Kartonsan

Annual Report 2011

contents

Agenda

ANNUAL GENERAL MEETING OF KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.
02.05.2012 AGENDA

1. Opening the meeting. Electing the presiding committee. Authorizing the presiding committee to sign the minutes of the meeting.
2. Reading, deliberating, and approving the reports prepared by the Board of Directors, the statutory auditors, and the independent auditors concerning the company's 2011 activities and accounts. Providing information on charitable donations provided during the year.
3. Reading, deliberating, and approving the 2011 balance sheet and income statement.
4. Discharging the company's board members and statutory auditors of their fiduciary responsibilities for the company's activities in 2009.
5. Submitting for the general assembly's approval amendments, which have been authorized by the Capital Markets Board and the Ministry of Customs and Trade, in articles 8, 9, 11, 12, 17, 19, 22, and 25 of the company's articles of incorporation.
6. Consideration of the 2011 profit distribution proposal prepared by the Board of Directors. Deliberating any suggested changes in the proposal. Approving, amending, or rejecting the proposal. Determining the dates of dividend payments.
7. Election and approval of two members to seats on the Board of Directors as independent directors as required by the Capital Markets Board's corporate governance principles.
8. Electing statutory auditors whose terms of office have expired.
9. Informing the general assembly about the principles governing the emolument of company directors and senior managers.
10. Determining the remittance to be paid to board members and statutory auditors.
11. Approving the independent auditor selected by the Board of Directors to audit the company's 2011 financial statements and reports as required by the Capital Markets Law (Statute 2499).
12. Informing the general assembly of a summarized valuation report, which the Board of Directors commissioned an appraiser to prepare, concerning transactions to be undertaken by concerned parties in accordance with the provisions of the Capital Markets Board's Communiqué, Serial: IV and No: 41.
13. Informing the general assembly, pursuant to articles 334 and 335 of the Turkish Commercial Code and to relevant capital markets laws and regulations, that company shareholders, directors, and senior managers who are in control of the company's management as well as their spouses and their first- or second-degree relations, whether by blood or marriage, may engage in transactions that may involve conflicts of interest and/or their competing with the company or with its subsidiaries or affiliates; obtaining the general assembly's approval for these individuals' involvement in such dealings.

The pdf version is available at:
http://www.kartonsan.com/en/icerik.php?bolum=yatirimci

Cover: ULTRATRIPLEX 300 gr/m^2

Corporate brief

Production power supported by expertise, experience, and technology; robust corporate competencies; and competent human resources shape Kartonsan's competitive edge.

Turkey's leading and Europe's fifth biggest manufacturer of coated cardboard

Kartonsan was founded in 1970. In terms of production capacity, the company is Turkey's leading and Europe's fifth biggest manufacturer of coated cardboard.

According to 2011 figures, Kartonsan led the Turkish market for coated cardboard with a 38% market share. Exports accounted for a 19% share of Kartonsan's total sales during the same period.

With products that place in the everyday lives of millions of consumers, Kartonsan distinguishes itself both nationally and internationally by virtue of its unrivalled quality standards, superior customer satisfaction, and manufacturing, trading, and logistical strengths.

Founded at a time and in a market whose paper production was still a state-controlled business in Turkey, Kartonsan has always taken an entrepreneurial and courageous approach as the country's first privately-owned coated cardboard manufacturer. In its 41st year of operation, Kartonsan continued to act with a sense of sectoral responsibility as befits such a pioneer while balancing the economic interests of its stakeholders with its social responsibilities and maintaining its stature as a trailblazing, exemplary corporate citizen.

A manufacturer that recognizes economic, environmental, and social sustainability as being essential to its business strategy

The interests of its stakeholders and the overall sustainability of its performance are both issues of which Kartonsan remains constantly watchful in its economic and business cycles. Kartonsan believes that economic, environmental, and social sustainability are the formula of its long-term, healthy, and profitable performance and it therefore bases its corporate strategies on that belief.

