability (continued)

The interest on the lease liabilities for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liabilities. The periodic interest rate, if easily determined, is the implied interest rate on the lease. If this rate cannot be easily determined, the Group uses the Group's incremental borrowing interest rate.

After the effective date of the lease, the Group remeasures the lease liabilities to reflect changes in lease payments. The Group reflects the remeasurement amount of the lease liabilities to the consolidated financial statements as an adjustment to the right of use assets.

The Group remeasures its lease liabilities by deducting the adjusted lease payments at a revised discount rate if either of the following conditions occurs:

- A change in the lease term. The Group determines adjusted lease payments based on the adjusted lease term.
- A change in these payments as a result of an index or rate change used to determine future lease payments. The Group remeasures the lease liabilities to reflect the adjusted lease payments only when there is a change in cash flows.

The Group determines the revised discount rate for the remainder of the lease term as the implied interest rate of the lease if it can easily be determined, or otherwise as the alternative borrowing interest rate of the Group as of the date of re-evaluation.

The Group remeasuring the lease liability by reducing the revised lease payments if any of the following conditions occur:

- Changes in amounts expected to be paid under a commitment regarding residual values. The Group determines the revised lease payments to reflect any change in the amounts expected to be paid within the context of the commitment regarding residual values.
- Changes in future rental payments as a result of a change in an index or rate that is used to determine such payments. The Group re-measures the lease liability to reflect these revised lease payments only when there is a change in its cash flows.

The Group determines the adjusted lease payments for the remaining lease term based on the adjusted contractual payments. In this case, the Group uses an unchanged discount rate.

The Group recognizes the restructuring of the lease as a separate lease if both of the following conditions are met:

- The restructuring shall extend the scope of the lease by adding the right of use on one or more underlying assets; and
- The increase in the lease amount by the appropriate price adjustment to reflect the price of the increase alone and the terms of the relevant contract.

Foreign Currency Translation

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

Earnings Per Share

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

In Turkey, companies can increase their share capital through a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 26).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Events after the Balance Sheet Date

Subsequent events cover all events that occur between the balance sheet date and the publication date of the consolidated financial statements.

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements (Note 29).

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

The amount to be collected in the event that all or part of the economic benefits used to pay the employment termination benefits are expected to be met by third parties. Employment termination benefits is accounted for as an asset if the repayment of the amount is determinable and the amount is reliably calculated (Note 14 and 15).

Related Parties

For the purpose of these consolidated financial statements, shareholders, parents of Kartonsan A.Ş., key management personnel and Board of Directors members, their close family members and the legal entities over which these related parties exercise control and significant influence, are considered and expressed as "related parties". The transactions with the related parties from ordinary operations are occurred in accordance with the market conditions are disclosed in Note 5.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable (Note 13).

Taxes on Income

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Income tax expense (or income) is the sum of the current tax expense and the deferred tax expense (or income).

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Current Tax

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

Deferred Tax

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

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

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

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

Deferred tax assets and liabilities are recognized when there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with the income tax collected by the same tax authority, or if the Group intends to pay off the current tax assets and liabilities (Note 25).

Current and deferred tax for the period

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

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

Offsetting in tax assets and liabilities

The amount of corporate tax payable is netted because it is related to prepaid corporate tax amounts. Deferred tax assets and liabilities are also offset in the same way (Note 25).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Provision for Employment Termination Benefits

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

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains/losses and recognised under other comprehensive income (Note 16).

Statement of Cash Flow

Cash and cash equivalents are carried at their fair values in the consolidated statement of financial position. The cash and cash equivalents comprises cash in hand, bank deposits and highly liquid investments. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements (Note 4).

Investment Properties

The Group's investment properties include lands.

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment Properties are held for the purpose of gaining rent or appreciation of its value are recognized at cost value less accumulated depreciation and accumulated impairment losses, if any. If it meets the accepted criteria, the amount included in the balance sheet includes the cost of changing any part of the existing Investment Property. This amount does not include daily maintenance for Investment Property

In the event that Investment Properties are not used or sold, they are removed from the balance sheet. Gains or losses arising from the sale of these properties are recognized in the income statement. (Note 10).

Capital and Dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. (Note 18).

Financial Instruments

Financial Assets

The Group classifies and recognizes with taking into consideration the business model in which they are managed and the contractual cash flow characteristics within the scope of TFRS 9 - Financial Instruments" standard, Financial Assets Measured at Fair Value Through Profit or Loss, Financial Assets Measured at Fair Value Through Other Comprehensive Income and Financial Assets Measured at Amortized Cost as of 1 January 2019. Financial assets are recognized or derecognized in accordance with the provisions of TFRS 9, "Inclusion in Financial Statements and Exclusion of Financial Statements". The Group only recognizes a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are measured at their fair values when they are initially included in the consolidated financial statements.

a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss; are financial assets held for trading and not acquired for trading purposes but recognized in this category at initial recognition. When a financial asset is acquired for the purpose of disposal in the short term, it is classified in that category. Derivative financial instruments which are not designated as effective hedging instruments are also classified as financial assets measured at fair value through profit or loss. Financial assets are carried at fair value and any gains or losses arising from the valuation are recognized in profit or loss. These financial assets are classified as current assets.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

c) Financial assets measured at amortized cost

"Financial assets measured at amortised cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the statement of income.

c) Financial assets measured at fair value through other comprehensive income

"Financial assets measured at fair value through other comprehensive income" are assets that are either equity securities or debt securities. The Group measures related financial assets at fair value. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for foreign exchange gains and losses. When an equity security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings. When a debt security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent valuation of financial assets measured at fair value through other comprehensive income is carried at fair value. However, if the fair value cannot be determined reliably, for those with a fixed maturity, discounted price is calculated using the internal rate of return method; For those who do not have a fixed maturity, fair value is valued using pricing models or discounted cash flow techniques. Unrealized gains or losses arising from changes in the fair values of financial assets at fair value through other comprehensive income and expressing the difference between the amortized cost and fair value of the securities calculated using the effective interest method, are included in the "Revaluation Surplus" which is recognized in equity. When the financial assets at fair value through profit or loss are disposed of, the value in equity resulting from the application of fair value is reflected to the period profit/loss.

Trade Receivables

The Group recognizes its factoring and other receivables at their fair values on the initial recognition date and they are carried at amortized cost using the effective interest method in the subsequent reporting periods.

In the current period, in accordance with the TFRS 9 - "Financial Instruments" standard, the Group allocates provision for expected credit losses from expected amortization costs or financial assets measured at fair value through other comprehensive income.

Group has adopted "three stage approach (general model)" defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

"Stage 1", includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("ECL") are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months

"Stage 2", includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

- Less than 90 days, more than 30 days delay
- Loan restructuring
- Significant deterioration of the probability of default

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

In the event of a significant deterioration in the probability of default, a significant increase in credit risk is considered and the financial asset is classified in stage 2.

"Stage 3", includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised. Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements.

- Over 90 days delay
- Determination of the weakness of the credit worth, the weakness of the credit or the uncollectability of the credit or having a precise opinion on this matter

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with their maturities equal or less than three months from date of acquisition that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Financial liabilities

The Group's financial liabilities and equity instruments are classified according to the contractual agreements entered into and the definition of financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all the liabilities. Accounting policies determined for the financial liabilities and the financial instruments based on equity are explained below. Financial liabilities are classified as either "Financial Liabilities Measured at fair value Through Profit or Loss" or "Other Financial Liabilities".

a) Financial liabilities measured at fair value through profit or loss

"Financial liabilities measured at fair value through profit/loss" are recognized at their fair value and are reevaluated at the end of each balance sheet date. Changes in fair values are recognized in the consolidated income statement. Net gains and/or losses recognized in the consolidated income statement also include interest payments made for these financial liabilities.

b) Other financial liabilities

Other financial liabilities are initially recognized at their fair value less transaction costs.

Other financial liabilities are recognized over their amortized costs using the effective interest method and with interest costs calculated over effective interest rate in subsequent periods.

The effective interest method is the calculation of the amortized costs of the financial liabilities and the distribution of the related interest expenses to related periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value of the financial liability.

The Group has no other financial liabilities in the current and prior periods.

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NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

(iii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and are subsequently remeasured at their fair value. The fair value of derivative financial instruments measured at fair value and associated with the consolidated profit or loss is calculated by reference to the market interest rates valid for the rest of the contract for the relevant currency for the relevant period, by comparison with exchange rate. Derivatives are recorded as assets or liabilities in the balance sheet, respectively, depending on whether the fair value is positive or negative differences arising from the fair value of derivative financial instruments except for the cash flow hedge explained below are reflected in the profit and loss statement in the consolidated statements of income.

2.6 Changes in Accounting Policies

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

NOTE 3 - BUSINESS COMBINATIONS

As Kartonsan was established in Turkey, the Group's nature of business includes ensuring the production and trade coated cardboard. The Group's business activities comprise of the nature and economic characteristics of the products, the production processes, the classification of the customers according to their risks and the methods used in the distribution of the products. In addition, the Group's organizational structure is constituted as the management of a single activity rather than being managed in separate departments handling different activities. Therefore, the Group's operations are treated as a single business department and the Group's results of operations, the determination of the resources to be allocated to such activities and the performance of these activities are evaluated within this framework.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in hand	268.289	282.139
Banks	420.353.544	184.696.105
- Demand Deposits - TL	6.410.129	2.289.624
- Demand Deposits - Foreign Currency	53.522.782	14.993.399
- Time Deposit - TL	130.668.530	66.381.422
- Time Deposit - Foreign Currency	228.325.473	100.186.013
- Credit Card Receivables	1.426.630	845.647
Total	420.621.833	184.978.244

As of 31 December 2021, the average maturity of time deposits is 35 days (31 December 2020: 33 days).

As of 31 December 2021, the interest rate of TL denominated time deposits amounting to TL 130.668.530 (31 December 2020: TL 66.381.422) was realized as 17,81% annually (31 December 2020: 17,00%). As of 31 December 2021, the weighted average interest rate of foreign currency denominated deposits amounting to TL 228.325.473 was realized as 1,29% annually (31 December 2020: TL 100.186.013 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 2,76%).

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NOTE 4 - CASH AND CASH EQUIVALENTS (continued)

As of 31 December 2021 and 2020, cash and cash equivalents subject to cash flow statements are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Cash and cash equivalents	420.621.833	184.696.105
Interest accruals (-)	(353.763)	(194.503)
Cash and cash equivalents net cash flow position, net	420.268.070	184.501.602

NOTE 5 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

	31 December 2021	31 December 2020
Mel Macedonian Paper Mills S.S.A	10.754.792	4.436.821
Total	10.754.792	4.436.821

b) Prepaid expenses to related parties

	31 December 2021	31 December 2020
Mel Macedonian Paper Mills S.S.A	13.987.543	7.613.374
Total	13.987.543	7.613.374

c) Trade payables to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizm. A.Ş.	46.837	41.296
Pak Holding A.Ş.	13.242	18.556
Total	60.079	59.852

d) Other payables to related parties

	31 December 2021	31 December 2020
Shareholders (Dividend)	56.381	38.451
Total	56.381	38.451

e) Short term lease liabilities to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	233.819	168.528
Total	233.819	168.528

f) Long term lease liabilities to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	4.147.419	3.895.371
Total	4.147.419	3.895.371

g) Sales of goods and services to related parties

	1 January - 1 December 2021	1 January - 1 December 2020
Mel Macedonian Paper Mills S.S.A	17.648.694	11.631.351
Pak Holding A.Ş.	20.615	-
Total	17.669.309	11.631.351

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NOTE 5 - RELATED PARTY DISCLOSURES (continued)

h) Purchases of goods and services from related parties	1 January - 31 December 2021	1 January - 31 December 2020
Mel Macedonian Paper Mills S.S.A	115.333.387	66.563.431
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş. ^(*)	1.472.608	1.306.799
Pak Holding A.Ş. ^(*)	57.460	35.224
Pak Gıda Üretim ve Pazarlama A.Ş.	102.678	20.090
Total	116.966.133	67.925.544

^(*) Includes reflection of legal consultancy services.^(*) Includes rent and subscription fees of Pak İş Merkezi.

g) Key management compensation

	1 January - 1 December 2021	1 January - 1 December 2020
Key management compensation	5.451.270	4.973.403
Total	5.451.270	4.973.403

Key management compensation provided to key management personnel during the period 1 January 2021 to 31 December 2021 and 2020 are short-term benefits and includes benefits, premiums, benefits from post-employment and other payments. There are no post-employment benefits, share-based payments and other long-term benefits in the 1 January 2021 to 31 December 2021 and 2020 period.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from non-related parties

	31 December 2021	31 December 2020
Customers	157.449.016	85.327.718
Notes receivables	6.981.964	3.111.298
Doubtful trade receivables	6.602.100	4.396.785
Less: Non-accrued financial income	(1.029.851)	(436.933)
Less: Provision for doubtful trade receivables	(6.602.100)	(4.396.785)
Total	163.401.129	88.002.083

The average maturity of trade receivables is 27 days (31 December 2020: 20 days) and the effective annual interest rates are as follows:

	31 December 2021				31 December 2020			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Receivables	18%	0,58%	0	0,81%	17%	0,34%	0	0,08%

As of 31 December 2021, the Group holds mortgages and letters of guarantee amounting to TL 44.902.578 (31 December 2020: TL 29.472.476) for trade receivables.

The movement of provision for doubtful receivables during the period is as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	4.396.785	3.593.229
Increases during the period	2.456.876	859.171
Collections	(251.561)	(55.615)
Total	6.602.100	4.396.785

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NOTE 6- TRADE RECEIVABLES AND PAYABLES (continued)

b) Trade payables to non-related parties	31 December 2021	31 December 2020
Suppliers	179.522.313	78.019.142
Notes Payable	9.455.000	2.760.000
Less: Non accrued financial expense	(880.267)	(379.011)
Total	188.097.046	80.400.131

The average maturity of trade payables is 17 days (31 December 2020: 17 days) and the annual effective interest rates are as follows:

	31 December 2021				31 December 2020			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	18%	0,58%	0	0,81%	17%	0,34%	0	0,08%

NOTE 7 - BORROWINGS

Short term borrowings from related parties

	31 December 2021	31 December 2020
Lease Liabilities	233.819	168.528
Total	233.819	168.528

Long term borrowings from related parties

	31 December 2021	31 December 2020
Lease Liabilities	4.147.419	3.895.371
Total	4.147.419	3.895.371

Short term borrowings from non-related parties

	31 December 2021	31 December 2020
Short term loans	177	-
Lease Liabilities	893.713	591.828
Total	893.890	591.828

Long term borrowings from non-related parties

	31 December 2021	31 December 2020
Lease Liabilities	998.435	1.105.320
Total	998.435	1.105.320

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The breakdown of other receivables and payables of the Group at the end of the period are as follows:

a) Other short term receivables from non-related parties	31 December 2021	31 December 2020
Tax refunds receivables from tax office	1.126.392	783.343
Receivables from employees	22.859	19.463
Deposits and guarantees given	2.043	7.333
Total	1.151.294	810.139

b) Other long term receivables from non-related parties	31 December 2021	31 December 2020
Deposits and guarantees given	25.183	44.250
Total	25.183	44.250

c) Other payables to non-related parties	31 December 2021	31 December 2020
Taxes payable	11.967.571	3.879.803
Advances received	5.236.169	1.048.860
Total	17.203.740	4.928.663

NOTE 9 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials and supplies	91.937.528	36.161.810
Semi-finished goods	2.295.894	535.561
Finished goods	41.535.970	54.819.692
Merchandise	9.230.478	14.915.581
Other inventories	26.589.370	22.502.118
Less: Provision for impairment	(93.846)	(28.532)
Total	171.495.394	128.906.230

As of 31 December 2021, cost of inventories of the Group amounting to TL 743.087.961 (31 December 2020: TL 472.121.022) is recognized as an expense under cost of sales (Note 19 and 21).

Movement of provision for impairment on inventories is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Beginning of the Period - 1 January	(28.532)	(565.557)
Profit or loss position due to disposals	28.532	565.557
Provisions during the period (-)	(93.846)	(28.532)
Total	(93.846)	(28.532)

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NOTE 9 - INVENTORIES (continued)

The cost, net realisable value of the inventories related to inventory impairment and the provisions during the period are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Cost	(854.518)	(223.478)
Net realisable value	760.672	194.946
Provisions during the period	(93.846)	(28.532)

The Group has no inventory provided as guarantee against its liabilities.

NOTE 10 - INVESTMENT PROPERTIES

As of 31 December 2021, investment properties of the Group is amounting to TL 229.270 (31 December 2020: TL 229.270). The Group has no movement for investment property during the period (31 December 2020: None).

Investment properties are included in the consolidated financial statements carried at cost. The fair value of investment properties is amounting to TL 7.470.000 based on the real estate appraisal report prepared on 30.01.2020 (for the valuation performed on 31 December 2019) by TSKB Gayrimenkul Değerleme A.Ş., licensed by the CMB. The Group management has been estimated that there has been no significant material changed incurred during the period regarding its investment properties.

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Cost:	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Land	24.059.097				24.059.097
Land improvements	12.878.737	269.201	-	602.997	13.750.935
Buildings	65.481.309	19.422	-	6.314.253	71.814.984
Plant, machinery and equipment	598.278.608	22.184.574	323.358	73.822.415	693.962.239
Motor vehicles	2.157.706	564.476	-	-	2.722.182
Furniture and fixtures	23.740.014	6.090.794	236.677	-	29.594.131
Leasehold improvements	500.897	58.015	-	-	558.912
Other property, plant and equipment	1.196.549	182.506	191.478	-	1.187.577
Constructions in progress	7.497.489	73.912.991	-	(80.739.665)	670.815
	735.790.406	103.281.979	751.513	-	838.320.872

Accumulated depreciation:

Land improvements	(6.313.878)	(711.706)	-	-	(7.025.584)
Buildings	(29.323.469)	(1.551.547)	-	-	(30.875.016)
Plant, machinery and equipment	(449.034.672)	(30.513.064)	304.935	-	(479.242.801)
Motor vehicles	(1.184.863)	(306.407)	-	-	(1.491.270)
Furniture and fixtures	(15.768.832)	(2.845.096)	220.712	-	(18.393.216)
Leasehold improvements	(435.372)	(41.043)	-	-	(476.415)
Other property, plant and equipment	(511.764)	(100.233)	130.291	-	(481.706)
	(502.572.850)	(36.069.096)	655.938	-	(537.986.008)

Net book value	233.217.556				300.334.864
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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)

Cost:	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Land	24.059.097				24.059.097
Land improvements	10.952.786	-	-	1.925.951	12.878.737
Buildings	58.161.366	15.000	-	7.304.943	65.481.309
Plant, machinery and equipment	552.138.949	18.521.644	1.105.209	28.723.224	598.278.608
Motor vehicles	2.157.706	-	-	-	2.157.706
Furniture and fixtures	20.794.701	3.048.581	103.268	-	23.740.014
Leasehold improvements	492.897	8.000	-	-	500.897
Other property, plant and equipment	1.156.749	44.800	5.000	-	1.196.549
Constructions in progress	11.088.370	34.363.237	-	(37.954.118)	7.497.489
	681.002.621	56.001.262	1.213.477	-	735.790.406

Accumulated depreciation:

Land improvements	(5.649.324)	(664.554)	-	-	(6.313.878)
Buildings	(28.686.010)	(1.463.492)	-	826.033	(29.323.469)
Plant, machinery and equipment	(425.275.564)	(24.028.552)	1.094.627	(825.183)	(449.034.672)
Motor vehicles	(972.313)	(212.550)	-	-	(1.184.863)
Furniture and fixtures	(13.767.765)	(2.099.815)	99.598	(850)	(15.768.832)
Leasehold improvements	(395.914)	(39.458)	-	-	(435.372)
Other property, plant and equipment	(415.744)	(97.248)	1.228	-	(511.764)

	(475.162.634)	(28.605.669)	1.195.453	-	(502.572.850)
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Net book value	205.839.987				233.217.556
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As of 31 December 2021, the Group has no machinery and equipment acquired through finance leases. (31 December 2020: None.)

Current period depreciation and amortisation charges on property, plant and equipment amounting to TL 34.390.759 (31 December 2020: TL 26.485.176) included in cost of sales, the portion amounting to TL 713.038 included in (31 December 2020: TL 398.568) marketing expenses and remaining portion amounting to TL 713.038 (31 December 2020: TL 1.721.925) is included in general administrative expenses (Note 19 and 20).

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NOTE 12 - RIGHT OF USE ASSETS AND INTANGIBLE ASSETS

Right of Use Assets

Cost:	1 January 2021	Additions	Disposals	31 December 2021
Head Office	4.246.270	499.055	-	4.745.325
Motor Vehicles	2.074.199	985.476	(276.480)	2.783.195
	6.320.469	1.484.531	(276.480)	7.528.520

Accumulated depreciation:	1 January 2021	Additions	Disposals	31 December 2021
Head Office	(617.102)	(423.407)	-	(1.040.509)
Motor Vehicles	(408.186)	(875.955)	276.757	(1.007.384)
	(1.025.288)	(1.299.362)	276.757	(2.047.893)

Net book value	5.295.181			5.480.627
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Cost:	1 January 2020	Additions	Disposals	31 December 2020
Head Office	2.877.339	1.368.931	-	4.246.270
Motor Vehicles	1.087.471	1.696.751	(710.023)	2.074.199
	3.964.810	3.065.682	(710.023)	6.320.469

Accumulated depreciation:	1 January 2020	Additions	Disposals	31 December 2020
Head Office	(244.880)	(372.222)	-	(617.102)
Motor Vehicles	(465.029)	(574.432)	631.275	(408.186)
	(709.909)	(946.654)	631.275	(1.025.288)

Net book value	3.254.901			5.295.181
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Intangible Assets

Cost:	1 January 2021	Additions	Disposals	31 December 2021
Rights and computer software	8.923.215	2.920.984	-	11.844.199
	8.923.215	2.920.984	-	11.844.199

Accumulated depreciation:	1 January 2021	Additions	Disposals	31 December 2021
Rights and computer software	(5.435.630)	(1.307.886)	-	(6.743.516)
	(5.435.630)	(1.307.886)	-	(6.743.516)

Net book value	3.487.585			5.100.683
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NOTE 12 - RIGHT OF USE ASSETS AND INTANGIBLE ASSETS (continued)

Intangible Assets (continued)

Cost:	1 January 2020	Additions	Disposals	31 December 2020
Rights and computer software	8.373.976	549.239	-	8.923.215
	8.373.976	549.239	-	8.923.215

Accumulated depreciation:	1 January 2020	Additions	Disposals	31 December 2020
Rights and computer software	(4.141.552)	(1.294.078)	-	(5.435.630)
	(4.141.552)	(1.294.078)	-	(5.435.630)

Net book value	4.232.424			3.487.585
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Current period depreciation and amortisation charges on intangible assets amounting to TL 1.307.886 (31 December 2020: TL 1.294.078) included in cost of sales and remaining portion amounting to TL 1.299.362 (31 December 2020: TL 946.654) is included in general administrative expenses.

NOTE 13 - GOVERNMENT GRANTS

In 2018, the Group filed an application to the Ministry of Industry and Technology in order to modernize its production facilities and to link some investments, which were made intended for continuance of the facilities activities, to the "Investment Incentive Certificate". As a result of the application and a subsequent application filed for amendment thereof, the final certificate of investment incentive numbered B137821 dated 18.10.2018 has been issued. The following incentives have been provided for the investment that is to be made pursuant to the incentive certificate.

- Investment Period: 09.04.2018-09.10.2022
- VAT Exemption
- Customs Duty Exemption
- Tax Deduction Rate: 50%, Investment Contribution Rate: 15% (In accordance with the relevant Turkish tax legislation, tax deduction rate was applied as 100% and investment contribution rate was applied as 30% accordingly for the expenditures of the Group for the period between 2017-2021).

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 38.761.214 and the total sum of expenditures having been incurred is equals to TL 67.318.796. The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 9.872.575 on corporation tax.

The Group has applied to the Ministry of Economy in August 2016 for the completion visa of the investment incentive certificate dated 6 February 2016 and numbered C110178 to be carried out. The Ministry of Economy completed the completion examination in July 2017. The result of the completion examination was notified to the Group in April 2018. In accordance with Article 32/A of the Corporate Tax Law with numbered 5520, as a result of the completion of the investment incentive certificate, the Group has calculated the deferred tax asset in the amounts presented below and accounted for 15% of the total investment expenditures incurred under the incentives by considering the deduction of the corporate tax rate in current and subsequent periods (Note 35). Completion examination was completed in April 2018. Total investment expenditure is amounting to TL 139.662.402.

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NOTE 13 - GOVERNMENT GRANTS (continued)

	31 December 2021	31 December 2020
	Deferred Tax Assets	Deferred Tax Assets
Outstanding Balance (Beginning of the Period)	28.520.568	29.216.286
Investment Discount Indexing	10.324.445	2.661.604
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(5.373.697)	(3.357.322)
Balance at the End of the Period	33.471.316	28.520.568

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other short term provisions

	31 December 2021	31 December 2020
Provision for export discount expenses	3.270.627	817.090
Provision for export commission expense	2.233.496	1.367.459
Provision for other debt expense	890.926	505.972
Total	6.395.049	2.690.521

The movement of other provisions during the period is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Beginning of the Period - 1 January	2.690.521	2.082.946
Payments and reversals	(2.690.521)	(2.082.946)
Additions	6.395.049	2.690.521
End of the Period - 31 December	6.395.049	2.690.521

In accordance with the information regarding the ongoing lawsuits filed against the Group or in favor of the Group as of 31 December 2021 as a result of the attorney letters obtained from legal counsel's of the Group are as follows:

1. The Natural Gas Purchase Agreement executed between the Group and OMV Enerji Tic. A.Ş. (hereinafter "OMV") for procurement of natural gas for use at its power plant in the years 2017 and 2018 ("Agreement") expired as of the end of 2018. In a notice served by OMV on 08.02.2019 after expiration of the agreement, OMV states and alleges that GAZPROM, from which OMV procures natural gas, filed an application for international arbitration in 2015 in order to retrospectively cancel the discount applied at the rate of 10.25% for calculation of its import prices, that the arbitral tribunal decided to cancel the aforementioned discount rate of 10.25% as effective from 2017, and that in the event that the discount in question is cancelled retrospectively, then OMV would charge to the Group amounting to USD 2.723.528 (including VAT but excluding interests, expenses and fees) calculated for the quantities of gas sold to the Group.

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NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

2. Since the claim made by OMV is against law and the agreement, the request was dismissed and an objection was filed against the content. Due to abovementioned reasons, the Group has allocated no related provisions included in the consolidated financial statements for the outflow of the resources. In addition, since OMV has not illegally returned the bank letter of guarantee issued by the Group in the sum of TL 6.640.000, despite all requests made upon expiration of the Natural Gas Sales Agreement, a lawsuit was initiated against OMV in İstanbul Commercial Courts of First Instance for the return to the Group of the bank letter of guarantee issued by Halk Bank A.Ş. on 04.12.2012 numbered. 0450 MW 011897 for the amount of TL 6.640.000, and also for the collection of the Group's outstanding receivables in the aggregate sum of USD 395.805,04 inclusive of VAT payable as per the finalized e-invoice numbered KM6201800000148 issued on 31.12.2018 under the Natural Gas Sales Agreement. The provision for doubtful receivables has been disclosed amounting to USD 395.805,04 in the consolidated financial statements. In accordance with the agreement made with OMV in February 2022, the letter of guarantee amounting to TL 6.640.000 is not in retention and the amount of USD 395.805,04 was paid by OMV including interests and other costs. In accordance with the negotiated settlement and waiver of notice, both OMV and the Group withdrew from the lawsuit and therefore, the lawsuit concluded in favor of the Group.

3. The Group has been filed a lawsuit against İstanbul Metropolitan Municipality in the 10th Administrative Court of İstanbul with the merits numbered 2019/16513, with a request for the cancellation of the 1/5000-scaled master plan covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no fund outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

4. The Group has been filed a lawsuit against Kucukcekmece Municipality in the 5th Administrative Court of İstanbul with the merits numbered 2017/1253, with a request for the cancellation of the 1/1000-scaled amendment project covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no cash outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

d) Ratio of Collateral, Pledge, Mortgages to equity

Collateral, Pledge, and Mortgages ("CPM") obtained from the customers of the Group as of 31 December 2021 and 2020 is as follows:

	Currency	31 December 2021		31 December 2020	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
CPM's Received	TL	46.015.720	46.015.720	25.030.720	25.030.720
	EUR	450.000	6.789.015	2.905.000	26.167.950
	GBP	-	-	500.000	4.971.900
	USD	-	-	750.000	5.505.375
Total			52.804.735		61.675.945

Collateral, Pledge, and Mortgages ("CPM") obtained from the suppliers of the Group as of 31 December 2021 and 2020 is as follows:

	Currency	31 December 2021		31 December 2020	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
CPM's Received	TL	2.107.778	2.107.778	1.907.078	1.907.078
	EUR	1.501.025	22.645.514	898.344	8.092.193
	USD	-	-	27.140	199.221
Total			24.753.292		10.198.492

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NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Collateral, Pledge, and Mortgages ("CPM") of the Group as of 31 December 2021 and 2020 is as follows:

	Currency	31 December 2021		31 December 2020	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
A. Total amount of CPMs given in the name of its own legal personality	TL	8.977.631	8.977.631	8.920.700	8.920.700
	USD	-	-	-	-
	EUR	110.000	1.659.537	110.000	990.869
B. Total amount of CPM given on behalf of the fully consolidated companies	-	-	-	-	-
C. Total amount of CPM given on behalf of third parties for ordinary course of business	-	-	-	-	-
D. Total amount of other CPM given					
i) Total amount of CPM's given on behalf of the majority shareholder	-	-	-	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C	-	-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-	-	-	-
Total		10.637.168		9.911.569	

The ratio of other CPM given by the Group to equity of the Group is 0% as of 31 December 2021 (31 December 2020: 0%).

e) Insurance coverage of property, plant and equipment

As of 31 December 2021 and 2020, insurance coverage of property, plant and equipment is as follows:

Type	31 December 2021	31 December 2020
Buildings	63.595.000	63.595.000
Machinery and Equipment	440.298.000	440.298.000
Cash in hand	462.135	462.135
Inventories	144.520.000	139.520.000
Furniture and Fixtures	3.527.600	3.527.400
Motor Vehicles	3.979.925	3.909.774
Total	656.382.660	651.312.309

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NOTE 15 - COMMITMENTS

As of 31 December 2021 and 2020, commitments of the Group are as follows:

a) Raw material and supplies purchase contracts

	31 December 2021	31 December 2020
Up to one year	33.096.891	39.653.514
Total	33.096.891	39.653.514

b) Machinery and equipment purchase contracts

	31 December 2021	31 December 2020
Up to one year	51.183.349	28.363.496
Total	51.183.349	28.363.496

c) Services purchase contracts

	31 December 2021	31 December 2020
Up to one year	4.418.608	2.759.110
Total	4.418.608	2.759.110

NOTE 16 - EMPLOYEE BENEFITS

Employee benefits payables

	31 December 2021	31 December 2020
SSI Premium and Tax Deduction Payables	3.577.574	2.811.419
Fees Payables	631.616	446.959
Other liabilities	38.506	27.886
Total	4.247.696	3.286.264

Short-term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for bonus and salaries	373.455	969.997
Provision for unused vacation	1.448.314	869.720
Total	1.821.769	1.839.717

The movement of salaries, bonuses and provision of premiumus are as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	1.839.717	1.000.099
Increases during the period	1.821.769	1.839.717
Payments during the period	(1.839.717)	(1.000.099)
Total	1.821.769	1.839.717

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NOTE 16 - EMPLOYEE BENEFITS (continued)

Long-term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for employment termination benefits	23.157.194	15.293.908
Total	23.157.194	15.293.908

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

Under Turkish Labour Law, Kartonsan and its Subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). After the legislation on 23 May 2002, some transitional clauses relating to the length of service before retirement have been removed.

As of 31 December 2021, the amount payable consists of one month's salary limited to a maximum of 8,284,51 (31 December 2020: TL 7.117,17) for each year of service. The liability is not funded as there is no funding requirement.

The principal assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries within the scope of consolidation.

	31 December 2021	31 December 2020
Net discount rate (%)	2,56	3,70
Turnover rate to estimate of the probability of retirement (%)	98,64	98,42

Long-term provisions for employee benefits

The basic assumption is that the ceiling for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 10.848,59 effective from 1 January 2021 (1 January 2021: TL 7.638,96) has been taken into consideration in calculating the provision for employment termination benefits.

Movement of employment termination benefit is as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	15.293.908	12.467.379
Service Costs	1.958.188	1.333.266
Interest Costs	1.665.824	1.273.657
Actuarial loss (Note 18)	5.908.191	1.124.182
Loss Due to Payment/Reduction of Benefits/Dismissal	484.305	49.274
Payments during the period	(2.153.222)	(953.850)
Total	23.157.194	15.293.908

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NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short-term prepaid expenses to non-related parties	31 December 2021	31 December 2020
Other prepaid expenses *	4.523.580	3.230.697
Advances given	32.667.578	2.476.493
Total	37.191.158	5.707.190

* Includes insurance expenses, maintenance and repair expenses and subscription expenses

b) Other current assets from non-related parties	31 December 2021	31 December 2020
Deferred VAT	342.117	766.004
Goods and services refund	29.791	12.236
Other	300	300
Total	372.208	778.540

c) Long-term prepaid expenses to non-related parties	31 December 2021	31 December 2020
Advances given for property, plant and equipment and intangible assets	28.190.378	10.812.307
Total	28.190.378	10.812.307

NOTE 18 - EQUITY

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

As of 31 December 2021 and 2020, the principal shareholders and their respective shareholding rates in Kartonsan are as follows:

	31 December 2021		31 December 2020	
	Amount	Share (%)	Amount	Share (%)
Pak Holding A.Ş.	25.790.930	34,39	25.790.930	34,39
Asil Holding A.Ş.	18.337.579	24,45	18.337.578	24,45
Pak Gıda Üretim ve Pazarlama A.Ş.	14.468.564	19,29	14.468.564	19,29
Oycan İthalat İhracat ve Ticaret A.Ş.	10.654	0,01	10.654	0,01
Other (Listed)	16.392.273	21,86	16.392.274	21,86
Paid-in Share Capital	75.000.000	100,00	75.000.000	100,00
Adjustment to Share Capital	21.135.671		21.135.671	
Total	96.135.671		96.135.671	

In accordance with the decision of the Board of Directors, which was registered on 24.12.2020 within the framework of the registered capital system regulations and published in Official Gazette on 25.12.2020 numbered 10232, the number of outstanding shares representing the Group's paid-in share capital has been determined as follows:

According to the Company's articles of association

Number of outstanding shares	7.500.000.000
Nominal amount of shares	0,01
Total nominal amount	75.000.000,00

The Company's 5.287 outstanding shares are comprise of Group A (Preferred) shares representing the aforementioned capital. These shares have privileges in dividend distribution. According to Article 25 of the Company's Articles of Association; after deduction of 10% of the paid-in share capital from the net profit of the first dividend, the dividend is distributed to the Group A (Preferred) Shareholders in 5% of the remaining portion.

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NOTE 18 - EQUITY (continued)

b) Restricted Reserves

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

The aforementioned reserves should be classified in "Restricted Reserves" in accordance with Capital Markets Board Financial Reporting Standards. As of 31 December 2021, and 2020, the breakdown of restricted reserves is as follows:

	31 December 2021	31 December 2020
Legal Reserves	45.523.603	33.010.839
Gains on Disposal of Subsidiaries, Property, Plant and Equipment and Intangible Assets	2.315.343	2.315.343
Total	47.838.946	35.326.182

c) Dividend distribution

In accordance with the decision of the Capital Markets Board (CMB) dated 27 January 2010 numbered 02/51, no obligation to distribute any minimum profit to be imposed to ensure that no minimum profit distribution obligation is imposed on dividend distribution for publicly traded joint stock companies, whose shares are traded on the stock exchange, regarding the determination of the principles of distribution of publicly traded companies' joint ventures for the year 2009; and in this context, According to the Article 19 of the Capital Market Law, numbered 6362 and Dividend Communiqué of CMB, numbered II-19.1, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code numbered 6102, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

The entire amount of the dividend to be distributed may only be distributed as long as it is available from the net distributable profit or other sources available in the legal records. In other words, the upper limit of the dividend to be distributed is the distributable amount of the related profit distribution resources included in the legal records. Equity capital inflation adjustment differences and book value of extraordinary reserves can be used in free capital increase; cash profit distribution or loss deduction. However, equity capital adjustments are subject to corporate tax if used in cash profit distribution.

As of 31 December 2021, the Group's net distributable profit and other available funds (except distributable portion of legal reserves) amounting to TL 743.934.021 (31 December 2020: TL 437.768.294). The total amount of other funds of the Group that may be subject to dividend distribution is limited to the amounts in the Group's legal records. The Group's legal records consist of a net profit of TL 295.953.329 in the current period. As of 31 December 2021, the total amount of other funds which may be subject to dividend distribution amounting to TL 550.800.756 (31 December 2020: TL 325.109.239). In the calculation of the total amount that may be subject to distribution, the capital inflation adjustment differences and the amount of property, plant and equipment and intangible asset sales earnings held as a fund to be included in the capital are not taken into consideration.

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NOTE 18 - EQUITY (continued)

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

The movement for actuarial losses recognized under "Other Losses" in equity is as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	(3.132.045)	(2.232.699)
Actuarial Losses	(5.908.191)	(1.124.182)
Actuarial Losses - Tax Effect (Note 25)	1.238.118	224.836
Total	(7.802.118)	(3.132.045)

NOTE 19 - REVENUES AND COST OF SALES

	1 January- 31 December 2021	1 January- 31 December 2020
Domestic Sales	1.528.780.054	891.306.894
Foreign Sales	230.077.813	156.968.320
Other Revenue	12.324.939	4.539.978
Sales Returns (-)	(2.496.263)	(8.939.015)
Sales Discounts (-)	(80.447.362)	(69.013.527)
Other Discounts (-)	(99.591.965)	(75.959.335)
Revenue, net	1.588.647.216	898.903.315

	1 January- 31 December 2021	1 January- 31 December 2020
Cost of Sales:		
Changes in raw material and semi-finished inventories	(743.087.961)	(472.121.022)
General production costs	(99.344.001)	(71.828.667)
Depreciation and amortisation charges	(35.698.645)	(28.721.886)
Employee benefits	(51.389.278)	(40.877.492)
Cost of goods goods	(227.067.555)	(80.651.537)
Other cost of sales	(9.808.514)	(4.201.739)
Cost of Sales	(1.166.395.954)	(698.402.343)
Gross Profit	422.251.262	200.500.972

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NOTE 20 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES**a) General Administrative Expenses**

	1 January- 31 December 2021	1 January- 31 December 2020
Employee benefits	(12.581.420)	(10.122.533)
Employment termination benefits	(4.108.316)	(2.656.198)
Outsourcing expenses	(3.389.413)	(2.823.104)
Union, chamber and subscription expenses	(590.724)	(506.405)
Taxes, duties and charges	(2.774.048)	(1.142.366)
Depreciation and amortisation charges	(2.012.400)	(1.725.948)
Grants and donations	(80.667)	(468.444)
Other	(858.636)	(668.430)
Total	(26.395.624)	(20.113.428)

b) Marketing Expenses

	1 January- 31 December 2021	1 January- 31 December 2020
Transportation, distribution and storage expense	(26.541.047)	(21.805.168)
Employee benefits	(4.169.947)	(3.221.277)
Export costs	(3.858.053)	(1.757.706)
Compensation and discounts paid	(331.146)	(433.053)
Taxes, duties and charges	(304.353)	(304.407)
Depreciation and amortisation charges	(965.297)	(398.567)
Other	(1.973.523)	(1.625.600)
Total	(38.143.366)	(29.545.778)

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2021	1 January- 31 December 2020
Changes in raw material and semi-finished inventories	(743.087.961)	(472.121.022)
Cost of goods sold	(227.067.555)	(80.651.537)
Outsourcing expenses	(102.733.414)	(74.651.771)
Employee benefits	(68.140.645)	(54.221.302)
Depreciation and amortization charges	(38.676.342)	(30.846.401)
Transportation, distribution and storage expense	(26.541.047)	(21.805.168)
Other cost of sales	(9.808.514)	(4.201.739)
Employment termination benefits	(4.108.316)	(2.656.198)
Export costs	(3.858.053)	(1.757.706)
Union, chamber and subscription expenses	(590.724)	(506.405)
Compensation and discounts paid	(331.146)	(433.053)
Taxes, duties and charges	(3.078.401)	(1.446.773)
Grants and donations	(80.667)	(468.444)
Other	(2.832.159)	(2.294.030)
Total	(1.230.934.944)	(748.061.549)

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NOTE 22 - OTHER OPERATING INCOME/EXPENSES

	1 January- 31 December 2021	1 January- 31 December 2020
Other operating income		
Foreign exchange gains (Trade receivables and payables)	74.302.280	22.704.445
Interest eliminated from sales	10.552.561	7.383.624
Scrap sales revenues	2.454.712	1.036.352
Reversal of Income arising from provisions no longer required	251.561	55.615
Interest income arising from late payment	17.393	51.776
Other	2.913.853	1.062.842
Total	90.492.360	32.294.654

	1 January- 31 December 2021	1 January- 31 December 2020
Other operating expenses		
Foreign exchange losses (Trade receivables and payables)	(53.013.508)	(17.334.865)
Interest eliminated from purchases	(7.792.013)	(3.036.705)
Provision for doubtful receivables	(2.456.876)	(859.171)
Taxation arising from revaluation surplus ^(*)	(2.324.562)	-
Other	(983.740)	(821.252)
Total	(66.570.699)	(22.051.993)

^(*) In accordance with the Tax Procedure Law provisional article numbered 31, Kartonsan revalued its property, plant and equipment and intangible assets during the period and paid the relevant tax arising from revaluation surplus.