Production power supported by expertise, experience, and technology; robust corporate competencies; and competent human resources are the most important factors determining Kartonsan's long-term growth map. Hence, this shapes the company's competitive edge.

The environment and its protection are matters of great concern to Kartonsan.

Both protecting the environment and respecting the environment are two concepts that are of crucial importance in Kartonsan's economic and business cycles. As a manufacturer with a strong sense of social responsibility, Kartonsan demonstrates its respect for the environment by maximizing the use of recycled paper in its manufacturing. Kartonsan achieves recovered paper utilization rates of up to 99% in some production processes. The company also makes use of the most modern techniques to purify and reuse its waste water, generates its own energy, and utilizes the heat from exhaust gases to produce steam.

As a company which has a high level of environmental awareness, Kartonsan carries out all of its activities under an integrated management system.

A company that strives to leave a more livable world for future generations

Kartonsan believes that the sustainability of the social structure is of key importance to the well-being of future generations. Kartonsan is a company which invests in the future of the community of which it is a part and which shares the added value that it creates with all of its stakeholders in the broadest sense, especially through its contributions to education.

Kartonsan undertakes a variety of social responsibility projects in many areas, with a particular focus being given to education; contributes to the macroeconomic structure of the country through the taxes it pays; and shares the results of its efforts with its stakeholders in the broadest sense.

Kartonsan's shares are traded on the İstanbul Stock Exchange's national market under the KARTN symbol. Its major share holder is the Pak Group, which controls an aggregate 75.16% stake. According to its independently-audited financial statements dated 31 December 2011, Kartonsan had total assets worth TL 228 million (USD 120 million). Summarized information about Kartonsan shares is presented on page 104 of this report.

Kartonsan's production cycle

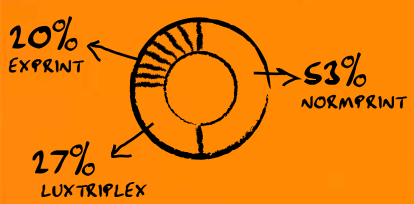
NORMPRINT
Available gr/m² weights:
200, 225, 280, 300,
350, 400, 450 gr/m²