NOTE 23 - GAINS/LOSSES FROM INVESTMENT ACTIVITIES

	1 January- 31 December 2021	1 January- 31 December 2020
Gains from investment activities		
Foreign exchange gains (Trade receivables and payables Excluded)	100.510.613	27.502.644
Interest income	20.808.635	8.626.470
Gain on disposal of non-current assets	457.785	239.797
Total	121.777.033	36.368.911

	1 January- 31 December 2021	1 January- 31 December 2020
Losses from investment activities		
Foreign exchange losses (Trade receivables and payables excluded)	(8.846.263)	(13.651.789)
Total	(8.846.263)	(13.651.789)

NOTE 24 - FINANCIAL EXPENSES

	1 January- 31 December 2021	1 January- 31 December 2020
Credit card fees and commissions	(21.437.473)	(9.134.668)
Interest expenses in scope of TFRS 16 Leases	(1.407.811)	(872.303)
Bank deposit risk expenses under TFRS 9	(300.101)	(156.778)
Interest expenses	(228)	(240)
Other	(558.902)	(732.427)
Total	(23.704.515)	(10.896.416)

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NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED)

As of 31 December 2021 and 2020, current income tax liabilities position on balance sheets is as follows:

	31 December 2021	31 December 2020
Current income tax liabilities	91.617.001	34.816.011
Less: Prepaid income tax and funds	(45.868.895)	(27.121.425)
Current income tax liabilities	45.748.106	7.694.586

As of 31 December 2021 and 2020, income tax expenses in the consolidated income statements and other comprehensive income are summarized as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Current period tax expense (-)	(91.617.001)	(34.816.011)
Deferred tax (expense)/income	137550	(736.389)
Total tax (expense)/income	(91.479.451)	(35.552.400)

a) Corporation tax

The Corporate Tax Law was amended as of 13 June 2006 with law numbered 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20%. (Corporation tax rate for 2018-2019 and 2020 will be applied as 22%.) (31 December 2020: 22%).

In accordance with the amendment on Corporate Tax Law numbered 31462, published in Official Gazette on 22 April 2021, corporate tax rate for the year 2021 has set for 25%, 2022 for 23%. This change will be effective for corporate tax calculation for the periods starting from 1 July 2021. Therefore, deferred tax assets and liabilities as of 31 December 2021 are calculated with 25% tax rate for the temporary differences which will be realized within 12 months period.

The corporate tax rate is applied to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the operating profit of the entities, the exception to the tax laws (except for the participation earnings exemption, investment allowance exemption etc.) and the discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

To the limited taxpayer companies whom are generating income through a permanent establishment in Turkey, or via a permanent representative no withholding is applied, and the dividends paid to the companies who are resident in Turkey are not subject to withholding. Dividends paid to people and companies other than these are subject to withholding tax at the rate of 15%. Adding profit to the capital is not considered as profit distribution.

In accordance with the Law No. 6009 published in the Official Gazette dated 1 August 2010, the amount of investment allowances that have been earned may be used without any year limitation. In addition, corporate tax will be calculated according to the effective tax rate on post-discount earnings. The amendment made by the Law No. 6009 came into force on 1 August 2010 to be applied to the 2010 earnings.

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NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED) (continued)

a) Corporation tax (continued)

The Law About Amendments to Tax Procedure Law no 5024 published, Income Tax Law and Corporate Tax Law on the Official Gazette on 30 December 2003 ("Law no 5024") stipulates that the income or corporate tax payers which determine their earnings on the basis of balance, are to have their financial statements subjected to inflation adjustment starting from 1 January 2004. According to the provision of the mentioned law, it requires the inflation rate of the last 36 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 100% and the inflation rate of the last 12 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 10%, to make an inflation correction. As the mentioned conditions were not met in 2004, inflation correction was not made.

In accordance with the Law No. 7352, it is stated that taxpayers already have revaluation opportunities and there have been suggestions made by taxpayers that there will be problems in the application of inflation accounting, which has not been used for a long time. These demands were taken into account by the legislator and the application of the inflation adjustment was postponed until the end of 2023. In this respect, taxpayers can use the "Inflation adjustment, revaluation rate and tax rates" of the TPL in the 2021 and 2022 accounting periods (for taxpayers using special accounting periods, taking into account the accounting periods ending in 2022 and 2023) and in the advance tax periods of the 2023 accounting period. They will not subject their financial statements to inflation adjustments, regardless of whether the conditions for inflation adjustment within the scope of the reiterated Article 298 titled "revaluation" have been met or not.

Companies shall pay a provisional tax of 20% on their quarterly financial profits (tax rate for the years 2018-2019 and 2020 will be applied as 22% and corporate tax rate for the year 2021 has set for 25%, 2022 for 23%) and declare until the 14th day of the second month following that period and pay until the evening of 17th day. The temporary tax paid within the year is deducted from the corporate tax to be calculated over the corporate tax return to be given the following year. If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial liability against the state.

There is no application in order to reconciliation with the tax authorities on the tax payable in Turkey. Companies file their tax returns until the 25th of the fourth month following the close of the accounting period.

The tax authorities can review the accounting records within five years and if the wrong transaction is detected, the tax amounts may vary due to the tax assessment to be paid.

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the corporate income for a period of 5 years. However financial losses cannot be offset from last year's profits.

The expected and actual tax expense agreement for the periods 1 January - 31 December 2021 and 2020 is as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Profit before tax	470.860.188	172.905.133
Tax expense calculated on current domestic tax rates (-)	(117.715.047)	(38.039.129)
Effect of change in corporation tax investment discount	20.197.578	2.662.595
Effect of non deductible expenses	(2.088.277)	(331.679)
Other	8.126.295	155.813
Tax income/(expense)	(91.479.451)	(35.552.400)

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NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED) (continued)**b) Deferred Tax**

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the consolidated financial statements as reported by the Capital Markets Board and the statutory financial statements issued in accordance with the Tax Procedures Law. The breakdown of deferred tax assets and liabilities using current tax rates as of 31 December 2021 and 2020 is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Corporation tax investment incentive discount	(223.142.107)	190.137.120	33.471.316	28.520.568
Property, plant and equipment and intangible assets	85.173.950	64.557.623	(15.580.045)	(11.058.546)
Provisions for employee benefits	(23.157.194)	15.293.908	4.880.674	3.058.781
Inventories	(3.311.473)	918.940	761.639	183.788
Non-accrued financial income	(109.320)	53.500	25.144	10.700
Provision for doubtful trade receivables	(415.414)	271.274	95.545	54.255
Other, net	3.448.061	3.578.073	(793.445)	715.614
Deferred tax assets, net			22.860.828	21.485.160
Tax assets			25.617.415	24.272.551
Tax liabilities			2.756.587	2.787.39)
Tax assets/liabilities, net			22.860.828	21.485.160

The movements of deferred tax assets during the period are as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Beginning of the Period - 1 January	21.485.160	21.996.713
Charge to the income statement	137.550	(736.389)
Actuarial losses classified under equity, tax effect (Note 18)	1.238.118	224.836
Total deferred tax assets, net	22.860.828	21.485.160

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Profit attributable to equity holders of the parent	379.019.989	137.264.514
Weighted average number of shares with nominal value	75.000.000	75.000.000
Earnings per share	5,05359985	1,8319352

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NOTE 27 - FINANCIAL INSTRUMENTS**a) Classification of financial instruments**

	31 December 2021	31 December 2020
Cash and cash equivalents	420.621.833	184.978.244
Trade receivables	174.155.921	92.438.904
Total	594.777.754	277.417.148

Financial liabilities measured by effective interest method

	31 December 2021	31 December 2020
Trade payables	188.157.125	80.459.983
Borrowings	6.273.563	5.761.047
Total	194.430.688	86.221.030

b) Fair value of financial instruments

As of 31 December 2021 and 2020, the Group has no financial assets and liabilities measured at fair value.

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS**28.1 Financial Risk Factors**

The Group is exposed to market risk (currency and interest rate risk), credit risk and liquidity risk due to its activities.

The Group's risk management program generally focuses on minimizing the potential negative effects of uncertainty in the financial markets on the Group's financial performance.

a) Market Risk**aa) Currency Risk**

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities for USD and EURO of the Group are defined as the "Net foreign currency position" and it is the basis of the currency risk. Foreign currency exchange rate risk arises from registered assets and liabilities. This currency risk is monitored by analyzing the foreign currency position.

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2021 and 2020, the foreign exchange position table is as follows:

31 December 2021

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	79.827.120	197.016	5.003.236	95.665
2a. Monetary Financial Assets	328.365.656	12.413.285	10.549.917	208.479
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	408.192.776	12.610.301	15.553.153	304.144
5. Trade Receivables				
6a. Monetary Financial Assets	28.043.842	536.452	1.384.894	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	28.043.842	536.452	1.384.894	-
9. Total Assets (4+8)	436.236.618	13.146.753	16.938.047	304.144
10. Trade Payables	79.842.841	263.043	5.046.074	11.585
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Current Liabilities (10+11+12)	79.842.841	263.043	5.046.074	11.585
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)	79.842.841	263.043	5.046.074	11.585
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	356.393.777	12.883.710	11.891.973	292.559
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	356.393.777	12.883.710	11.891.973	292.559
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Denominated Assets				
24. The Amount of Hedged part of Foreign Exchange Denominated Liabilities				
25. Export	260.777.736	40.043.804	216.891.707	3.842.225
26. Import	388.429.239	72.905.346	315.523.893	-

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**31 December 2020**

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	33.304.719	372.556	3.311.644	74.319
2a. Monetary Financial Assets	111.067.263	6.703.263	6.634.107	211.454
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	144.371.982	7.075.819	9.945.751	285.773
5. Trade Receivables				
6a. Monetary Financial Assets	10.583.176	423.617	829.674	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	10.583.176	423.617	829.674	-
9. Total Assets (4+8)	154.955.158	7.499.436	10.775.425	285.773
10. Trade Payables	39.694.984	673.171	3.847.370	9.739
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Current Liabilities (10+11+12)	39.694.984	673.171	3.847.370	9.739
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)	39.694.984	673.171	3.847.370	9.739
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	115.260.174	6.826.265	6.928.055	276.034
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	115.260.174	6.826.265	6.928.055	276.034
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Denominated Assets				
24. The Amount of Hedged part of Foreign Exchange Denominated Liabilities				
25. Export	106.031.136	3.162.049	10.809.414	318.359
26. Import	206.855.257	4.145.228	21.842.095	-

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(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2021 and 2020, the exchange rate sensitivity analysis tables are as follows:

	31 December 2021			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	17.172.696	(17.172.696)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	17.172.696	(17.172.696)	-	-
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	17.941.052	(17.941.052)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	17.941.052	(17.941.052)	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	525.630	(525.630)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9. Other currency assets net effects (7+8)	525.630	(525.630)	-	-
Total (3+6+9)	35.639.378	(35.639.378)	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

	31 December 2020			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	5.010.820	(5.010.820)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	5.010.820	(5.010.820)	-	-
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	6.240.716	(6.240.716)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	6.240.716	(6.240.716)	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	274.482	(274.482)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9. Other currency assets net effects (7+8)	274.482	(274.482)	-	-
Total (3+6+9)	11.526.018	(11.526.018)	-	-

a) Interest Rate Risk

The Group has no financial loans subject to fixed and floating interest rate.

b) Credit Risk

Ownership of financial assets involves the risk that the counterparty may be unable to meet the contract. The Group's credit risk arises mainly from trade receivables. The Group manages this risk by following the credit limits set for customers. The use of credit limits is continuously monitored by the Group and the credit quality of the customer is continuously evaluated by taking into consideration the customer's financial position, past experiences and other factors. Trade receivables are evaluated by taking into consideration the policies and procedures of the Group management and accordingly, net of provision for doubtful receivables is presented in the balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**Credit risk details**

The exposure of consolidated financial assets to credit risk is as follows:

31 December 2021	Trade Receivables		Other Receivables		Bank deposits	Total
	Related Party	Other	Related Party	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D) ⁽¹⁾	10.754.792	163.401.129	-	1.176.477	420.353.544	595.685.942
- Secured with guarantees, etc.	-	44.902.578	-	-	-	44.902.578
A. Book value of neither past due nor impaired financial assets	10.754.792	117.387.520	-	1.176.477	420.353.544	549.672.333
B. Book value of past due but not impaired financial assets	-	46.013.609	-	-	-	46.013.609
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	6.602.100	-	-	-	6.602.100
- Impairment (-)	-	(6.602.100)	-	-	-	(6.602.100)
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

⁽¹⁾ Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

31 December 2020	Trade Receivables		Other Receivables		Bank deposits	Total
	Related Party	Other	Related Party	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D) ⁽¹⁾	4.436.821	88.002.083	-	854.389	184.696.105	277.989.398
- Secured with guarantees, etc.	-	29.472.476	-	-	-	29.472.476
A. Book value of neither past due nor impaired financial assets	4.436.821	48.550.484	-	854.389	184.696.105	238.537.799
B. Book value of past due but not impaired financial assets	-	39.451.599	-	-	-	39.451.599
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	4.396.785	-	-	-	4.396.785
- Impairment (-)	-	(4.396.785)	-	-	-	(4.396.785)
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

⁽¹⁾ Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2021, trade receivables amounting to TL 46.013.609 (31 December 2020: TL 39.451.599) are past due but not impaired. The aforementioned trade receivables includes independent customers who pay their past debts without delay. In addition, trade receivables amounting to TL 18.801.335 (31 December 2020: TL 14.250.527) is secured by guarantees. The analysis aging of past due but not impaired trade receivables is as follows:

	31 December 2021	31 December 2020
Past due up to 1 month	45.993.509	38.868.598
Past due 1-3 months	-	473.826
Past due 3-12 months	20.100	109.175
Past due 1-5 years	-	-
Past due more than 5 years	-	-
Total	46.013.609	39.451.599

c) Liquidity Risk

Liquidity risk is the risk that a company cannot meet its funding needs. Liquidity risk is lowered by balancing cash inflows and outflows with the support of credit institutions.

Undiscounted contractual cash flows of the non-derivative consolidated financial liabilities as of 31 December 2021 and 2020 are as follows:

31 December 2021	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities:						
Lease Liabilities	6.273.386	10.984.835	547.385	1.611.315	5.087.760	3.738.375
Bank Borrowings	177	177	177	-	-	-
Trade Payables	188.157.125	189.037.392	189.037.392	-	-	-
Employee Benefits	4.247.696	4.247.696	4.247.696	-	-	-
Other Payables	17.260.121	17.260.121	17.260.121	-	-	-
Total	215.938.505	221.530.221	211.092.771	1.611.315	5.087.760	3.738.375

31 December 2020	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities:						
Lease Liabilities	5.761.047	10.826.267	461.521	1.197.171	4.722.502	4.445.073
Bank Borrowings	-	-	-	-	-	-
Trade Payables	80.459.983	80.838.994	80.838.994	-	-	-
Employee Benefits	3.286.264	3.286.264	3.286.264	-	-	-
Other Payables	4.967.114	4.967.114	4.967.114	-	-	-
Total	94.474.408	99.918.639	89.553.893	1.197.171	4.722.502	4.445.073

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

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(Convenience Translation into English of the Consolidated Financial Statements Originally Issued in Turkish)

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)**28.2 Capital Risk Management**

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

In order to maintain or adjust the capital structure, the Group may decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/invested capital ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (including borrowings and trade payables on balance sheet) and invested capital is calculated as net financial debt plus total equity. Consolidated net financial debt/invested capital ratios as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Total borrowings	295.694.135	124.780.531
Less: Cash and cash equivalents (Note 4)	(420.621.833)	(184.978.244)
Net financial debt	(124.927.698)	(60.197.713)
Equity	888.136.561	573.810.790
Invested Capital	763.208.863	513.613.077
Net financial debt/invested capital ratio	-	-

NOTE 29 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

As of 31 December 2021, total auditors fees received for the reporting period is amounting to TL 513.007.

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

	31.12.2021	31.12.2020
Audit fee for the reporting period	206.000	182.300
Tax consulting fee	207.007	183.680
Other service fee apart from audit	100.000	-
Total	513.007	365.980

⁽¹⁾ The fees above have been determined through including the legal audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

⁽²⁾ The fees above comprise of VAT excluded amounts.

NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

None.

**NOTE 31 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR ARE
REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND
UNDERSTANDABLE**

None.

2021 PROFIT DISTRIBUTION TABLE

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. 2021 PROFIT DISTRIBUTION TABLE

The dividend distribution proposal from 2021 profit is shown below, considering the provisions of Article 25 of our Articles of Association, it is submitted for your examination and approval.		
	According to the CMB	According to Legal Records (LR)
1- Paid in share/Issued Capital		75,000,000.00
2- General Legal Reserve Fund (According to Legal Records)		8,852,942.69
If Preferred Stock is Available in Dividend Distribution According to the Articles of Association, Information Regarding the Concession in Question		After deducting the legal reserves and 10% of the paid-in share capital from the net profit, 5% of the remaining profit (Group A) is paid to the holders of preferred shares
3. Profit for the Period	470,860,188.00	368,800,715.11
4. Taxes (-)	91,479,451.00	72,847,386.58
Non-Controlling Shares	360,748.00	0.00
5. Net Profit for the Period ⁽¹⁾	379,019,989.00	295,953,328.53
6. Retained Losses (-)	0.00	0.00
7. General Legal Reserve Fund (-)	6,147,057.31	6,147,057.31
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	372,872,931.69	289,806,271.22
9. Donations During the Period (+)	89,166.60	
10. Net Distributable Profit for the period Including Donations	372,962,098.29	
11. First Dividend to Shareholders	18,648,104.91	
Cash	18,648,104.91	
Free of charge	0	
Total	18,648,104.91	
12. Dividend Distributed to Preferred Shareholders	18,273,104.91	
13. Other Dividend Distributed	14,618,483.93	
Members of the Board of Directors	14,618,483.93	
To the employees		
To Persons Other than Shareholders		
14. Dividend Distributed to Usufruct Owners	0	
15. Second Dividend to Shareholders	118,288,911.57	
Cash	118,288,911.57	
Free of charge	0	
Total	118,288,911.57	
16. General Legal Reserve Fund	16,607,860.53	
17. Statutory Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES	186,436,465.84	103,369,805.37
20. Other Resources Envisioned to be Distributed	0,00	0.00

⁽¹⁾ The net profit for the period of the parent company is TL 379,380,737 (470,860,188-91,479,451), since TL 360,748 of the amount corresponds to the non-controlling interests, the net profit of the parent company is amounting to TL 379,019,989 has been considered as the basis

DIVIDEND RATIO TABLE

GROUP	Total Distributed Profit Share		Total Distributed Profit Share/Net Distributable Period Profit	Profit Share For Share With TL 1 Nominal Value	
	Cash (TL)	Free of Charge (TL)	Ratio (%)	Amount (TL)	Ratio (%)
NET	A	16,445,881.30	4.41059	311,050.86	31105086.44
	B	123,243,227.95	33.05234	1.643244	164.32
	Total	139,689,109.25			

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

1) GENERAL INFORMATION

a) Company's Nature of Business: The Company's business activities include ensuring the manufacturing business in the coated cardboard sector in its factory located in Kullar Köyü / Kocaeli and is engaged in the domestic and international trade of the goods which it produces. In addition, the Company provides the electricity and steam which it needs for manufacturing with the natural gas conversion plant within the framework of the Autoproducer License it owns and sells the electricity surplus within the framework of the electricity market legislation. While the Company continues its production activities in Kullar Köyü / Kocaeli factory yet, the general management, financial affairs, marketing and purchasing activities are carried out in the "Head office" located in Gayrettepe / Istanbul. The Company also has a branch in Sefaköy / Istanbul, which it owns and uses as a warehouse.