EXPRINT
Available gr/m² weights:
225, 250, 280, 300,
350, 400, 450 gr/m²

LUXTRIPLEX
Available gr/m² weights:
225, 250, 300, 350,
400, 450 gr/m²

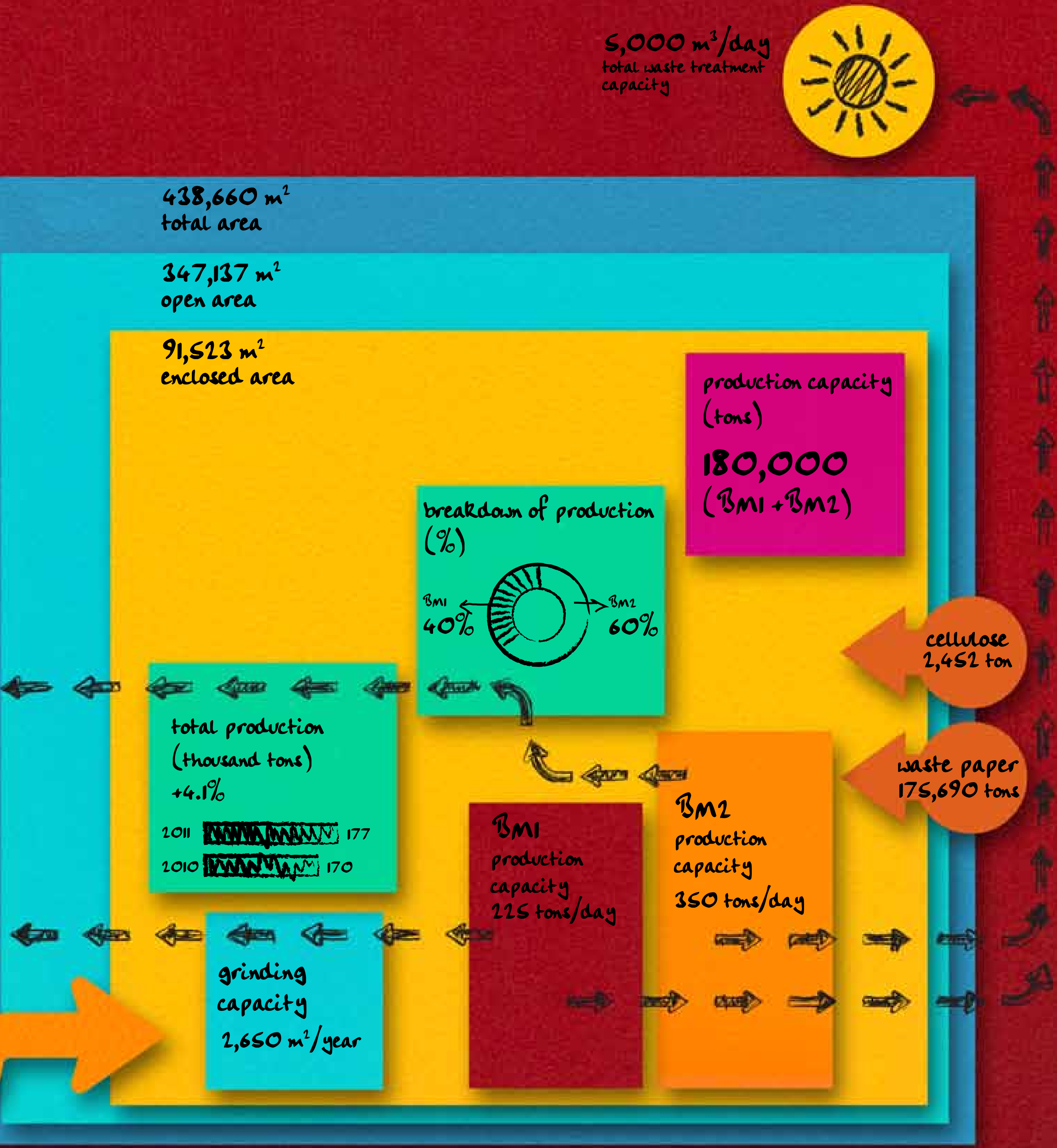
ULTRATRIPLEX
Available gr/m² weights:
225, 250, 300, 350,
400 and 450 gr/m²

breakdown of production (%)



electricity production capacity
480,000 KWh/day
166,000,000 KWh/year

With products that place in the everyday lives of millions of consumers, Kartonsan distinguishes itself both nationally and internationally by virtue of its unrivalled quality standards, superior customer satisfaction, and manufacturing, trading, and logistical strengths.



Kartonsan products

In 2011 Kartonsan introduced its customers to its new product, Ultratriplex.

Kartonsan's main products consist of coated cardboard which is manufactured from recycled paper and which is generally referred to in the industry as "duplex (GD)" and "triplex (GT)" coated cardboard.

Kartonsan products are widely used in many different sectors. Those which are employed to serve in packaging for foods are fully certified by the Ministry of Agriculture and Village Affairs.

According to reports issued by a number of international analytical laboratories, Kartonsan products are certified for compliance with German Federal Institute for Risk Assessment (BfR) recommendations for use in packaging that comes into direct contact with dry foodstuffs.

In 2011 Kartonsan introduced its customers to Ultratriplex, a multi-coated cardboard with enhanced whiteness on both sides.

Kartonsan products and their features

Kartonsan's line of products and their features are summarized below. For more detailed information about our products and for prices, please visit our website at www.kartonsan.com/en.

NORMPRINT

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

Basis weights
200, 225, 280, 300, 350, 400, 450 gr/m^2

EXPRINT

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

Basis weights
225, 250, 280, 300, 350, 400, 450 gr/m^2

LUXTRIPLEX

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

Basis weights
225, 250, 300, 350, 400, 450 gr/m^2

ULTRATRIPLEX

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

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

Basis weights
225, 250, 300, 350, 400, 450 gr/m^2

Kartonsan and sustainability

Kartonsan contributes to improved quality of life and to higher levels of welfare through its effective and productive management of limited natural resources and by providing its employees with a healthy and safe working environment.

For Kartonsan, "sustainable development" means simultaneously dealing with economic growth and ecological balances, making effective use of natural resources in such a way as both to satisfy today's needs and to avoid endangering the ability of future generations to satisfy theirs, and taking a long-term view of environmental conservation. As a concept, sustainable development is instrumental in the determination of Kartonsan's corporate objectives.

Kartonsan contributes to improved quality of life and to higher levels of welfare in Turkey through its effective and productive management of limited natural resources and by providing its employees with a healthy and safe working environment.

Among the company's efforts to achieve sustainability, particular concern was made of its project to be awarded Forest Stewardship Council Chain of Custody (FSC-CoC) certification. Initial work began on this project in 2011 with the aim of having certification procedures completed before the end of 2012.

Kartonsan continues its efforts to ensure sustainability as an organization that seeks to reduce natural resource consumption both through the use of recovered paper in the manufacture of coated cardboard and through investments that it undertakes every year to fulfill its mission as a recovery facility.

Kartonsan from past to present

1970
Kartonsan begins manufacturing coated cardboard for making boxes.

BM1

1980
Continuing to expand its capacity year after year, Kartonsan launches its second (BM2) production line.

BM2

1986
Kartonsan's shares begin trading on the İstanbul Stock Exchange's national market.

1986
The BM2 line becomes operational and Kartonsan's production capacity increases by 160%.

1993
Computer-controlled production lines are installed.

1993
The BM2 line's production capacity is increased to 300 tons/ day through the addition of new investment and plant optimization.

1995
Kartonsan celebrates its 25th year with innovations and recognitions of its success.

1995
Kartonsan's environmental awareness is acknowledged by the "Green Smokestack" award from the Kocaeli Chamber of Industry and the "Environmental Incentives" award from the İstanbul Chamber of Industry.

1995
Three turbines capable of being powered by natural gas and fuel oil begin generating the company's own electricity.

2009
The BM2 line's production capacity is increased by 50%. Kartonsan's annual production capacity reaches 180 tons.

Turkey was introduced to domestically manufactured coated cardboard when Kartonsan commenced its production in 1970. In the 41 years since then, Kartonsan has become the fifth biggest maker of coated cardboard in Europe.

2011
Kartonsan posts the best production, sales, and turnover results in its 41-year history.

ELECTRICAL ENERGY

1996
With the completion of an expansion investment at the power plant that raises its installed capacity to 19.2 MW, the company begins generating electricity and steam.

1997
Work begins on projects to add a turbogenerator and a waste heat boiler at the Kartonsan power plant.

2003
Kartonsan begins selling the surplus electrical power that it generates to the national grid.

2010
The number of countries to which the company exports reaches 25. Projects are also launched to obtain Paper by Nature and FSC-COC certifications in recognition of Kartonsan's commitment to environmental awareness and to the support of sustainable resource use.

2003
Kartonsan's integrated management system (ISO 9001 Quality Management System + ISO 14001 Environmental Management System + OHSAS 18001 Occupational Health & Safety Management System) is audited and approved by Bureau Veritas.

WASTE TREATMENT PLANT

1985
Kartonsan's waste treatment plant becomes operational.

2002
Work is finished on a project to expand Kartonsan's treatment plant.

2006
Kartonsan's pulp preparation operations are augmented with the addition of a bleaching plant. This represents an important step forward in the direction of environment-friendly manufacturing by significantly increasing the amount of recyclable waste paper that can be used in the company's production.

2009
The product line is expanded with the addition of NP 200, whose advantage is that it requires 10% less cardboard to be used compared with others employed for the same applications.