Head Office:

Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merkezi No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL

Tel: +90 212 273 20 00 Fax: +90 212 273 21 70

Web: www.kartonsan.com.tr

Tax Administration: Large Taxpayers

Tax Registration Number: 5260057491

Trade Register Number: 95869/41270

Registered ID Number: 0526005749100010

Factory:

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

Tel: +90 262 349 61 50 Fax: +90 262 349 33 00

Trade Register Number: 31662

Registered ID Number: 0526005749100011

Outlet:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İSTANBUL

Tel: +90 212 598 95 35 Fax: +90 212 598 95 36

Paid-in Share Capital: TL 75,000,000

Paid-in Share Capital: 7.500.000.000 Number of Shares Outstanding

Shares Representing Company's Capital

Group A Shares:	5.287 Number of Outstanding Shares
Group B Shares:	7.499.994.713 Number of Outstanding Shares

Group A Shares have dividend privilege, but they have no voting right privilege.

b) Organization, Shareholding Structure, Explanations Regarding the Shares Created in the Company's Capital, Information regarding the Management and Independent Auditor:

All of the company's shares consist of bearer shares, and almost all of them are quoted on the stock exchange. Therefore, the ownership structure of the company is presented below in accordance with the statements at the last general meeting, attending the general assembly and / or made on the Public Disclosure Platform (PDP). Due to the abovementioned matters, the changes in the ownership structure are not known by our company.

	31 December 2021	Effective Ownership Interest (%)	31 December 2020	Effective Ownership Interest (%)
Pak Holding A.Ş.	25,790,930	34.39	25,790,930	34.39
Asil Holding A.Ş.	18,337,579	24.45	18,337,578	24.45
Pak Gıda Üretim ve Pazarlama A.Ş.	14,468,564	19.29	14,468,564	19.29
Oycan İthalat İhracat ve Ticaret A.Ş.	10,654	0.01	10,654	0.01
Other (Listed)	16,392,273	21.86	16,392,274	21.86
Total share capital	75,000,000	100.00	75,000,000	100.00

The Company's paid-in share capital is amounting TL 75,000,000, and it comprise of 7.500,000,000 number of outstanding shares, each with a nominal value of TL 0,01.

The 5.287 number of outstanding shares including the abovementioned paid-in share capital comprise of Group A (Preferred) shares. These shares are preferred shares in dividend distribution policies. In accordance with the Company's articles of association numbered 25; After deducting 10% of the paid-in share capital from the net profit for the period which is considered as basis for the calculation of the first dividend, a dividend of 5% is distributed to the shareholders of Group A (Preferred) shares.

The breakdown of number of shares representing the share capital is as follows:

Registered/Bearer Shares	Composition of Outstanding Shares	Group	Number of Shares Outstanding	Total Amount (TL)	Shareholding Ratio (%)
Bearer	Dematerialized Shares	A	5,287	52.87	-
Bearer	Dematerialized Shares	B	7,499,994,713	7,499,947.13	100
Total			7,500,000,000	7,500,000.00	100

In accordance with the Company's articles of association numbered between 8 and 14; there exist regulations regarding the Board of Directors and the Supervisory Board. Necessary disclosures are made in the section titled "Corporate Governance" of the report regarding the structure of the Board of Directors, working principles and the established committees.

Independent Auditor According to the Turkish Commercial Code *

Audit Firm	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection
Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.	Independent Auditor	01.01.2017	31.12.2021	30.03.2021

* Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. , is the independent audit firm selected by the Company within the framework of the CMB legislation.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

c) Information on Associates (Joint Venture) and Subsidiaries included in scope of annual report:

The Company has effective ownership interest in the companies and their effective interest structures are as follows:

Selka İç ve Dış Ticaret A.Ş.

Parent Company	Total Amount of Effective Interest	Total Ownership Interest
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,242,088.75	99.37
Other	7,911.25	0.63
Total	1,250,000.00	100

Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.**

Parent Company	Total Amount of Effective Interest	Total Ownership Interest
Kartonsan Karton Sanayi ve Ticaret A.Ş.	4,000,000	100
Total	4,000,000	100

** Dönkasan Dönüşen Kağ. Ham. San. ve Tic. A.Ş. has been registered as a result of being subject to full demerger dated 10.06.2015.

2) MARKET STATUS, ACTIVITIES AND EXPECTATIONS

a) Market Situation and Applied Sales Policies:

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products. The compliance of Kartonsan products, in different sectors, for the packaging of food products has been approved by the T.R. Ministry of Agriculture and Forestry. The compliance of the use of Kartonsan products in packages that come into direct contact with dry foods with the recommendations of the BFR (German Risk Assessment Institute) has been documented by the reports of various international analysis organizations.

The abovementioned explanations have been disclosed in the previous sections of the annual report regarding the sector in which our company operates and the sales policies applied.

b) Applied Investment and Dividend Distribution Policies

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (BM 2) in our factory, providing quality improvement and capacity increase in 2014. As a result of the aforementioned investment, Kartonsan has become one of the Europe's largest coated cardboard producer with a total production capacity of approximately 240 thousand tons / year.

Kartonsan implements its investments within the scope of an integrated strategy with the aim of reducing the environmental impacts of its production and operations accordingly. Detailed information has been disclosed in the previous sections of the annual report regarding the summary information about the investments made by our company over the years and its future plans.

Our company revised its dividend distribution policy in 2014 and submitted it to the information and approval of the shareholders at the general assembly meeting on 27.03.2014. The dividend policy is available at our Company's website and PDP. ([www.kartonsan.com.tr/yatirimci-iliskileri/Sirket Kar Dağıtım Politikası](http://www.kartonsan.com.tr/yatirimci-iliskileri/Sirket-Kar-Dagitim-Politikasi)\2014)

The dividend distribution policy of our Company is to distribute dividends from the distributable profit at the minimum rate stipulated by the Capital Market Law. In periods when the Capital Markets Board does not set a separate rate, the minimum profit distribution rate is determined as 5%. However, this policy is reviewed every year according to the developments in domestic and foreign economic conditions, as well as the investment opportunities and financing opportunities of our company.

Although the Capital Markets Board has lifted the minimum dividend distribution requirement within the framework of the implementation of corporate governance principles, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders; unless a contrary decision is considered at the General Assembly.

In this context, the dividend distribution proposal to be made in the current period from the retained earnings which is included as a separate section in the current year's annual report and is presented to the shareholders and the public before the General Assembly.

In accordance with the articles of association of our Company, Group A shares have dividend privileges. In addition, dividends are also distributed to the members of the board of directors if it is decided to distribute the first dividend. After deducting 10% of the paid-in share capital from the distributable profit, which is the basis for the calculation of the first dividend, 5% of the remaining portion is distributed to the holders of Group A shares, and a certain amount to be determined by the General Assembly as dividends to the members of the board of directors.

Dividend distribution is carried out within the legal terms.

Unless a contrary decision is taken at the General Assembly, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders.

The Ordinary General Assembly Meeting of our Company for the year ended 2020 was held on 30.03.2021. In accordance with the Ordinary General Assembly Meeting, the secondary cash gross dividend to be distributed is amounting to TL 65,502,702.78 and the dividend was distributed on 02.04.2021.

In order to comply with the Capital Market Law in 2014, our company has decided to revise its Dividend Distribution Policy as follows and disclosed it to the public.

The dividend distribution policy to be implemented in 2014 and next accounting periods is as follows:

Dividend Distribution Policy

The dividend policy of our company, at the minimum rate stipulated by the Capital Market Law, from the distributable profit, provided that the rights arising from the dividend privilege in the periods when the said minimum dividend distribution rate is reserved or is abolished, 5% of the distributable profit found in accordance with the relevant legal regulations for all of the shares representing the capital at the rate of minimum dividend. (Other regulations regarding dividend distribution included in the Company's articles of association and other legal legislation are reserved.)

However, this policy will be reviewed every year according to the developments in domestic and foreign economic conditions, investment opportunities and financing opportunities of our company. Unless a contrary decision is taken in the General Assembly, a balance between the possible expectations and growth strategies of our shareholders will continue to be distributed as a minimum dividend of 5% of the distributable profit determined in accordance with the relevant legal regulations. Within this framework, the dividend distribution proposal to be made from the profit for the period will be included in the annual report as a separate section and will be presented to the information of the shareholders and the public before the General Assembly.

Principles Regarding Calculation, Payment Method and Distribution of Dividends

For the calculation of the dividend from the Company's profit for the period, the dividend calculation has been made in accordance with the Company's articles of association, Company's Dividend Distribution Policy, Capital Market Law, Turkish Commercial Code and the dividend distribution principles and regulations of the Capital Markets Board. Accordingly;

- As of the date of distribution, the dividend is distributed equally to all existing shares in proportion to their shares, regardless of the dates of issue and acquisition of the shares. (The rights regarding the dividend privileges of Group A shares specified in the company's articles of association are reserved.)
- It has been adopted as a policy to pay the dividend in cash in a single installment, provided that it is decided at the general assembly meeting, where the distribution is decided. In addition, the General Assembly may decide on the payment of the dividend in installments or in the form of bonus shares, provided that the Capital Market Law, Turkish Commercial Code and Capital Markets Board's principles of dividend distribution and capital increase are complied with, upon the proposal of the Board of Directors.
- The dividend is calculated according to the Company's articles of association numbered 25 and distributed at the end of the financial period in which at the last general assembly meeting

Company's article of association numbered 25 is as follows:

Article 25- The remaining amount after deducting all expenses, depreciation, paid premiums and bonuses, provisions, taxes and similar financial liabilities and previous years' losses, if any, from the revenues generated by the company from its activities in a balance sheet period constitutes its net profit.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

GRI 102-11

- a) Legal reserve at 5% is allocated until 1/5 of the Paid-in Share Capital is reached.
- b) The first dividend is allocated and distributed from the remaining part in the amount and rate determined by the Capital Markets Board.
- c) After separating the 5% legal reserve fund and the first dividend and being paid in cash, after deducting 10% of the paid capital from the amount based on the calculation of the first dividend;
 - i) To be distributed to 5% Group A bearer shareholders,
 - ii) The remaining portion is allocated to be paid to the members of the board of directors, excluding independent members, the amount to be appreciated by the General Assembly.

The remaining profit after the distribution made according to the above subparagraphs may be distributed partially or completely or allocated as extraordinary reserves or transferred to the following years, upon the proposal of the Board of Directors of the Company, with the decision of the General Assembly.

The provision of subparagraph (c) of paragraph 2 of Article 519 of the Turkish Commercial Code is reserved.

It cannot be decided to distribute dividends to its owners, foundations established for various purposes and persons / institutions of similar nature unless the reserve funds required to be set aside by law and the first dividend specified in the articles of association are reserved for the shareholders, other reserve funds, profit transfer to the following year and unless the first dividend is paid, members of the Board of Directors, officers, employees and workers, beneficiary / founder shares and preferred shares.

- d) The principles regarding the application of distribution of advance (interim) dividends are as follows:

Parent Company's which are willing to distribute advance dividends within the framework of the capital market law must have a provision in their articles of association and the Board of Directors must be authorized to decide on the dividend advance distribution, limited to the relevant accounting period, with the decision of the general assembly.

In the current articles of association of our company, there is no provision regarding the payment of advance dividends. Thus, distribution of advance dividends has not been adopted as a policy by our company.

In the future periods, if there is a change in the Company's articles of association regarding distribution of advance (interim) dividends, the dividend distribution principles are complied with the Turkish Commercial Code and Capital Market Law.

- e) The basis of distributable profit is determined within the framework of the Company's articles of association, Capital Market Law and Turkish Commercial Code. Donations are added to the basis of distributable profit within the framework of the relevant regulations.

3) FINANCING SOURCES AND RISK MANAGEMENT POLICIES

The Company does not have a bank loan for financing its sources. The long-term average of the Company, the Company's assets are sufficient and its cash generating unit is adequate. Therefore, there is no need for external financing. The Company evaluates its surplus funds as TL and forward foreign currency deposits within its financial system. The probable financial risk of the Company is currency and interest risk. The Company's foreign receivables and foreign currency deposits in foreign currency deposit accounts carry risks depending on exchange rate changes. Since the Company's assets in foreign currency are more than foreign currency debts, an increase in exchange rate will result in favor of the Company, and a decrease in exchange rate will result in disadvantage of the company.

Our Company's Audit Committee and Independent Auditor; Relevant audits are carried out regarding the compliance of the transactions and activities with both legal legislation and company policies. Due to its structure, our Board of Directors also established an Early Detection of Risk Committee in 2013 in accordance with the provisions of the CMB and TCC, and the committee has been operating in accordance with the determined principles since its establishment.

Regarding the auditing of our internal control system; In order to visa the "ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System and ISO 50001 Energy Management System" Quality Certificates, audits are carried out by independent external auditors and any non-conformity determined is reported to the key management personnel of the company.

4) PREDICTIONS AND ESTIMATES REGARDING THE DEVELOPMENT OF THE BUSINESS

Complementing the logistical advantage offered by Turkey's geographical location, with a quality product range and a service understanding focused on customer satisfaction, Kartonsan will continue to be the growing coated cardboard manufacturer of the Eurasian geography.

The previous sections of the annual report included evaluations regarding the goals and expectations of our company.

5) INFORMATION ABOUT THE INDUSTRY IN WHICH THE BUSINESS OPERATES AND KARTONSAN'S PLACE IN THE INDUSTRY

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products. The compliance of Kartonsan products, in different sectors, for the packaging of food products has been approved by the T.R. Ministry of Agriculture and Forestry. The compliance of the use of Kartonsan products in packages that come into direct contact with dry foods with the recommendations of the BFR (German Risk Assessment Institute) has been documented by the reports of various international analysis organizations.

Kartonsan is the leading coated cardboard producer in Turkey and one of the prominent producers in Europe. Kartonsan is one of the Europe's largest coated cardboard producer with its total production capacity.

Kartonsan pursues its sustainable growth pathway with the quality approach reflecting its rooted experience and strong vision. As an exemplary corporate citizen, Kartonsan operates with the awareness of its responsibilities on the axes of the economy, the environment and the society. Kartonsan was founded in 1967 as the "first" private producer of coated cardboards in Turkey, under challenging market conditions at a time when paper production was a state-controlled business.

Kartonsan products reach a customer base spread across the wide geography of Eurasia. Although varying over the years, our company sells approximately 55-70% of its production in the domestic market, so its domestic market share is around 30-45%. The import volumes of the coated cardboard industry are highly dependent on the exchange rate and the pricing policies of the foreign cardboard manufacturers, and the imported cardboard input amounts to the sector change periodically according to the change in the exchange rate.

The position of our company in the sector and information regarding the sector has been disclosed in detail in the previous sections of the annual report.

6) INVESTMENT DEVELOPMENTS AND GOVERNMENT GRANTS

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (BM 2) in our factory, providing quality improvement and capacity increase in 2014. The investment amounting to TL 139.7 million was made within the scope of the investment incentive certificate. As a result of the investment, Kartonsan has become Europe's fourth largest coated cardboard producer with a total production capacity of approximately 240 thousand tons/year. Current investments are made in accordance with the related maintenance of the facility, quality and production capacity increases.

In April 2018, an application was made to the General Directorate of "Investment Incentive Program" in order to include some investment projects to an investment incentive certificate within the scope of modernization. Investments were included in the scope of the incentive certificate, but due to an error in the amount, an application was made again in order to amend the incentive certificate as "application for the amendment of the investment incentive certificate". The Company applied to the General Directorate of T.R. Ministry of Industry and Technology as "Investment Incentive Program", was approved by the relevant institution and the 3-year incentive certificate dated 08.06.2018 and a term incentive certificate has been issued as numbered A137821 was canceled and replaced with 3 years incentive certificate dated 18.10.2018 and numbered B137821.

In accordance with the decision "Amendment to the Decree on the State Aids for Investments" published in the Official Gazette dated 09.11.2018 and numbered 30590 (Decision Number: 323), investment incentive certificate period has been extended by half of the original period. Accordingly, aforementioned investment incentive certificate dated 18.10.2018 and numbered B137821 has been extended until 09.10.2022.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

In accordance with the annex of the 3-year incentive certificate dated 18.10.2018 and numbered B137821, it includes is a domestic machinery and equipment list amounting to TL 32,928,750 and a list of imported machinery and equipment amounting to USD 14,854,553. The commencement date of the investment in the incentive certificate is dated on 09.04.2018 and the investment completion date has been determined as 09.04.2021. Entire investments will be financed from the Company's equity. For investments within the scope of investment incentive certificate; 15% contribution rate to increase over the investment amount and 50% corporate tax reduction, Value Added Tax exemption and Customs Tax exemption were provided to the Company. (In accordance with the relevant legislation, corporate tax reduction rate is 100% and investment contribution rate is 30% for the expenditures realized for the period between 2017-2021). In accordance with the investment incentive certificate on 18.10.2018 and numbered B137821, total estimated expenditure is amounting to TL 130,138,000 and total expenditure realized within the scope of the aforementioned incentive certificate during the period is amounting to TL 38,761,214. Accordingly, total expenditure is amounting to TL 67,318,796. Kartonsan has been benefited from corporate tax exemption amounting to TL 9,872,575 during the period.

7) QUALIFICATIONS OF THE FACTORY PRODUCTION UNITS, CAPACITY UTILIZATION RATIOS AND COMPARISON WITH THE PRIOR PERIOD

The Company produces glossary cardboard and the electrical energy required for the facility in its factory located in Kullar Köyü / Kocaeli, within the framework of the electricity generation license. The estimated annual production capacity of coated cardboard of the company is calculated as approximately 240.000-Tons / year. (31.12.2020: 240.000-Tons / Year) The production and sales volume for 2021 and 2020 are presented as follows. As of 31 December 2021, it has been estimated that the net capacity utilization rate is approximately 91%. (31.12.2020: 86%).

The net production volume output of Kartonsan is as follows:

	31 December 2021	31 December 2020
Coated Cardboard (Tons)	218,990	207,298
Electricity Generation (10 ³ kWh)	146,616	137,765

8) DISCLOSURES REGARDING CONSOLIDATED SALES

Kartonsan's consolidated net sales volume for the years ended 2021-2020 is compared as follows:

	31 December 2021	31 December 2020
Sales Volume		
Coated Cardboard (Tons)	255,391	240,286
Electricity Generation (10 ³ kWh)	21,349	12,889
Scrap Paper Sales (Tons)	6,409	7,622

In 2020, our consolidated net revenue was amounting to TL 898,903,315, while our consolidated net revenue in 2021 was amounting to TL 1,588,647,216.

9) FINANCIAL RATIO ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

	31.12.2021	31.12.2020	
Liquidity Ratio			
Current Ratio	Current Assets / Current Liabilities	3.09	4.14
Acid test Ratio	(Current Assets-Inventories) / Current Liabilities	2.45	2.87
Inventories / Current Asset	Inventories / Current Assets	0.21	0.31
Working Capital Ratio	Current Assets (Excluding Cash and Treasury Notes) – Current Liabilities (Excluding Loans)	134,723,652	135,316,192
Cash Ratio	(Cash and Cash Equivalents) / Current Liabilities	1.59	1.82
Capital Structure Ratio			
Financial Leverage	(Debt) / Shareholders Equity	0.25	0.18
Total Debt to Equity Ratio		0.33	0.22
Current Debt to Equity Ratio		0.30	0.18
Non-Current Debts to Equity Ratio		0.03	0.04
Non-Current Assets to Equity Ratio		0.41	0.48
Liabilities to Equity Ratio		0.01	0.01
Profitability Ratio			
Asset Turnover Ratio	Net Sales / Total Assets	1.34	1.29
Gross Profit Margin	Gross Sales Profit / Net Sales	0.27	0.22
Return on Investment (ROI)	Net Profit / Total Assets	0.32	0.20
Net Profit / Net Sales		0.24	0.15
Profit Before Tax / Net Sales		0.30	0.19
Net Profit / Equity		0.427	0.239
Operating Profit / Sales Revenue		0.24	0.18
Earnings Per Share		5.05	48.38
Cash and Cash Equivalents		420,621,833	184,978,244
Financial Liabilities		6,273,563	5,761,047
Net Financial Position		414,348,270	179,217,197
Trade Receivables		174,155,921	92,438,904
Other Receivables		1,176,477	854,389
Inventories		171,495,394	128,906,230
Trade Payables		188,157,125	80,459,983
Other Payables		21,507,817	8,253,378

10) DISCLOSURES REGARDING CHANGES IN KEY MANAGEMENT PERSONNEL DURING THE PERIOD

There was no change incurred in key management personnel during the period. The related disclosure regarding General Manager of our Company is as follows:

Haluk İBER- Board Member and General Manager

He was born on 15.07.1959. He has a bachelor's degree from ITU Chemical Engineering Department and a master's degree from the University of Maine. He started his business life in 1987 at Seka A.Ş. He worked at various levels of our company between 1991-2002. He served as the Deputy General Manager of our Company between 2002-2012. He has been working as the General Manager of our company since 01.10.2012. He is still in the position as a Board Member of our Company, for which he was elected in 2005. In addition, he is the Board Member in the subsidiaries of the Kartonsan which are Selka İç ve Dış Ticaret A.Ş. and Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

GRI 102-11, 102-41

11) STAFF AND LABOR UNION MOVEMENTS, COLLECTIVE BARGAINING PRACTICES, EMPLOYEE RIGHTS AND BENEFITS PROVIDED TO PERSONNEL AND WORKERS:

Total end of period and average number of personnel employed by the Kartonsan, excluding the subcontractors is 299. (31.12.2020: 300)

The authorized unions to make collective bargaining for the workers in our factory are Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) unions. Collective bargaining agreements, which are valid for 2 years, are signed with the authorized trade union. All rights and benefits listed in detailed collective bargaining agreements are fully available for our workers. The collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was ended during the period. Additional collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was signed on 03.03.2021 with the authorized Selüloz-İş union.