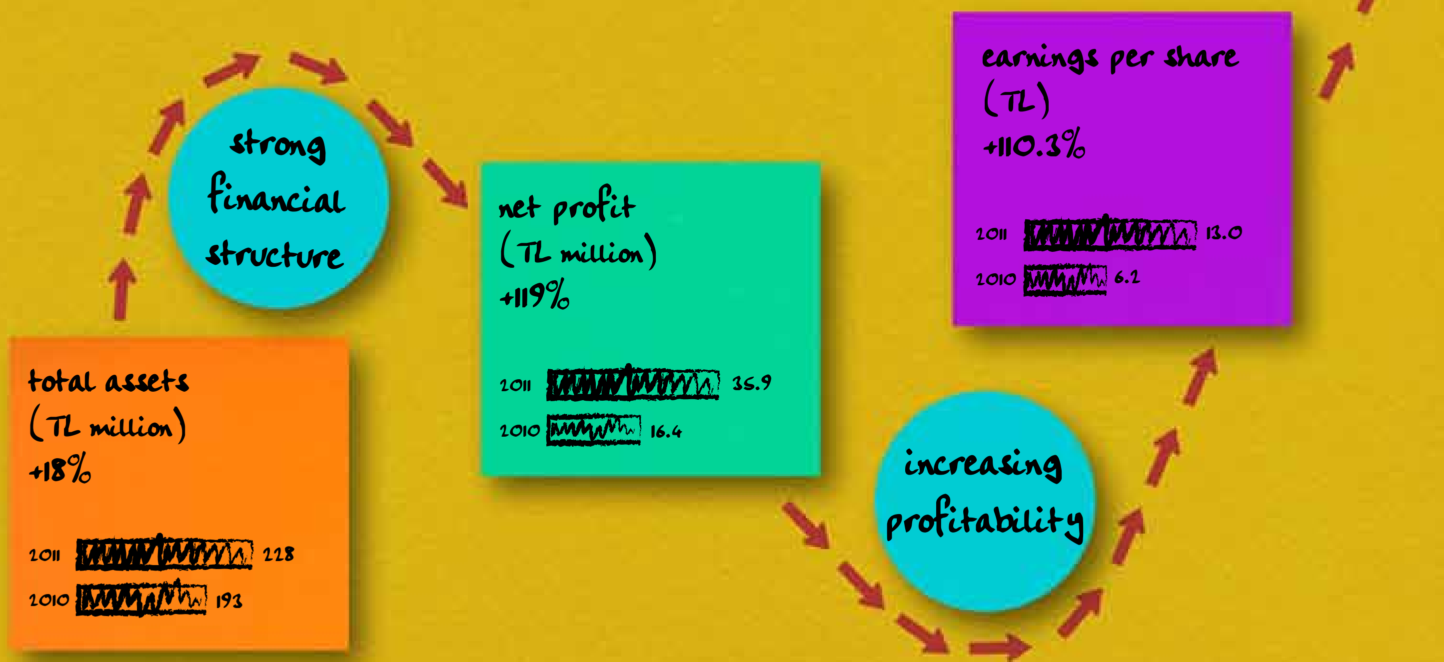
Key financial indicators and ratios

Financial Highlights

(TL 1,000)	2010	2011
Total Net Sales	164,947	200,884
Total Exports	49,249	48,952
Total Assets	193,144	228,637
Net Profit	16,386	35,909
Earnings per Share (Consolidated / USD 1 par Value per Share)	2010	2011
Ordinary Shares	6.19298	13.02557
Preferred (Group A) Shares	6.19298	13.02557

Key Ratios

Liquidity Ratios 2010 2011	2010	2011
Current Ratio	4.75	5.89
Acid Test Ratio	3.23	3.99
Cash Ratio	2.02	2.71
Profitability Ratios	2010	2011
Pre-tax Profit / Net Sales	12%	22%
Pre-tax Profit / Shareholders' Equity	10%	18%
Financial Structure Ratios	2010	2011
Total Liabilities / Shareholders' Equity	15%	14%
Short-term Debt / Shareholders' Equity	12%	11%
Long-term Debt / Shareholders' Equity	3%	2%



According to 2011 figures, Kartonsan led the Turkish market for coated cardboard with a 38% market share. Exports accounted for a 19% share of Kartonsan's total sales during the same period.

Chairman's message

Kartonsan, Europe's fifth biggest coated cardboard manufacturer, makes products that are delivered to customers located all across Eurasia. At home, where it is the leader with a 38% market share, our company supplies coated cardboard that is used by millions of people in many different ways in the course of their everyday lives. Our huge audience of widely-dispersed customers and end-users is a most valuable asset that dovetails with our strong production competencies and supports our sustainable success.

Our total gross output in 2011 was 177,003 tons while our sales reached the 160,000 ton level. Our total turnover amounted to TL 201 million. Our pretax profit in 2011 was TL 45,091,930 and our proposed dividend for the year is TL 2.02/ share. I take pleasure in noting here that this dividend represents a 225% increase over that of 2010. This success, which we achieved at a time when the world was contending with a global financial crisis, is the result of the valued and sustained support of our stakeholders.

As the global crisis passes its third full year, the world's developed and emerging economies continue to diverge from each other as measured by their respective growth and inflation rates. In its most fundamental terms, the outlook for 2012 is that growth in North America and Europe will remain weak at best all year long. The emerging economies must unavoidably be dragged into this slowdown and indeed we are already receiving signals that growth rates in countries such as Brazil and China which continued to perform strongly under crisis conditions are going to slip somewhat. While Europe continues to struggle with the most serious debt crisis in its history, money and capital markets throughout the world are fraught with peril. There is less appetite for risk at the global level while nearly every hitherto unshakable financial stronghold finds itself under siege.

In such an environment, it is very important to have a business portfolio that is balanced, healthy, and risk-sensitive. All of the financial and operational indicators which we present in the subsequent pages of this report reveal not only that Kartonsan is growing soundly but also that it is constantly improving its ability to withstand external shocks.

The line of business in which we are involved qualifies as "heavy industry", which means that economies of scale are of prime importance and that substantial amounts of investment are required. This naturally it hinders new entries into the sector by making it difficult for newcomers.

Kartonsan was born 41 years ago out of an entrepreneurial spirit and with a long-term view. It laid the foundations of the privately-owned cardboard manufacturing industry in Turkey. During the more than four decades since then our company has served as the sector's natural leader and pioneer. That we should rank in fifth place throughout Europe today is eloquent, worthy testimony of what we have achieved. In the period ahead, Kartonsan is committed to incorporating the newest and most advanced technologies into its production lines and to further strengthening its leading market position. As a company we have set our sights on becoming one of the top three European manufacturers. However bold such an ambition may seem in today's economic climate, it is a goal which can be achieved by a company that is as strong as Kartonsan is.

In the period ahead, Kartonsan is committed to incorporating the newest and most advanced technologies into its production lines and to further strengthening its leading market position.

We are focused on conducting our business at the highest standards and on contributing to the society of which we are a part. We undertake investments not just to create employment and added value but also to further improve the environment-friendly features of our products. Through our R&D work at Kartonsan as well through our collaborations with universities and other organizations, we support innovation and strive to increase both the effectiveness and productivity of everything that we do. The systematic technical training that we provide to our human resources not only contributes to their competencies, knowledge, and skills but also makes it possible for us to build upon the excellence of our production.

As a responsible corporate citizen that creates value for the Turkish economy as well as for all of its stakeholders, Kartonsan ensures that part of that value is returned to society. To this end, we support and supply resources to a number of causes, especially to education, which we believe to be vitally important to the sustainability of a modern society.

During 2011 we continued to support education in Kocaeli, where our plant is located. We are currently undertaking the construction of a primary school in the Başiskele district which, when completed, will have sixteen classrooms and will accommodate about 500 pupils. We are also continuing to support teaching and learning activities at the Kartonsan Primary School located in the village of Kullar. Kartonsan began supplying this school with resources in 1988 and has been continuing to take care of the school's needs without interruption ever since.