12) DISCLOSURES REGARDING THE GRANTS AND DONATIONS DURING THE PERIOD:

The Company has made financial support to associations, foundations and schools operating in the fields of sports, education and culture. In accordance with the annual general assembly in 2021, the annual donation limit was determined as amounting to TL 750,000. (2020: TL 750,000)

The functional breakdown of grants and donations during the period is as follows:

Grants and Donations (TL)	31.12.2021	31.12.2020
Donations to University, Secondary and Primary Schools	-	13.500,00
Donations to associations and foundations (for educational, sports and social purposes)	27.266,00	18.370,00
Social Purpose Donations	0	380.000,00
Donations to Other Institutions and Organizations	61.901,00	56.574,10
Total	89.167,00	468.444,10

13) DISCLOSURES ON MAIN ELEMENTS OF THE GROUP'S INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS:

Relevant audits are conducted regarding the compliance of the transactions and activities carried out by the Audit Committee and the Independent Auditor of our Company with both legal regulations and company policies.

Our Company has been established an Early Detection of Risk Committee beginning from 2013. The committee includes 3 members, and the committee chairman is elected from among the independent board members. The Board of Directors organizes the committee every period and reorganizes the committee depending on the elections of the members. The committee works within the framework of the determined duties in accordance with the rules and principles. The committee submits its report to the board of directors at the end of the period.

Other Committees of the Company, except the Early Detection of Risk Committee, conducts meetings at the head office at least once every three months, at least four times a year. The Early Detection of Risk Committee can conduct meetings as often as required by its duties and responsibilities. The Early Detection of Risk Committee met 3 times in 2021 and submitted its report to the Board of Directors. The related disclosures included in notes to the consolidated financial statements in the previous sections of the report regarding financial risks. The Early Detection of Risk Committee presented its report for 2021 to the Board of Directors.

In addition, our Company has been established and applied internal control systems. Regarding the auditing of our internal control system, audits are conducted by independent external auditors in order to visa the quality certificates of ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System, and the detected material uncertainties and non-conformities reported to the Company management. The related policies and procedures have been applied for the solutions through multidirectional communication mechanism within the Company.

The Board of Directors implemented the establishment of a risk management system, periodic auditing and continuous improvement of the internal control system. The Company management does not prefer and intentionally provide information about the results of the internal controls in the annual reports. Therefore, the results of the internal controls are not disclosed in the interim and annual reports.

The Board of Directors has been determined the strategic goals of the Company in the prior period and the human and financial resources required to achieve these goals. The Board of Directors has been evaluated and tested for the whether these goals have been achieved (monthly, quarterly and annually).

The Board of Directors has adopted the principle of conducting its activities in a transparent, accountable, fair and responsible manner and implements its activities accordingly.

The Board of Directors of observes compliance with the legislation, articles of association, internal regulations and established policies in all of its transactions.

14) DISCLOSURES REGARDING RESEARCH AND DEVELOPMENT ACTIVITIES:

Our Company does not have an R&D department. The activities conducted are aimed to test and improve the product quality.

15) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ITS REASONS DURING THE PERIOD:

None.

16) RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in detail in Note 5 in notes to the consolidated financial statements section of the annual report. The report related to the subsidiaries, associates and joint ventures are prepared in accordance with the article 199 of the Turkish Commercial Code in the following sections.

17) INFORMATION REGARDING DISCLOSURE POLICY

In order to comply with the and amendments in the Capital Market Law, the disclosure policy was revised in 2014 and disclosed to the public within the framework of the Communiqué No. II-15.1 of the Capital Markets Board.

The disclosure policy for the year ended 2014 and subsequent periods is as follows:

DISCLOSURE POLICY

Objectives and Strategic Goals of the Company

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and / or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

I- METHODS AND INSTRUMENTS USED IN DISCLOSURE POLICY

Without prejudice to the Capital Market Law and TCC provisions, the basic instruments and methods used by our Company regarding disclosure policy are as follows:

- Material event disclosures to the Public Disclosure Platform ("PDP"),
- Periodic financial reports and financial statements to the Public Disclosure Platform ("PDP"),
- Announcements and necessary statements have been made through the Official Gazette, Turkish Trade Registry Gazette, Daily Newspapers and Magazines distributed throughout Turkey,
- Press releases and interviews have been made through print and visual media,
- Meetings with stakeholders, and sharing the information through phone calls and other communication tools
- Corporate Website, Annual Reports, General Assembly Documents, General Assembly Meetings, Telephone, Electronic Mail ("e-mail"), Fax, SMS and Mobile Phone, etc. and other communication tools.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

II-PRINCIPLES REGARDING MATERIAL EVENT AND PUBLIC EVENT DISCLOSURES

The Company complies with the rules and legislation determined by the Capital Market Law in public disclosure of material events.

Material events, within the rules determined by the Capital Market Law and on the condition that exceptions are reserved, are conducted by making material event disclosures to the Public Disclosure Platform ("PDP") in order to provide quick access to information as soon as it incurred, without causing inequality of opportunity, by avoiding correct, direct, understandable, exaggerated or misleading expressions of the stakeholders.

Internal company data and information with changes in matters previously disclosed to the public regarding this information are disclosed to the public when they occur or become available. In accordance with the regulations of the Capital Market Law, the Company may postpone the disclosure of internal data and information to the public, provided that its legitimate interests are not harmed, investors are not deceived or harmed, and the confidentiality of internal data and information is ensured. If the company decides to postpone the public disclosure of internal data and information, the information delay, the effect of the postponement on the protection of the legal rights of the parent company, does not constitute the risk of misleading the investors, and the measures taken to protect the confidentiality of the information during the postponement are bound to the decision of the Board of Directors or, if authorized by the Board of Directors, to the written approval of the authorized person.

The Company notifies the Central Registry Agency (CRA) about the individuals who work under a business contract or otherwise and have access to internal information and data. In case of any change in the abovementioned information, the Company will make the necessary update within 2 business days. The Company discloses the list of the aforementioned persons and individuals to the public on its corporate website.

Disclosures of material events have been announced to the public by being jointly signed by at least 2 managers who have electronic signature authorized by our Company's Board of Directors. The related disclosures are published on the corporate website of our company on the business day following the day of the disclosure of the announcement. Material Event Disclosures are kept on the website for at least 5 years for the use of stakeholders.

Developments and changes occurring in previously made Material Event Disclosures are constantly updated and announced to the public. If there is no development on a matter that was previously announced to the public through a Material Event Disclosures and has not yet been finalized, the matter is disclosed to the public within sixty days from the date of the latest Material Event Disclosure, together with its justifications.

As soon as the disclosures have been informed or realized in order to ensure confidentiality until the public disclosure of material events, it is essential that it has been made immediately, except for the limitations in the legislation. However, necessary security measures have been considered to prevent individuals who are not included in the list of access to internal information and data from accessing such disclosures. In order to ensure confidentiality, accessing to physical and electronic files of such information and documents is restricted and encrypted. Regarding those who have access to internal information and data, it is ensured that it is aware of its obligations under the law and the relevant legislation, and the misuse of this information and the sanctions for providing unfair advantage.

III- PRINCIPLES REGARDING EXTRAORDINARY PRICE AND QUANTITY MOVEMENTS REGARDING ISSUED SHARE CAPITAL MARKET INSTRUMENTS AND VERIFICATION OF NEWS AND RUMORS REGARDING THE ISSUED SHARE CAPITAL MARKET INSTRUMENTS

When there are changes in the price and transaction volumes of the capital market instruments that the company issues that cannot be explained by market conditions, The Company has been made a Material Event Disclosure upon Borsa İstanbul's request and indicates that whether there are any material events not yet disclosed to the public within the framework of the Capital Market Law, if any.

Regarding the issued capital market instruments, the existence of news or rumors that have significant impact on the value and price of the market instruments or the investment decisions of the investors, which are initially announced to the public through media organs or other communication tools or with a content different from the information previously announced to the public, and if they are informed by the Company, the related disclosure has been made within the framework of the Capital Market Law.

In accordance with the news and rumors about the company published in press organs or websites, the investor relations department of the Company evaluates the news and rumors according to the degree of significance specified in the law, as soon as they have been informed about the related information. As a result of the aforementioned evaluations, if the Company is indicated that a Material Event Disclosure is required, the Company management has been informed and Material Event Disclosure has been made to the public accordingly.

IV- PRINCIPLES REGARDING PUBLIC DISCLOSURE OF FUTURE EVALUATIONS

Future evaluations and information related public disclosures can be made provided that the authorized person obtains written consent that the decision of the Company's Board of Directors or authorized by the Board of Directors.

The related future evaluations of the Company are disclosed by the Company management at most 4 times a year. The aforementioned disclosure can also be made through the annual reports announced within the framework of the regulations of the Capital Markets Board on financial statements or the presentations on informing the investors, provided that they are disclosed on the Public Disclosure Platform (PDP). When a significant change incurred in the future evaluations which are disclosed, or there is a significant difference between the matters that previously disclosed and the realizations, an additional necessary explanation is disclosed within the framework of the Capital Market Legislation, including the reasons related comparison difference. The annual reports and announcements prepared within the scope of the article are also published on the Company's corporate website on the first business day following the commencement date of the announcement.

In cases where matters subject to material event disclosures, including prospective evaluations, are disclosed through media organs or other communication tools, prior or simultaneously with this announcement, if the matters are announced inadvertently at a public meeting, a statement has been made immediately on the Public Disclosure Platform (PDP).

Without prejudice to the regulations of the Capital Markets Board on behalf of our Company, Board Members, General Manager and Deputy General Managers can individually declare statements and interviews to newspapers and magazines to inform the public.

V- PUBLIC DISCLOSURE OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED TRANSACTIONS

Key management personnel according to the Capital Market Law are as follows:

- a) Company Board Members
- b) Legal persons who, although not a member of the Board of Directors, have direct or indirect access to internal data and information and are authorized to make administrative decisions affecting the future development and commercial objectives of the Company,
- c) Legal persons that have close relations with persons that have administrative responsibility ("closely associated persons"),
 - c1) The spouse, children of the person with administrative responsibility and the person who has administrative responsibility and the persons who resided in the same house during the period of the transaction,
 - c2) Legal persons, institutions, organizations and partnerships that have administrative responsibilities by persons with administrative responsibilities or persons listed in the article c1 or that are directly or indirectly controlled by these persons or established for their benefit or whose economic interests are essentially the same as those persons' economic interests,
 - c3) Members of the Board of Directors of the Company's subsidiaries, which constitute 10% or more of the total assets in the last annual financial statement prepared in accordance with the Capital Markets Law, and who has regular access to internal data and information directly or indirectly, and persons who are empowered to make administrative decisions that affect their business aims and objectives.

Persons with administrative responsibility for the capital market instruments issued by our Company are determined in accordance with to the aforementioned principles.

In accordance with the framework of the Capital Market Law and related regulations, all transactions carried out by persons with administrative responsibility and closely associated persons and the parent company regarding shares representing the capital and other capital market instruments based on these shares if the total amount of the transactions made to the account of each person with administrative responsibility reaches the amount specified in the Communiqués of the Capital Markets Board within a calendar year, it is disclosed to the public by the person making the transaction. The total amount of the transactions has been calculated by adding all the transactions performed by the persons with administrative responsibility and closely associated persons.

All transactions exceeding the amount specified in the Communiqués of the Capital Markets Board, to be carried out by persons with administrative responsibilities and closely associated persons, as well as shares representing the capital and other capital market instruments based on these shares, disclosed at least 1 business day before each transaction, without specifying the sales amount separately from the post-sale announcement.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

VI- MATTERS REGARDING TO THE GENERAL ASSEMBLY MEETINGS AND DISCLOSURE OF INFORMATION ABOUT THE ISSUE OF CAPITAL MARKET INSTRUMENTS

Within the General Assembly Meetings and notifications and explanations regarding the issuance of Capital Market instruments, the Company complies with the announcement periods specified in the Company's articles of association, the Internal Directive of the Company's General Assembly, the Commercial Code and the Capital Market Law and the minimum requirements to be disclosed. The abovementioned information and documents are announced separately on the corporate website of the Company.

VII- INVESTOR MEETINGS AND OTHER MATTERS

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our Shareholders and the persons and organizations that will benefit from the disclosures.

The financial statements and notes to the financial statements are prepared in accordance with the current legal legislation, present the financial position and trends of our Company, and disclosed after being audited independently in the periods stipulated by the legislation.

The annual report is prepared in accordance with including the minimum information determined by the legislation and parallel to the public can access all kinds of information about the Company's nature of business and its activities. These reports are also disclosed to the Public Disclosure Platform (PDP) and on the corporate website of the company, and are presented to the information of investors.

Our annual report is prepared by our General Manager and our Department Manager who is responsible for the preparation of financial statements and reports. Our annual report is approved by our Board of Directors and includes the statement that the financial statements fully reflect the financial position of the Company and that the Company fully complies with the relevant legislation.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in General Assembly Internal Directive, the Commercial Code and the Capital Market Legislation announced on the corporate website of the Company.

18) CORPORATE GOVERNANCE

a) Corporate Governance Principles Compliance Statement

Our Company tries to apply the principles included in the Corporate Governance Principles within the framework of the current market and shareholding structure.

Our Company considers the Corporate Governance Principles in a positive manner both for the Company and its shareholders. Adoption of Corporate Governance Principles is considered to create significant opportunities such as low capital cost, increase in funding opportunities and liquidity, increase in brand image of the Company, and increase the interest of domestic and foreign investors. Corporate governance principles will create a more transparent management where shareholders can exercise their rights more easily and within a structure that they have more information. This will become a preference for shareholders.

Our Company has achieved full compliance with the principles that are mandatory basis for the implementation by the Capital Market Law. The Company has no principle that is mandatory but not implemented. The Company has no principle exempted within the scope of Article 6 of the Corporate Governance Communiqué numbered II-17.1.

In addition, the implementation of non-compulsory corporate governance principles that will not affect the competitive power of our company, trade secrets and information that will cause inequality of opportunity among the partners is accepted as a principle. Every year, compliance on corporate governance has been evaluated by the Corporate Governance Committee and the related principles are reviewed.

In accordance with the Capital Markets Board Decision dated 10.01.2019 and numbered 2/49, it has been decided that the Corporate Governance Compliance Reporting is made in accordance with the Corporate Governance Communiqué numbered II-17.1 on the Public Disclosure Platform by using the Corporate Governance Compliance Report (CGC) and the Corporate Governance Information Form (CGIF) templates.

The Corporate Governance Compliance Report (CGC) of our company for the year ended 2020 and the Corporate Governance Information Form (CGIF), which includes updated information on corporate governance practices in our company, is available at "<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-kart-sanayi-ve-ticaret-as>".

b) Activities of Investor Relations Department

While the relations of our company with the shareholders were conducted by the Financial Affairs Department before 2009, the "Shareholder Relations Department" ("Investor Relations Department") was established in 2009 under the Financial Affairs Department. The related breakdown of communication structure and necessary information of the investor relations department is as follows:

The Investor Relations Department consists of 2 personnel, 1 manager and 1 staff member, and works under the Corporate Governance Committee. Investor Relations Department Manager has also started to work as a member of the Corporate Governance Committee since 28.03.2014.

Name	Position	Phone and Fax	E-mail	Address
Meltem DOĞAN	Investor Relations Staff Member	Tel: 0-212-2732000 (extension number: 309) Fax: 0-212-273 21 64	Meltem.dogan@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul
Bülent YILMAZ	Investor Relations Department Manager	Tel: 0-212-2732000 (extension number: 302) Fax: 0-212-273 21 64	Bulent.yilmaz@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul

Investor relations department manager Bülent YILMAZ has Capital Market Activities Level 3 License (Capital Market Advanced Level License) (License No: 205478) and Corporate Governance Rating Specialist License (License No: 700657).

Investor Relations department continued to work on informing the shareholders, implementing practices to exercise of rights by the shareholders, holding the general assembly meeting and announcements regarding the principles of public disclosure in 2021. The "Investor Relations Department 2020 Annual Report" prepared in accordance with the activities carried out in 2020 was submitted to the Board of Directors on 24.02.2021. The "Investor Relations Department 2021 Annual Report" prepared in accordance with the activities carried out in 2021 was submitted to the Board of Directors on 28.01.2022.

In scope of the Company's information policy disclosure, the Investor Relations Department conduct its activities to inform the relevant stakeholders in a timely, accurate and complete manner without disrupting the equality of opportunity among themselves on non-existent information and provides the value of the financial and non-financial information and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and / or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders.

For this purpose, in order to ensure that the stakeholders of our company to obtain information about all kinds of issues and questions related to the company, the contact information of the Investor Relations Department has been presented on the company's website, Annual Reports and Public Disclosure Platform.

Telephone, e-mail and fax communication channels have been established for all information requests of stakeholders within our company.

In 2021, 116 questions were received by the Investor Relations Department via e-mail and phone communication channels. If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within

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the framework of publicly disclosed information, shareholders were informed about their questions. The investor relations department has not been answered the questions and interpretations regarding the stock prices and future predictions of our company, which are not directly related to our company.

Incoming questions were answered orally and by e-mail as permitted by the legislation to the extent that the questions are relevant to our company.

The breakdown of the content of the questions is as follows:

REQUESTED INFORMATION	Number of Questions	Ratio (%)
Increase and Decrease in Stock Prices	101	87%
Capital Increase and Registered Capital Ceiling	1	1%
Financial Statements	9	8%
General Assembly and Voting Rights	4	3%
Dividend Distribution	1	1%
Total	116	100%

In the last quarter of the period 2020, the Board of Directors have decided to increase the paid-in share capital from TL 2,837.014,21 to TL 75,000.000 on 16.10.2020, within the framework of the issuance of shares in registered capital system which is paid from the adjustment to share capital. The related procedures and permissions regarding the aforementioned decision were completed within the period and the capital increase was registered on 24.12.2020 and completed during the period. With the capital increase decision, our company's stock prices rapidly increased and recorded extraordinary movement, and a significant decrease was observed with the completion of the capital increase stock split. Therefore, significant part of the questions in the last quarter of the year was related to stock prices. The remaining questions are about the financial statements and dividend distribution.

Kartonsan recommends that investors that have low level financial literacy need support from investment advisors from brokerage and intermediate houses where they have investment accounts so that they are not adversely affected by such fluctuating price movements during periods of extraordinary increases or decreases in stock prices.

If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within the framework of publicly disclosed information, shareholders were informed about their questions.

Material event disclosures presented on the Public Disclosure Platform ("PDP") are used as a general information method, and material event disclosures are also published and announced on our website, on the company platform of the Central Registry Agency (CRA). In 2021, a total number of 18 Material Event Disclosures and notification of exercise of right of use were made by our company.

c) Exercise of Rights and Obligations of Shareholders

Kartonsan has been established and disclosed a "Disclosure Policy" in accordance with the Capital Market Law. The related policy is available at PDP (Public Disclosure Platform: "<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as>") and our company's website <http://kartonsan.com.tr/tr/page.php?id=41>.

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and / or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our Shareholders and the persons and organizations that will benefit from the disclosures.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in General Assembly Internal Directive, the Commercial Code and the Capital Market Legislation announced on the corporate website of the Company.

Every shareholder has exercise of right to information in our company. The exercise of right to information is not abolished or restricted in our company's articles of association or by the decision of any of our company bodies. Within the framework of our Company's exercise of right to information, all requests for information other than those that may cause inequality of opportunity among the shareholders and undisclosed information requests in accordance with the Capital Market Law are answered and shareholders are informed. This information is provided by our company's Investor Relations Department. The decisions that may affect the use of shareholders' rights are announced on the website of the company.

There is no provision in the articles of association of our company that allows each shareholder to request a special audit individually to examine certain events or to request an individual request from the general assembly even if it is not included in the agenda. In cases where there are no provisions in the company's articles of association, the provisions of the Turkish Commercial Code and Capital Market Law are applied. Our company is subject to an independent audit every year within the framework of the Capital Market Law and Tax Laws. Our company has no decision and articles of association that prevent the use of shareholder rights (rights that do not contradict with the legislation and do not cause information inequality among shareholders). In this context, using the individual Special Audit right is not deemed necessary considering the targeted benefits and cost factors to the company. However, the written application of the majority of the shareholders to the company, an agenda item can be created for discussion at the general assembly and the right to have a special audit can be exercised provided that a decision is made at the general assembly.

d) General Assembly Meetings

The Ordinary General Assembly Meeting of our Company for the year ended 2020 was held on 30.03.2021. Media has not been attended physically to the General Assembly Meeting. Other shareholders and stakeholders also attended the general assembly except for the controlling ownership interest of the corporate governance and managerial body. At the General Assembly Meeting, the total nominal amount of TL 75,000,000 representing 5.937.449.075 number of outstanding shares with a total nominal amount of TL 59,374,490.75, the General Assembly Meeting was held both physically and electronically with a majority of 79.17% as a result of the participation of 5.937.449.075 number of outstanding shares with a nominal value of TL 59,374,490.75. The General Assembly Meeting held for 2021 has not specified meeting quorum and therefore, provisions of Turkish Commercial Code have been implemented at the General Assembly Meeting.

The announcements regarding the General Assembly announced on the Official Gazette dated 04.03.2021 and numbered 10280, Milliyet and Dünya newspapers published on 05.03.2021, on the Kartonsan's website at www.kartonsan.com.tr, on the Public Disclosure Platform (PDP), the Central Registry Agency's e-company information portal and the Electronic General Meeting System (e-GEM) on 01.03.2021, at least 21 days before the general assembly meeting, and the meeting was held in due time. Our company does not have registered shares and therefore, registered shares and therefore, additional invitation has not been made for these shareholders.

The invitations to the General Assembly meetings include, the place, date and time of the general assembly, the sample power of attorney for the proxies to attend the general assembly meeting, the documents required to attend the meeting and the financial statements of 2020, the board of directors, the date and where the independent auditor's report will be made available for review by the partners. In addition, general assembly information documents, along with other documents prepared in accordance with corporate governance principles, are also announced in a special separate section for investors on the company's website. The aforementioned documents were submitted to the shareholders 15 days before the general assembly meeting for the review. The shareholders have right to speak in the general assembly and expressed their opinions and wishes. The oral questions asked by the shareholders during the general assembly meeting were answered by the chairman of the general assembly by recognizing their right to speak. The shareholders did not exercise their right to ask written questions at the general assembly meeting. Therefore, Investor Relations Department did not answer any written responses.

While there is no provision in our Articles of Association that a private auditor be appointed as individual right, under article 438 of the Turkish Commercial Code, each shareholder may ask the General Assembly to reveal certain occurrences through private audit even if the agenda has no such item if it is necessary for exercising the shareholding rights and if the right to receive and examine information has been exercised before. To date, no shareholder has raised such a request.

The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

In the general assembly meeting, a separate agenda item has been established regarding the Informing of the General Assembly and Authorization of the Related Transactions in accordance with the Capital Market Law Articles 395 and 396 of the Turkish Commercial Code, and the said permission was given by the general assembly to the related to the Matters of the Shareholders, Members of the Board of Directors, Senior Managers, their spouses and their relatives by blood consanguinity and affinity up to the second degree to be able to act and compete with the Company or its Subsidiaries.

The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company's Internet website www.kartonsan.com.tr. One copy of the minutes is sent to the CMB; and one copy is made available at the Kartonsan's head office for inspection by our shareholders. <https://www.kap.org.tr/tr/sirket-informasyon/summary/997-kartonsan-kart-sanayi-ve-ticaret-a-s>

e) Information Regarding Board of Directors, Committees, Independent Auditors, Key Management Personnel and Financial Rights

In accordance with the relevant articles of the company's articles of association, the related law and regulations regarding the Board of Directors and auditors are as follows:

Board of Directors

Article: 8- The Board of Directors of Company consists of at least 7 (seven) and at most 11 (eleven) members which is administered and represented by the General Assembly in accordance with its authority of election. The number of members of the Board of Directors has been determined that enabling members to conduct efficient and constructive work, to make fast and rational decisions, and to form committees and organize their work effectively.

The Company complies with the Corporate Governance Principles required by the Capital Markets Board. Transactions made and board decisions made that are the principles not being mandatory have also not been complied with Capital Markets Board and deemed to be in breach of the articles of association. The number and nature of the independent members that has position in the Board of Directors have been determined in accordance with to the regulations of the Capital Markets Board on corporate governance.

The members of the Board of Directors elected a chairman among the Board of Directors and when chairman is not available, members of the Board of Directors selects two Vice Chairman of Board of Directors to act as a Chairman of Board respectively.

The General Assembly can change the members of the Board of Directors constantly, it deems as necessary. The member of the Board of Directors who has been removed from the duties and responsibilities does not have the right to claim compensation.

Duties and Powers of the Board of Directors and Transfer of Rights

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and required committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

Article: 9 / A- Canceled

Authority of the Board of Directors to Issue Bonds and Other Capital Market Instruments

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

Board of Directors Meetings

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

Financial Rights Granted to the Members of the Board of Directors

Article: 12- The salaries, remunerations attendance fee, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

Auditors

Article: 13- The General Assembly elects one or two auditors during the period. The Company complies with the Turkish Commercial Code, the Capital Markets Law, the Capital Markets Board and the relevant regulations regarding the auditor's election, term of office, duties, powers and responsibilities, registration procedures and other matters related to the auditor.

Auditor's Fees

Article: 14- General Assembly has been determined the payments and fees of the auditors on monthly or annual basis.

The Ordinary General Assembly meeting for the 2020 annual report of the company was held on 30.03.2021. The following persons were appointed as members of the Board of Directors and Independent Auditors to serve for 1 year each at the General Assembly meeting. Information on the Board of Directors, Committees and Independent Auditor of the Company, who worked during the period or was elected within the period, are as follows:

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Board of Directors

Name	Position	Duties Except Parent Company	Executive/ Non-Executive	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ünal Bozkurt	Chairman of the Board	Board Membership	Executive	05.10.2000	30.03.2022	30.03.2021	1 Year
Aslı Balkır	Vice Chairman of the Board	Board Membership	Executive	02.08.2001	30.03.2022	30.03.2021	1 Year
Süleyman Kaya	Vice Chairman of the Board	Board Membership	Executive	06.02.2006	30.03.2022	30.03.2021	1 Year
Sinan Ercan Gülçur	Board Member	Board Membership	Executive	05.10.2000	30.03.2022	30.03.2021	1 Year
Babür Gökçek	Board Member	Board Membership	Executive	06.02.2006	30.03.2022	30.03.2021	1 Year
Mehmet İmregün	Board Member	Board Membership	Executive	21.03.2011	30.03.2022	30.03.2021	1 Year
Hatice Canan Pak İmregün	Board Member	Board Membership	Executive	01.10.2012	30.03.2022	30.03.2021	1 Year
İlker Cengiz	Board Member	Board Membership and Legal Coordinator	Executive	30.03.2021	30.03.2022	30.03.2021	1 Year
Haluk İber	Board Member and General Manager	Board Membership	Executive	02.03.2006	30.03.2022	30.03.2021	1 Year
Ahmet Göksel Yücel	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	30.03.2022	30.03.2021	1 Year
Süleyman Kadri Mirze	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	30.03.2022	30.03.2021	1 Year

The Board of Directors held 29 meetings during the year until 31.12.2021. Average attendance rate of Board Members to board meetings for 2021 was 96.65%. All of the decisions of the Board of Directors have been implemented during the year.

The personal backgrounds of the members of the Board of Directors are included in the General Assembly documents and have been prepared and announced to the public by our company. The General Assembly documents are available at the website of our company, on Public Disclosure Platform <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as> and e-company information portal.

(<http://kartonsan.com.tr/tr/page.php?id=47> or https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge_goruntuleme/10916)

In accordance with the independent board memberships within the framework of the Capital Market Law, the Corporate Governance Committee has been determined 2 independent board members on 01.03.2021 in 2021 and presented to the Board of Directors on 01.03.2021. These independent members submitted their declarations of independence to the company, and there exists no matter that eliminated their independence during the period. Independent members of the Board of Directors have submitted the following declaration of independence to the company.

Board Independence Statement of Independent Members of Board of Directors

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,

I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit,

I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,

I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation, d) I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193

I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,

I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,

I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

Date-Name Surname-Signature"

Although the fact that the members of the Board of Directors can have other duties outside the company is not bound by the rules and regulations, their duties and responsibilities have been presented for the information and approval of the shareholders in the general assembly meetings as a separate agenda item.

Our company is a subsidiary of PAK GROUP. Some of the members of the board of directors of our company naturally take part in other group companies and subsidiaries that hold the administrative governing control of our company. Therefore, at the general assembly meetings every year, the matters regarding the "Management and Competition of Shareholders, Members of the Board of Directors, Senior Executives, have been authorized the abovementioned shareholders holding the management control, the members of the Board of Directors, the senior executives with administrative responsibility and their spouses and relatives related by blood or affinity up to the second degree to compete with and to carry out transactions that might cause conflict of interest with the Company itself or its subsidiaries, to conduct the activities under the scope of the line of business of the Company directly or on behalf of others and to participate in the companies conducting such kind of activities in the year 2016 and to perform any other transactions pursuant to articles 395 and 396 of the Turkish Commercial Code is added to the agenda and the said permission is requested by the general assembly.

The Company has not been decided a strict target for female members in the Board of Directors. Board of Directors has at least 2 female members for many years. Since there has been no minimum target set for the ratio of women members of Board of Directors, the achievement of any targets of female members have not been evaluated separately.

The operating principles of the Board of Directors are regulated in detail in accordance with the Articles 9 and 10 of the Articles of Association and the related articles are as follows:

Duties and Powers of the Board of Directors and Transfer of Rights

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and required committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

Authority of the Board of Directors to Issue Bonds and Other Capital Market Instruments

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

In relation to the Meetings of the Board of Directors, the following regulations were made in the article 11 of the articles of association.

Meetings of the Board of Directors

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

Our Company's Board of Directors embraces and implements the principle of executing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors held 23 meetings until 31.12.2021 in 2021. All members who did not have any excuse (health issues and being in abroad etc.) participated in the meeting. All of the decisions taken within the period were taken by the consensus of the participants. Therefore, no dissenting opinion was entered into the decision record.

There is no division of labor among the members of our company's Board of Directors and clarifications are made about the committees established in the activity reports and on the company's website.

No insurance was made out in relation to the damages to be caused in the company by the defaults of the members of the Board of Directors during their duties.

A written circular of signatures is issued by the Board of Directors of our Company in relation to the representation and management of the company following the General Assembly meeting in every year. In this circular of signatures, the authority to represent the company alone is not granted to any person. The important deeds and procedures can be performed with the signatures of at least 2 signatories by different signatory groups. In our Company, no one has unlimited authority to take decision alone.

In our Company, the chairman of the Board of Directors and the general director are not the same person. The application has been made in this way for many years.

Even if the chief executive officer and the chairman of the board of directors will be the same person in the future, this situation is not considered as an issue that will affect the rights of the shareholders. Therefore, it will not be necessary to inform the shareholders on this matter and to make clarifications in the activity reports.

The Corporate Management Committee was established from the members of our Company's Board of Directors. Also, the Investor Relations Department was established as associated to this committee. In the elimination and resolution of the possible disputes, the Board of Directors of Kartonsan is the pioneering department for the resolution of the disputes and related matters.

Number, Structure and Independence of the Committees Established within the Board of Directors

The Audit Committee, the Early Detection of Risk Committee and the Corporate Governance Committee have been established from the members of our Company's Board of Directors. The Nomination Committee and the Compensation Committee were not established and it was adopted that the Corporate Management Committee would fulfill also these duties. From which members the Early Risk Identification Committee, the Auditing Committee and the Corporate Management Committee would be established and the working principles of the Committees were determined and disclosed to the public by the Board of Directors.

The Audit Committee has been established from 2 members and Independent Members were elected to these two membership positions. Therefore, the Chairman became an Independent Member of Audit Committee.

The Corporate Governance Committee was established from 4 members (3 members from the Member of the Board of Directors and 1 member from the Director of the Investor Relations Department) and the Early Risk Identification Committee was established from 3 members. The independent members of the Board of Directors were elected to the chairman positions of all of these committees.

The functioning committees of Kartonsan during the year 2021 are as follows:

Audit Committee

Name	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Audit Committee	10.04.2018	30.03.2022	30.03.2021	1 Year
Süleyman Kadri Mirze	Audit Committee Member	10.04.2018	30.03.2022	30.03.2021	1 Year

Corporate Governance Committee

Name	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Süleyman Kadri Mirze	Chairman of the Corporate Governance Committee	10.04.2018	30.03.2022	30.03.2021	1 Year
İlker Cengiz	Corporate Governance Committee Member	30.03.2021	30.03.2022	30.03.2021	1 Year
Süleyman Kaya	Corporate Governance Committee Member	09.04.2013	30.03.2022	30.03.2021	1 Year
Bülent Yılmaz	Corporate Governance Committee Member*	28.03.2014	30.03.2022	30.03.2021	1 Year

*He is not the Member of the Board of Directors, but the Director of the Investor Relations Department.

Early Detection of Risk Committee

Name	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Early Detection of Risk Committee	10.04.2018	30.03.2022	30.03.2021	1 Year
Mehmet İmregün	Early Detection of Risk Committee Member	09.04.2013	30.03.2022	30.03.2021	1 Year
Sinan Ercan Gülçur	Early Detection of Risk Committee Member	28.03.2014	30.03.2022	30.03.2021	1 Year

The Chief Executive Officer/general director or the other executive members did not take charge in the committees.

The number of the Independent Members of the Board of Directors is 2 as required by the structuring of our Company's Board of Directors. As at least the chairman's of the committees established and all of the Auditing Committee should be established from the independent members, the principle for one member of the Board of Directors not to take charge in more than one committee could not be fulfilled. One member of our Board of Directors has to take charge in 2 separate committees.

The working principles related to the Committees established from the members of our Company's Board of Directors were documented. The current working principles of the Committees are available on our company's website (<http://kartonsan.com.tr/tr/page.php?id=37>), on the Public Disclosure Platform ("<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayive-ticaret-a-s>") and on the e-company application. (<http://kartonsan.com.tr/tr/page.php?id=37> or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

Within the framework of such principles, all committees can invite the executive that they consider necessary in order to be able to fulfill their duties and obtain the opinion of such executive. Furthermore, the financial resource that is necessary for the operations of the committees is provided by the Board of Directors. Within the current period, no financial resource has been used by the committees.

All committees can provide the consultancy services that they consider necessary in order to be able to fulfill their duties on condition that the price of such services is covered by the company.

The Committees established from the members of our Company's Board of Directors document and record all of their works. They comply with the documented working principles on this matter. The Committees regularly submit reports to the board of directors in relation to their operations.

The committees other than the Early Detection of Risk Committee convene at the Company headquarters every three months, at least four times each year. The Early Risk Identification Committee may convene in frequencies required by its duties and responsibilities. The Early Detection of Risk held meetings for three times in total in 2021.

Kartonsan decided to establish the Early Detection of Risk Committee starting from 2013. This committee has been established from 3 persons and the chairman of the committee was the independent member of the Board of Directors. The Board of Directors reestablishes the committee depending on the elections of the members of the board of directors as required by its structuring in every year. The committee performs duty within the framework of the duties determined. The committee submitted the report that it prepared to the Board of Directors.

Key Management Compensation

The article 12 of the articles of association includes regulation regarding the financial rights of the Board of Directors and the text of the article is as follows:

Financial Rights of the Members of the Board of Directors

Article: 12- The salaries, remunerations attendance fee, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

The remuneration principles of the members of the Board of Directors and the senior executives were documented and submitted to the shareholders as a separate item at the Ordinary General Assembly meetings and the shareholders were provided with the opportunity of delivering an opinion on this matter. This policy is available on the company's website (www.kartonsan.com.tr), on the e-company application of the Central Registry Agency (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and on the Public Disclosure Platform ("<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>").

Our Board of Directors did not prefer the establishment of a separate Compensation Committee as required by its structuring and decided that the compulsory duties identified to these committees within the framework of the Corporate Management Principles to be fulfilled by the Corporate Governance Committee.

In the pricing of the independent members of the Board of Directors, the stock options or the payment schedules based on the company's performance were not used. Effort was shown for the salaries of the independent members of the Board of Directors to be at the level to maintain their independence. It was agreed to pay monthly salary to the independent members by the General Assembly.

Our Company does not have any application such as providing debt-credit to, giving guarantee or surety in favor of its Members of the Board of Directors or Senior Executives. Non-performance of such procedures was adopted as a principle by our board of directors.

The salaries and remunerations provided to the members of our Company's Board of Directors are included in the interim and annual activity reports and are available on the website of the company. Although no clarification is made on an individual basis, the minimum Board of Directors- senior executive separation is included.

Our members of the Board of Directors and key management personnel have the following income streams:

Key Management Compensation to the Members of the Board of Directors

Daily Allowance

The amount has been determined at the General Assembly Meeting.

(Daily Allowance Payments)

The monies and benefits (daily allowance) paid or provided to the chairman and members of the board of directors due to such capacities are qualified as salary in accordance with the article 61/4 of the Income Tax Law. The daily allowance payments made to the chairman and members of the board of directors are taxed by withholding as for the salary payments made to the other employees of the company.

Dividend Distribution

Dividend distribution and related payments have been determined by the General Assembly within the framework of the article 25 of the articles of association at "the General Assembly Meeting" held in every year.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

GRI 102-35

Key Management Personnel Compensation

The General Directors and Vice General Directors who are the members of the Board of Directors have as well as the membership to the Board of Directors and their income streams are as follows:

- Monthly Salary (determined annually.)
- Bonus at the amount of one monthly salary, (given for 4 times in a year.)
- Achievement Premium (given once at the end of the year.)
- Seniority Incentive Bonus (given at the amount between 1 salary and 2.5 salaries at the 5th, 10th, 15th, 20th, 25th years.)
- Personal Accident and Health Insurance
- Motor Vehicles and Fixture allocated as required by the duty.

The key management compensation and the Members of the Board of Directors during the period (salary and daily allowance payments except for the dividend payments of the Board of Directors) are as follows:

	31.12.2021	31.12.2020
Key management compensation provided to key management personnel	5.034.257	4.663.527
Key management compensation provided to board members	417.013	309.876
Total	5.451.270	4.973.403

Key Management Personnel During the Period:

NAME	POSITION
Haluk İber	Member of the Board of Directors and General Director
Güven Şanlı	Factory manager
Volkan Turt	Production manager
İhsan Doğan	Technical manager *
Ümit Dinçol	Production Services Manager
Raşit Kemal Özkırım	Marketing Manager
Şadiye Başak Kaya	Human Resources and Quality Systems Manager
Atiye Süheyla Tuğtekin	Purchasing Manager
Bülent Kuru	Financial Affairs Manager

There was no change incurred in key management personnel during the period.

19) SUBSIDIARY COMPANY REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL LAW

In accordance with Article 199 of the Turkish Commercial Code numbered 6102, which entered into force on 1 July 2012, the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş. is obliged to issue a report about the relations of the company with its controlling shareholder and the companies associated to the controlling shareholder in the previous operating year and to include the conclusion part of this report in the operating report within the first three months of the operating year.

In accordance with the report dated 25 February 2022 prepared by the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş.,

“An appropriate counter-action was ensured in each legal transaction with Asil Holding A.Ş. (“Parent Company”), being the controlling shareholder of Kartonsan Karton Sanayi ve Ticaret A.Ş. (“Subsidiary”), and Pak Holding A.Ş. and with the companies which are directly or indirectly the subsidiaries of these two companies in accordance with the cases and conditions to the best of our knowledge on the date when such transactions were performed. Kartonsan has no implemented measures that was taken or that was avoided to be taken and has no loss for the period within this framework.

All measures that were taken or that were avoided to be taken for the benefit of the controlling shareholder or its subsidiary were evaluated for the year ended 2021 in the legal transactions made for the benefit of the controlling shareholder or its subsidiary by the direction of the controlling shareholder in accordance with the cases and conditions to the best of our knowledge in all transactions made with our Company, the controlling shareholder and its subsidiaries within the operating year between 01.01.2021 - 31.12.2021. We declare that our Company did not incur such loss due to any transaction that occurred in accordance with the ongoing execution proceedings and conditions with respect to the operating year of 2021, no benefit was provided and it is not possible to compensate the benefits obtained by the controlling shareholder or the loss for the period.”

20) OTHER MATTERS

- Kartonsan has no repurchased shares at the end of the period.
- Necessary disclosures have been made in the “Provisions, Contingent Liabilities and Contingent Assets” (Note 14) in notes to the consolidated financial statements about the lawsuits filed against the company that may affect the financial position of Kartonsan and their possible results.
- Our company has all of its capital and there exists no event of loss of capital and “technical bankruptcy”.
- The Company has no significant events incurred after the reporting period that is not disclosed in the previous pages of the annual report.
- During the period of 2021, the routine inspections related to the wastes and pollution that occurred as a result of our production activities were continued to be performed by Kocaeli Metropolitan Municipality, Başiskele Municipality and the Provincial Directorate of Environment and Urbanization at the factory of the company. The Company has no supervision and inspection activity which was performed by any public institution except for the abovementioned institutions.
- No administrative or judicial sanction was applied on Kartonsan and the members of the Board of Directors due to the applications in contrary to the legislation provisions.
- The Company has no Extraordinary General Assembly Meeting held in 2021.
- In relation to the notifications and disclosures required to be made pursuant to the CMB’s Corporate Governance Communiqué No. II-17.1 and the Capital Market Board’s Corporate Governance Principles, Kartonsan has been listed in the 1st Group as announced in the weekly bulletin of the Board numbered 2022/2 calculated on the basis of the financial data of 2021. In accordance with the mandatory principles of corporate governance for the 1st Group companies, at least 1/3 of the total members taking charge in the Board of Directors must be Independent Members of the Board of Directors. In order to comply with the relevant Corporate Governance Principle, at least 4 members (currently 2 members) must be appointed as Independent Members of the Board of Directors. Our Board of Directors has decided to amend the 8th article of the Company’s Articles of Association, which determines the number of Board Members, to determine the number of members of the Board of Directors, whose knowledge and experience they have benefited from. Accordingly, it has been decided to submit the amendment draft to increase the maximum number of members that can be assigned from 11 to 12 by amending the 8th article of the Company’s Articles of Association, after the necessary approvals obtained of the Capital Markets Board and the Ministry of Trade of Turkish Republic. The draft regarding the amendment of the articles of association is as follows:

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. DRAFT REGARDING THE AMENDMENT OF ARTICLE 8 OF THE ASSOCIATION

OLD TEXT	NEW TEXT
<p>Board of Directors</p> <p>Article: 8- Board of Directors consist of at least 7 (seven) and at most 11 (eleven) members to be elected by the General Assembly. Number of board members is determined in a way that will allow the members to work productively and constructively, to take quick and rational decisions, and to form committees and organize their work effectively.</p> <p>Kartonsan complies with the principles of Corporate Governance, which are mandatory to be implemented by the Capital Markets Board. Transactions made and resolutions of the Board of Directors taken without complying with the mandatory principles are invalid and deemed contrary to the articles of association. The number and qualifications of the independent members who will take office in the Board of Directors are determined according to the regulations of the Capital Markets Board regarding the principles of corporate governance.</p> <p>Every year, the Members of the Board of Directors elect a chairman and two vice-chairmen to act as the chairman in his absence, respectively.</p> <p>The General Assembly can change the members of the Board of Directors at any time if it deems necessary. The member whose duty is terminated has no right to demand compensation.</p>	<p>Board of Directors</p> <p>Article: 8- Board of Directors consist of at least 7 (seven) and at most 12 (twelve) members to be elected by the General Assembly. Number of board members is determined in a way that will allow the members to work productively and constructively, to take quick and rational decisions, and to form committees and organize their work effectively.</p> <p>Kartonsan complies with the principles of Corporate Governance, which are mandatory to be implemented by the Capital Markets Board. Transactions made and resolutions of the Board of Directors taken without complying with the mandatory principles are invalid and deemed contrary to the articles of association. The number and qualifications of the independent members who will take office in the Board of Directors are determined according to the regulations of the Capital Markets Board regarding the principles of corporate governance.</p> <p>Every year, the Members of the Board of Directors elect a chairman and two vice-chairmen to act as the chairman in his absence, respectively.</p> <p>The General Assembly can change the members of the Board of Directors at any time if it deems necessary. The member whose duty is terminated has no right to demand compensation.</p>

KARTONSAN PERFORMANCE INDICATORS

GRI 102-8, 102-41, 202-2, 401-1, 401-3, 404-1, 404-3, 405-1

EMPLOYEE DEMOGRAPHICS

	2020	2021
Total Workforce (Number)		
Direct Employment	320	320
Female	39	35
Male	281	285
Total Workforce by Category (Number)		
Blue Collars	195	199
Female	10	8
Male	185	191
White Collars	125	121
Female	29	27
Male	96	94
Total Workforce by Education Level (Number)		
No Education	1	1
Primary School	31	28
Secondary School	145	147
University and Above	143	144
Total Workforce by Age Group (Number)		
Below 30	22	30
30-50	238	237
Over 50	60	53
Structure of Board of Directors (Number)		
Female	4	4
Male	15	15
Structure of Senior Management (Number)		
Female	2	2
Male	9	9
Employees Hired (Number)		
By Gender		
Female	5	4
Male	9	16
By Age Group		
Below 30	4	11
30-50	8	6
Over 50	2	9
Employees Left (Number)		
By Gender		
Female	8	4
Male	12	17
By Age Group		
Below 30	2	2
30-50	8	12
Over 50	10	7
Disabled Employees		
Female	1	1
Male	7	7
Number of Employees Left for Parental Leave	-	-
Number of Employees Returned From Parental Leave	-	-
Number of Employees Who Didn't Leave Their Job After 12 Months to Their Return From Parental Leave	-	-
Workforce Covered by Collective Bargaining Agreement (Number)	171	170

GRI 301-2, 302-1, 302-4, 303-1, 303-2, 303-3, 303-4, 303-5, 305-1, 305-4, 305-5, 306-1, 306-2, 306-3, 306-4, 306-5

ENVIRONMENTAL PERFORMANCE

	2020	2021
Raw Material Amount (tons)		
Waste Paper Amount	217,486	231,524
Amount of Bleached Cellulose	1,949	2,573
Wood Pulp	17,903	19,543
Energy		
Conventional Energy Consumption (TJ)	1,902,41	2,025.20
Specific Heat Consumption (MJ/ton coated cardboard)	3,610.04	3,727.25
Amount of Electrical Energy Production from Waste Heat (MWh/year)	0	0
Amount of Steam Production from Waste Heat (MWh/year)	199,812.15	215,832.79
Amount of Electrical Energy Production from Waste Heat (TJ/year)*	0	0
Reduction of Greenhouse Gas Emission Due to Electrical Energy Production from Waste Heat (ton CO ₂ /year)	0	0
Total Energy Consumption in Coated Cardboard Production (kWh)	351,607,489.97	374,244,071.83
Amount of Scope 1 Total Gross Greenhouse Gas Emission (million ton CO₂/year)		
Amount of Scope 1 Total Gross Greenhouse Gas Emission in Coated Cardboard Production (million ton CO ₂ /year)	0.10831763 (verified data in 2020 for 2019-combustion sourced)	0.10545188 (verified data in 2021 for 2020-combustion sourced)
Amount of Scope 2 Gross Greenhouse Gas Emissions (ton CO ₂ /year)	Not calculated	Not calculated
Total Hazardous Wastes by Disposal Method (tons)		
Recycle	84	123
Disposal	27	62
Total Non-Hazardous Wastes by Disposal Method (tons)		
Recycle	24,668	48,583
Disposal	57,244	37,170
Total Annual Amount of Water Consumption (m³)		
Well Water	1,377,606	1,240,136
Municipal Water	15,244	25,718
Total Annual Amount of Wastewater by Discharge Method (m³)		
Recycled Water (m ³)	306,916	544,718
Packaging Waste Recycling (tons)	203	212
Number of Environmental Compliance Sanctions (number)	0	0
Amount of Environmental Compliance Sanctions (TL)	0	0
Total Environmental Investment and Management Expenditures (TL million)	16	26
Total Environmental Trainings - Number of Participants (person)	22	2
Total Environmental Trainings - Training Hours (person*hour)	22	2

SOCIAL PERFORMANCE

	2020	2021
The Number of Work-Related Injuries		
Direct Employment	76	78
Female	4	0
Male	72	78
Other Employees	42	44
The Number of Occupational Diseases		
Direct Employment	0	0
Female	0	0
Male	0	0
Other Employees	0	0
The Number Lost Working Days (as a result of work-related injuries or diseases)		
Direct Employment		
Female	180	192
Male	4,598	4,102
Other Employees	2,118	1,588
The Number of Mortal Accident at Factories		
Direct Employment	0	0
Female	0	0
Male	0	0
Other Employees	1	0
Trainings Offered to Employees - Number of Participants		
Blue Collar	160	118
White Collar	57	235
Other Employees	142	92
Female (Direct Employment)	18	58
Male (Direct Employment)	199	295
Trainings Offered to Employees - Total Hours (person x hour)		
Blue Collar	641.85	608.15
White Collar	437.50	939.50
Other Employees	532.70	399.30
Female	124	222.50
Male	955.35	1,325.15
Average Training Hours Offered to Employees (hour/ person)		
Blue Collar	3.29	3.18
White Collar	3.50	7.76
Other Employees	3.75	4.34
Female	3.18	6.36
Male	3.40	4.65
OHS Trainings Offered to Employees - Number of Participants		
Blue Collar	69	45
White Collar	16	102
Other Employees	38	43
Female	6	24
Male	117	166

OHS Trainings Offered to Employees - Total Hours

Blue Collar	456	288
White Collar	104	525
Other Employees	288	268
Female	36	116
Male	812	965
Total Number of Supplier Companies	873	861
Total Number of Suppliers Assessed Using ESG Criteria	138	97
OHS Committee		
Total Number of OHS Committees Members	15	15
Total Number of Employee Representatives at OHS Committees	2	2

ECONOMIC PERFORMANCE

Total Net Production Amount

BM1 Net Production (tons)	68,917	71,446
BM2 Net Production (tons)	138,754	148,350
Grinding Service (TL thousand)	867	864
Electric Sales (kWh)	12,888,784	21,349,036

Capacity Utilization Rate (%)

BM1	90.6	94.2
BM2	85.1	90.7

Total Raw Material Supply (TL million)

Waste Paper	Waste Paper
TL 236,140.104	TL 495,356.230
Cellulose	Cellulose
TL 7,435.886	TL 19,352.166
Wood Pulp	Wood Pulp
55,214.352 TL	93,154.403 TL
240,286 Coated Cardboard	255,391 Coated Cardboard
7,622 Waste Paper	6,409 Waste Paper

Total Sales Amount (tons)

Economic Value Created (TL million)

Net Sales	899	1,589
Domestic Sales	742	1,359
Exports	157	230
Operating Profit	161	382
Profit Before Tax	173	471
Net Profit	137	379
EBITDA	145	495
Net Debt	0	0
Investment Expenditures (TL million)	49	72
Government Grants (Investment Incentive Tax Discount)	3.3	15.2

Economic Value Distributed (TL million)

Taxes Paid	84	182
Dividends to Stakeholders (paid from the previous year's profit)	16	55
Wages to Employees	25	32
R&D Expense Incurred in The Reporting Period (TL million)	3	35
Donations and Sponsorships (TL thousand)	476	89

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Description of Principle	Related Section/Page in the Annual Report	Links
A. General Principles		
A1. Strategy, Policy and Targets		
	Kartonsan's Sustainability Strategy	
The Board of Directors will determine the ESG priority issues, risks, and opportunities, and establish the relevant ESG policies accordingly. Internal guidelines, work procedures, etc. may also be developed to ensure effective implementation of these policies. The decision regarding these policies are taken and disclosed publicly by the Board of Directors.	Kartonsan's Sustainability Policy Sustainability Management at Kartonsan	You can reach Kartonsan's Sustainability Policy approved by the Board of Directors at https://www.kartonsan.com.tr/files/2022/Kartonsan_Surdurulebilirlik_Politikasi.pdf
	Stakeholder Communication and Materiality Analysis	
	Kartonsan's Sustainability Strategy	
The Company will set its strategy aligned with the ESG policies, risks and opportunities. It will set and publicly disclose short- and long-term targets conforming to the Company strategy and ESG policies.	Kartonsan's Sustainability Policy Sustainability Management at Kartonsan	
A2. Execution/Monitoring		
The Company will determine and publicly disclose the committees/units in charge of executing the ESG policies. The responsible committee/unit will report the activities carried out as per the policies annually, and in any case, within the deadline set for the public disclosure of annual reports within the Board of Director's related guidelines.	Sustainability Management at Kartonsan	
The Company will create and publicly disclose implementation and action plans in line with the short-and long-term targets set.	Trends: The World, Turkey and the Sector	
The Company will define and announce ESG Key Performance Indicators (KPIs) comparatively by years. In the presence of verifiable data, KPIs will be presented together with local and international sectoral comparisons.	Kartonsan Performance Indicators	
The Company will disclose the innovation activities for improving the Company's sustainability performance in relation to business processes or products and services.	Overall Review of the Year 2021 and Achievements Kartonsan and Environment	
A3. Reporting		
The Company will report, and publicly disclose, its sustainability performance, targets and actions at least annually. It will disclose information on its sustainability activities within the annual report.	About the Report	You can reach Kartonsan's reports at: https://www.kartonsan.com.tr/en/page.php?id=40

Description of Principle	Related Section/Page in the Annual Report	Links
Essentially, the Company will use a direct and concise language in conveying material information so that stakeholders can easily understand the Company's position, performance and development. Detailed information and data can be disclosed separately on its website, and separate reports directly fulfilling the needs of diverse stakeholders can be drawn up.	About the Report	
The Company will exercise utmost care with respect to transparency and reliability. It will objectively explain all developments related to material issues in disclosures and reportings within the scope of balanced approach.	About the Report	
The Company will specify which United Nations (UN) 2030 Sustainable Development Goals its activities are linked to.	Reflection of High Priority Areas in the Integrated Report The Value Generated and Shared in 2021	
The Company will make disclosures regarding the lawsuits filed and/or concluded against the Company for environmental, social and governance matters.	There are no lawsuits filed and/or concluded against the Company on these issues during the reporting period.	
A4. Validation		
	A limited assurance received in accordance with International Standard on Assurance Engagements 3000 (Assurance Engagements other than Independent Audits of Historical Financial Information or Limited Independent Audits.	
The Company will make public its sustainability performance measurements, if verified by independent third parties (independent sustainability assurance providers), and will endeavor to increase such verifications.		
B. Environmental Principles		
The Company will disclose its policies and implementations, action plans in relation to environmental management, and environmental management systems (known as ISO 14001 standard) and programs.	Overall Review of the Year 2021 and Achievements Kartonsan and Environment	
	Kartonsan and Environment	
The Company will achieve compliance with laws and other applicable regulations on the environment, and will disclose the same.	A limited assurance received in accordance with International Standard on Assurance Engagements 3000 (Assurance Engagements other than Independent Audits of Historical Financial Information or Limited Independent Audits.	

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will specify the scope of the environmental report, reporting period, date of report, data collection process and restrictions regarding reporting conditions to be covered in the report that will be prepared in accordance with the Sustainability Principles.	About the Report	
The Company will disclose the highest-ranked individual in charge of environment and climate change at the Company, along with related committees and their respective roles.	Sustainability Management at Kartonsan	
The Company will disclose the incentives made available for the management of environmental matters, including achievement of targets.	Sustainability Management at Kartonsan	
The Company will explain integration of environmental matters in business targets and strategies.	Trends: The World, Turkey and the Sector	
The Company will disclose sustainability performances associated with work processes or products and services, along with improvement steps therefor.	Kartonsan and Environment	
The Company will explain how environmental issues are managed not just with respect to its direct operations but throughout the Company's value chain, and how it integrates its suppliers and customers in its strategies.	Kartonsan and Environment	
The Company will disclose whether it is involved in policy-making processes in universal issues (sectoral, regional, national and international), environmental associations that it is a member of, its collaborations with related organizations and NGOs, and the tasks it undertakes, if any, and the activities it supports, if any.	The Value Generated and Shared in 2021	
The Company will periodically report information about its environmental impacts comparatively in the light of environmental indicators (GHG emissions (Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect)), air quality, energy management, water and wastewater management, waste management and biodiversity implications).	Kartonsan Performance Indicators Kartonsan and Environment	
The Company will disclose the standards, protocols, methodology employed for collecting and calculating data, along with the details of the base year.	About the Report	
The Company will disclose the status of environmental indicators for the reporting year in comparison to previous years (increase or decrease).	Kartonsan Performance Indicators	
The Company will set, and disclose, its short- and long-term targets for mitigating its environmental impacts. These targets are recommended to be Science Based as suggested by the UN Climate Change Conference of the Parties. The Company will also provide information about the progress achieved, if applicable, in the reporting period with respect to the targets it has set previously.	Kartonsan and Environment	
The Company will disclose its strategy and actions to combat the climate crisis.	Trends: The World, Turkey and the Sector Kartonsan and Environment	

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will explain its programs or procedures for preventing or minimizing the potential negative impacts of the products and/or services it offers; it will also explain its actions for driving reduction of GHG emission quantities of third parties.	Corporate Overview Kartonsan and Environment	
The Company will disclose the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/savings and cost savings derived on the same.	Kartonsan and Environment	
The Company will report its total energy consumption data (excluding raw materials) and discloses its energy consumption in terms of Scope-1 and Scope-2.	Kartonsan Performance Indicators	
The Company will provide information about the electricity, heat, steam and cooling generated and consumed during the reporting period.	Kartonsan Performance Indicators	
The Company will work towards increasing the use of renewable energy and transition to zero- or low-carbon electricity, and will explain these efforts.	Kartonsan evaluates options and applicability for the use of renewable energy.	
The Company will disclose data on its renewable energy	Kartonsan evaluates options and applicability for the use of renewable energy.	
The Company will develop energy-efficiency projects, and disclose the quantity reduced in energy consumption and emissions enabled by these efforts.	Overall Review of the Year 2021 and Achievements	
The Company will report on the quantity of underground or overground water withdrawn, consumed, recycled and discharged, the resources, and procedures (total water withdrawal on the basis of resources, water resources affected by water withdrawal, and percentage and total volume of recycled and reused water etc.).	Kartonsan Performance Indicators	
The Company will disclose whether its operations or activities are included in any carbon pricing system (Emissions Trading System, Cap & Trade or Carbon Tax).	Kartonsan's operations and activities are not included in any carbon pricing system.	
The Company will disclose the carbon credits saved or purchased during the reporting period.	There is no carbon credit purchased by Kartonsan during the reporting period.	
The Company will disclose the details if carbon pricing is applied at the Company.	Kartonsan does not apply carbon pricing.	
The Company will specify all compulsory and voluntary platforms that it reports its environmental information to.		You can reach Kartonsan's reports at: https://www.kartonsan.com.tr/en/page.php?id=40
C. Social Principles		
C1. Human Rights and Workers' Rights		
The Company will develop a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey, and regulatory framework and legislation governing human rights and work life in Turkey. It will also make public the said policy, and the roles and responsibilities for its implementation.		You can reach Kartonsan's Ethical Principles, Anti-Corruption and Human Rights Policy at: https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf

SUSTAINABILITY PRINCIPLES COMPLIANCE REPORT

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will secure equal opportunities in recruitment processes. In its policies, it will incorporate equitable workforce, improving working standards, women's employment and inclusion (not discriminating on the basis of women, men, faith, language, ethnicity, age, disabilities, refugees, etc.), while looking out for the implications for the supply and value chain at the same time.	Kartonsan and Human Resources	
The Company will explain the measures taken throughout the value chain for protecting the rights of groups susceptible to certain economic, environmental, social factors (e.g. low-income groups, women, etc.) or for securing minority rights/equal opportunities.	Kartonsan and Human Resources	
The Company will report on progress in relation to actions for preventing and remedying discrimination, inequalities, human rights violations and forced labor. It will explain the actions to prevent child labor.		You can reach Kartonsan's Ethical Principles, Anti-Corruption and Human Rights Policy at: https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
The Company will disclose its policies regarding investments made in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work-life balance solutions and talent management. It will establish the mechanisms for resolution of employee complaints and labor disputes, and determine conflict resolution processes. The Company will regularly disclose the activities for ensuring employee satisfaction.	Kartonsan and Human Resources	
The Company will establish and publicly disclose occupational health and safety policies. It will disclose the measures adopted for protection against workplace accidents and for protecting occupational health, along with statistical data on accidents.		You can reach Kartonsan's Policy on Quality, the Environment, Energy and Occupational Health and Safety at: https://www.kartonsan.com.tr/en/page.php?id=18
The Company will establish and publicly disclose personal data protection and data security policies.		You can reach Kartonsan's Personal Data Retention and Disposal Policy at: https://www.kartonsan.com.tr/files/2022/Kisisel_Veri_Saklama_Imlha_Politikasi.pdf
The Company will establish and publicly disclose a code of ethics (including business, work conduct, compliance processes, advertising and marketing ethics, clear disclosure efforts etc.).		You can reach Kartonsan's Ethical Principles, Anti-Corruption and Human Rights Policy at: https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
The Company will disclose its activities and initiatives in relation to community investments, social responsibility, financial inclusion and access to finance.	Corporate Social Responsibility	
The Company will organize information meetings and training programs for employees about ESG policies and implementations.	Remote access ESG training was received from a consultant firm.	
C2. Stakeholders, International Standards and Initiatives		
The Company will carry out its activities in relation to sustainability taking into consideration the needs and priorities of all its stakeholders (employees, customers, suppliers and service providers, public institutions, shareholders, society and NGOs, etc.).	Stakeholder Communication and Materiality Analysis	
The Company will develop and publicly disclose a customer satisfaction policy regarding customer complaints handling and resolution	Kartonsan and Human Resources/ Individual Suggestion System	

Description of Principle	Related Section/Page in the Annual Report	Links
The Company will maintain continuous and transparent communication with stakeholders; it will disclose with which stakeholders it communicates for what purpose, about which topic and how often, as well as the progress achieved in sustainability-related activities.	Stakeholder Communication and Materiality Analysis	You can reach Kartonsan's Disclosure Policy at: https://www.kartonsan.com.tr/files/GenelKurul/2014/2014%20Yili%20sirket%20Bilgilendirme%20Politikasi.pdf
The Company will publicly disclose the international reporting standards it has embraced (Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD) etc.).	About the Report	
The Company will publicly disclose the institutions or principles that it is a member or signatory of (Equator Principles, UN Environment Programme Finance Initiative (UNEP-FI), UN Global Compact (UNGC), UN Principles for Responsible Investment (UNPRI) etc.), and the international principles it embraces (such as International Capital Markets Association (ICMA) Green/ Sustainability Bonds Principles).	Not available.	
The Company will spend concrete efforts to qualify for inclusion in Borsa Istanbul Sustainability Index and international sustainability indices (Dow Jones Sustainability Index, FTSE4Good, MSCI ESG Indices etc.).	Not available.	
D. Governance Principles		
The Company will spend maximum efforts to achieve compliance with all Corporate Governance Principles, in addition to compulsory ones under the Capital Markets Board of Turkey (CMB) Corporate Governance Communiqué No. II-17.1.	Other Information and Matters Required to be Clarified Pursuant to the Legislation	
The Company will take into consideration the sustainability issue, environmental impacts of its operations and associated principles when setting its corporate governance strategy.	Sustainability Management at Kartonsan	
The Company will take the necessary actions for achieving compliance with the principles related to stakeholders as stipulated in the Corporate Governance Principles and for strengthening communication with stakeholders. It will seek stakeholders' opinions for determining the sustainability-related measures and strategies.	Stakeholder Communication and Materiality Analysis	
The Company will work on the sustainability issue through social responsibility projects, awareness activities and training, and on heightening awareness of the importance of this issue.	Sustainability Management at Kartonsan Corporate Social Responsibility	
The Company will spend efforts to become a member of sustainability-related international standards and initiatives and to contribute to related studies and efforts.	Kartonsan continues to work on this issue.	
The Company will disclose its anti-bribery and anti-corruption policy and programs, as well as those on the tax integrity principle.	Sustainability Management at Kartonsan	You can reach Kartonsan's Ethical Principles, Anti-Corruption and Human Rights Policy at: https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf



GRI DISCLOSURE

For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report. The service was performed on the Turkish language version of the report.

KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
GRI 101: FOUNDATION 2016		
GRI 102: General Disclosures 2016		
Corporate Profile		
	102-1	Kartonsan Karton Sanayi ve Ticaret A.Ş.
	102-2	Corporate Overview, Page: 6-9
	102-3	Prof. Bülent Tarcan Caddesi Engin Pak İş Merkezi No: 5 Kat: 3 Gayrettepe 34349 İstanbul-TÜRKİYE
	102-4	Türkiye
	102-5	Kartonsan Shares, Page: 7 Articles of Association, https://www.kartonsan.com.tr/tr/page.php?id=38
	102-6	Corporate Imprint, Page: 6-9
	102-7	Corporate Imprint, Page: 6-9 Key Performance Indicators for 2021, Page: 10-11 Kartonsan's Business Model, Page: 44-45 Economic Performance, Page: 165
	102-8	Employee Demographics, Page: 162
	102-9	Overall Review of the Year 2021 and Achievements, Page: 51
	102-10	There were no significant changes in Kartonsan's size, structure, ownership or supply chain during the reporting period.
	102-11	Trends: The World, Turkey and the Sector, Page: 29 Corporate Governance-Legal Compliance and Ethical Rules at Kartonsan, Page: 37 Other Information and Matters Required to be Clarified Pursuant to the Legislation-Management Policies, Page: 140 Other Information and Matters Required to be Clarified Pursuant to the Legislation-Internal Audit and Risk Management Systems, Page: 144
	102-12	Stakeholder Communication, Page: 32-33
	102-13	Corporate Memberships, Page: 7
	Strategy	
	102-14	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
	102-15	Trendler: Dünya, Türkiye ve Sektör-Nasıl Yönetiyoruz, Page: 29 Kartonsan's Sustainability Strategy, Page: 38-41
	Ethics and integrity	
	102-16	Corporate Governance-Legal Compliance and Ethical Rules at Kartonsan, Page: 37 Ethical Principles, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
	Governance	
	102-18	Kartonsan Board of Directors, Page: 20 Executive Management of Kartonsan and Affiliated Companies, Page: 22-23 Other Information and Matters Required to be Clarified Pursuant to the Legislation-Board of Directors, Page: 154

GRI 102: GENERAL DISCLOSURES 2016

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KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
	102-19	Other Information and Matters Required to be Clarified Pursuant to the Legislation-Duties and Authorities of the Board of Directors and Their Transfer, Page: 152-153
	102-20	Corporate Governance in Kartonsan, Page: 37 Kartonsan's Sustainability Policy, Page: 40-41
	102-22	Other Information and Matters Required to be Clarified Pursuant to the Legislation-Committees Established within the Board of Directors, Page: 157-158
	102-23	The Chairman of the Board of Directors has no executive duties.
	102-35	Other Information and Matters Required to be Clarified Pursuant to the Legislation-Benefits Provided to the Board of Directors and Senior Executives, Page: 159-160
	Stakeholder Engagement	
	102-40	Stakeholder Communication, Page: 30-33
	102-41	Other Information and Matters Required to be Clarified Pursuant to the Legislation-Collective Agreement Practices, Page: 144 Employee Demographics, Page: 162
	102-42	Stakeholder Communication, Page: 30-33
	102-43	Stakeholder Communication, Page: 30-33
	102-44	Stakeholder Communication, Page: 30-33
	Reporting Practice	
	102-45	Consolidated Financial Statements, Page: 85-86
	102-46	About the Report, Page: 3
	102-47	Stakeholder Communication-Priorities, Page: 31-33
	102-48	Stakeholder Communication-Priorities, Page: 31-33
	102-49	There is no restated statement.
	102-50	There were no significant changes in material issues and issues frameworks compared to previous reporting periods.
	102-51	01.01.2021-31.12.2021
	102-52	2020
	102-53	Yearly Başak Kaya, Human Resources and Quality Systems Manager sbasak.kaya@kartonsan.com.tr
	102-54	This report is prepared in accordance with GRI Standards-Core option
	102-55	Page: 172-180
	102-56	The financial data included in the report have been externally audited (See 172 p.). A limited audit was performed for non-financial data. Please see external assurance report on page 69-70
	GRI 200: ECONOMIC STANDARD SERIES	
	Economic Performance	
	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
	103-3	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19

GRI 103: MANAGEMENT APPROACH 2016

GRI CONTENT INDEX

KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Key Performance Indicators for 2021, Page: 10-11
		Kartonsan's Business Model, Page: 44-45
		Economic Performance, Page: 165
	201-3	Employee Benefits, Page: 115-116
201-4	Government Grants, Page: 111-112	
Market Presence		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
	103-3	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
GRI 202: MARKET PRESENCE 2016	202-2	Employee Demographics, Page: 162
Indirect Economic Impacts		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
	103-3	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	Value Creation Model, Page: 42 Kartonsan's Business Model, Page: 44-45
	203-2	Value Creation Model, Page: 42 Kartonsan's Business Model, Page: 44-45
Procurement Practices		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Message from the Chairman of the Board, Page: 14-15 General Manager's Assessment, Page: 16-19
	103-3	Message from the Chairman of the Board, Page: 14-15 General Manager's Evaluation, Page: 16-19
GRI 204: PROCUREMENT PRACTICES 2016	204-1	Value Creation Model, Page: 42 Kartonsan's Business Model, Page: 44-45
Anti-Corruption		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Anti-Corruption, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
	103-3	Anti-Corruption, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
GRI 205: ANTI-CORRUPTION 2016	205-1	Since no corruption cases were detected during the reporting period, no action was needed in this regard.
	205-2	Anti-Corruption, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
	205-3	No confirmed corruption cases were detected during the reporting period.

 information available on the internet

KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
GRI 300: ENVIRONMENTAL STANDARD SERIES		
Materials		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18
GRI 301: MATERIALS 2016	301-2	Kartonsan's Business Model, Page: 44-45 Environmental Performance, Page: 163
Energy		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18
GRI 302: ENERGY 2016	302-1	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	302-4	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
Water		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18

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KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
GRI 303: WATER 2018	303-1	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	303-2	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	303-3	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	303-4	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	303-5	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
Biodiversity		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
GRI 304: BIODIVERSITY 2016	304-2	Kartonsan and the Environment, Page: 57-59
Emissions		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
GRI 305: EMISSIONS 2016	305-1	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	305-4	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	305-5	Kartonsan and the Environment, Page: 57-59 Overall Review of the Year 2021 and Achievements-Investments, Page: 52-55 Environmental Performance, Page: 163

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KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
Waste		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/tr/page.php?id=18 
GRI 306: WASTE 2020	306-1	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	306-2	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	306-3	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	306-4	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
	306-5	Kartonsan and the Environment, Page: 57-59 Environmental Performance, Page: 163
Environmental Compliance		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17 
	103-2	Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Environmental Approach, https://www.kartonsan.com.tr/en/page.php?id=17  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
GRI 307: ENVIRONMENTAL COMPLIANCE 2016	307-1	During the reporting period, there were no monetary penalties and non-monetary sanctions for non-compliance with environmental laws and regulations.

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KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
GRI 400: SOCIAL STANDARD SERIES		
Employment		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61
GRI 401: EMPLOYMENT 2016	401-1	Employee Demographics, Page: 162
	401-3	Employee Demographics, Page: 162
Occupational Health and Safety		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41
	103-2	Occupational Health and Safety https://www.kartonsan.com.tr/en/page.php?id=55  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Occupational Health and Safety https://www.kartonsan.com.tr/en/page.php?id=55  Quality - Environment - Energy - Occupational Health and Safety Policy, https://www.kartonsan.com.tr/en/page.php?id=18 
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018	403-1	Occupational Health and Safety at Kartonsan, Page: 63
	403-9	Occupational Health and Safety at Kartonsan, Page: 63 Social Performance, Page: 164-165
	403-10	Occupational Health and Safety at Kartonsan, Page: 63 Social Performance, Page: 164-165
Training and Education		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61
GRI 404: TRAINING AND EDUCATION 2016	404-1	Kartonsan and Human Resources, Page: 61 Employee Demographics, Page: 162
	404-2	Kartonsan and Human Resources, Page: 61
	404-3	Kartonsan and Human Resources, Page: 61 Employee Demographics, Page: 162

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GRI Standard	Disclosure	Page Number/Direct Reference/URL
Diversity and Equal Opportunity		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41
	103-2	Kartonsan and Human Resources, Page: 61 Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61 Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Kartonsan and Human Resources, Page: 61 Employee Demographics, Page: 162
	Non-discrimination	
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan Sustainability Policy-Principles, Page: 40-41
	103-2	Kartonsan and Human Resources, Page: 61 Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
	103-3	Kartonsan Sustainability Policy-Principles, Page: 40-41 Kartonsan and Human Resources, Page: 61 Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
GRI 406: NON-DISCRIMINATION 2016	406-1	There were no cases of discrimination during the reporting period.
Freedom of Association and Collective Bargaining		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33 Kartonsan and Human Resources, Page: 61
	103-2	Other Information and Matters Required to be Clarified Pursuant to the Legislation-Collective Agreement Practices, Page: 144
	103-3	Kartonsan and Human Resources, Page: 61 Other Information and Matters Required to be Clarified Pursuant to the Legislation-Collective Agreement Practices, Page: 144
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016	407-1	During the reporting period, no case was encountered in which the freedom of association and collective bargaining were at risk in Kartonsan operations. The same principle is also observed in the supplier audit process and no risk factor has been encountered.

Other Information and Matters Required to be Clarified Pursuant to the Legislation-Collective Agreement Practices

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KARTONSAN - GRI CONTENT INDEX		
GRI Standard	Disclosure	Page Number/Direct Reference/URL
Child Labor		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Kartonsan Sustainability Policy-Principles, Page: 40-41
		Kartonsan and Human Resources, Page: 61
	103-3	Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
Kartonsan Sustainability Policy-Principles, Page: 40-41		
GRI 408: CHILD LABOR 2016	408-1	During the reporting period, no child labor risk was observed in Kartonsan operations. The same principle is also observed in the supplier audit process and no risk factor has been encountered.
Forced or Compulsory Labor		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Kartonsan Sustainability Policy-Principles, Page: 40-41
		Kartonsan and Human Resources, Page: 61
	103-3	Human Rights, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
Kartonsan Sustainability Policy-Principles, Page: 40-41		
GRI 409: FORCED OR COMPULSORY LABOR 2016	409-1	During the reporting period, no risk of forced or compulsory labor was observed in Kartonsan operations. The same principle is also observed in the supplier audit process and no risk factor has been encountered.
Marketing and Labeling		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Kartonsan's Business Model, Page: 44-45
	103-3	Kartonsan's Business Model, Page: 44-45
GRI 417: MARKETING AND LABELING 2016	417-1	100% of Kartonsan products are labeled in accordance with legal regulations.
	417-2	No such case occurred during the reporting period.
Customer Privacy		
GRI 103: MANAGEMENT APPROACH 2016	103-1	Stakeholder Communication-Priorities, Page: 31-33
	103-2	Ethical Principles in Foreign Relations, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
		Ethical Principles in Foreign Relations, https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf 
GRI 418: CUSTOMER PRIVACY 2016	418-1	There were no substantiated complaints regarding breach of customer privacy and loss of customer data during the reporting period.

INFORMATION TO SHAREHOLDERS

STOCK PERFORMANCE OF KARTONSAN IN 2021 (COMPARED TO BIST GENERAL INDEX)

Stock Market

The shares of Kartonsan A.Ş. are traded on the BIST STARS market of Borsa İstanbul A.Ş. (BİST) with the symbol KARTN. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies.

Annual Report

Kartonsan's annual reports and other information can be obtained from the company's website at www.kartonsan.com.tr.

Kartonsan Investor Relations

Prof. Bülent Tarcan Caddesi Engin Pak İş Merkezi No: 5 Kat: 3 Gayrettepe 34349 İstanbul, Turkey

Annual General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 31 March 2022 at Prof. Dr. Bülent Tarcan Caddesi Engin Pak İş Merkezi No: 5 Gayrettepe, Beşiktaş, İstanbul.

Independent Auditor

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
Spine Tower Büyükdere Cad. No: 243 Floor: 25-26 34398 Sarıyer/İstanbul
Phone: (212) 285 01 50 Fax: (212) 285 03 40

Tax Certification

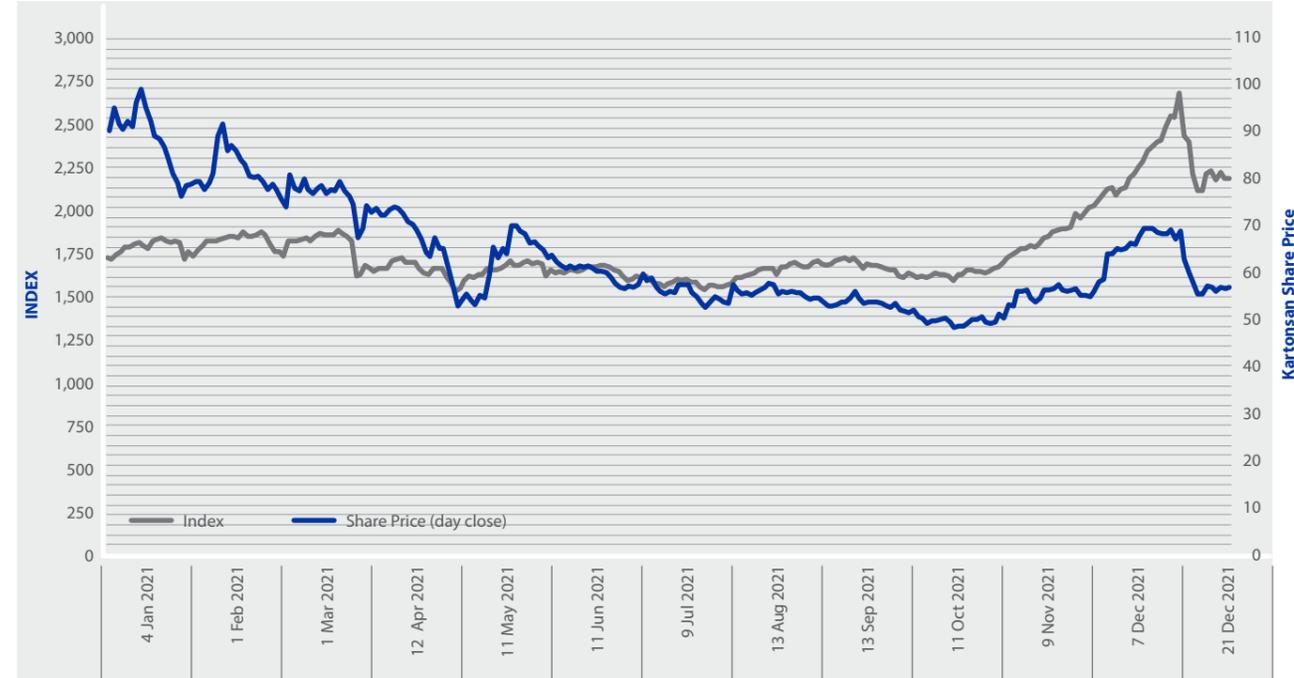
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Performance of Kartonsan Stock During 2021

Kartonsan's paid in share capital was amounting to TL 75,000,000 as of the balance sheet date. The Company's capital is divided into 7,500,000,000 number of shares, 5,287 of which are Group A shares and remaining 7,499,994,713 number of shares are Group B shares. The lowest price of the stock during the year was TL 44.58 and the highest price was TL 95.12. The average stock price recorded in 2020 was TL 60.14. The lowest and highest prices of the stock are shown at the table below:

Period	Lowest (TL)	Highest (TL)
4/1/2021-31/3/2021	63.76	95.12
1/4/2021-30/6/2021	49.12	70.25
1/7/2021-30/9/2021	45.54	53.90
1/10/2021-31/12/2021	44.58	65.75

STOCK PERFORMANCE OF KARTONSAN IN 2021 (COMPARED TO BIST GENERAL INDEX)



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