We are engaged in an industry whose participants need to be extremely sensitive to the environmental consequences of their activities. For this reason, our company voluntarily supports efforts to recycle packaging waste and to recover/collect waste paper. Another example that is evidence of our company's environmental awareness is the Paper by Nature Association and the Forest Stewardship Council Chain of Custody (FSC-CoC) certification projects that it is conducting in-house.

One of the primary goals of FSC-CoC certification is to make sure that the world's forest resources are correctly managed. Kartonsan successfully completed the groundwork and preliminaries necessary for FSC-CoC certification in 2011.

I wish to express my gratitude to the members of the Board of Directors for the important roles they undertook as professional guides in our efforts to manage Kartonsan effectively under the difficult market conditions of 2011. By coming together and contributing their individual professional and academic competencies, they made it possible for us to lay out Kartonsan's corporate strategy in the best way possible.

I take this opportunity to thank our general manager and all the valued members of our senior management team for the crucial roles they played in correctly and efficiently making the corporate strategies laid out by the board a reality. My thanks also go out to all our employees, whose consistently superior job performance at every stage of our production and trade made such excellent results possible. Our 2011 performance indicators are clear evidence of the dedicated efforts of the 473 Kartonsan employees fulfilling their duties at every level of the company.

Chairman's message

Our deep-rooted corporate identity, our superior production strength, our sound financial structure, our excellent quality standards, our sense of social and environmental responsibility, and our commitment to ethical business principles are the key strengths of Kartonsan.

Kartonsan continues to work on investments that are informed by its long-range view of the future. We know that we must work very hard to achieve our goal of becoming one of the top three European manufacturers in our sector.

Kartonsan's strategy is to maintain a balance between its leadership of its national market on the one hand and its strong presence in European and other nearby countries' markets on the other. That strategy is what will allow us to continue building upon our corporate strengths and to create increasingly more value.

Our deep-rooted corporate identity, our superior production strength, our sound financial structure, our excellent quality standards, our sense of social and environmental responsibility, and our commitment to ethical business principles are what will enable us to add new, success-filled pages to Kartonsan's history no matter what market conditions may be.

Speaking on behalf of the Board of Directors as well as personally, I extend my appreciation and my respects to all of our stakeholders for the confidence which they have had in the Kartonsan name for forty-one years.

When highly competent people who are passionate about what they do come together, they build and perpetuate great, leading companies. Fortunate to be just such a company, Kartonsan will continue to create value.

Sinan Ercan Gülçur
Chairman of the Board of Directors

Board of Directors and Statutory Auditors

BOARD OF DIRECTORS

Sinan Ercan Gülçur	Chairman
Aslı Balkır	Deputy Chairman
Prof. Dr. Ünal Bozkurt	Deputy Chairman
Babür Gökçek	Board Member
Mehmet İmregün	Board Member
Mehmet Talu Uray	Board Member & General Manager
Süleyman Kaya	Board Member & Assistant General Manager
Haluk İber	Board Member & Assistant General Manager

STATUTORY AUDITORS

Hakan Hasan Arı

Erdal Çalıkoğlu

General Manager's assessment

Esteemed business partners and beloved colleagues:

As a year in which our country maintained its strong economic performance, 2011 was also a successful year for Kartonsan as well. Not only did Kartonsan steadily increase its output, business volume, export, and employment figures but it also created even more added value for its investors and for all of its other stakeholders.

Keeping a close watch on the megatrends that affect the coated cardboard sector and taking a proactive approach as it updates its strategies accordingly, Kartonsan once again had another, even more profitable, year thanks to its strong financial structure and to its high operational productivity.

Kartonsan defended its market share with a gross output amounting to 177,003 tons last year. As Europe's fifth biggest manufacturer of coated cardboard, our company remained the unchallenged leader of the sector in Turkey by a wide margin.

Total sales in 2011 amounted to around 160,000 tons. Total turnover was TL 201 million. Our gross profit margin was 23% while our consolidated net profit was TL 36.9 million. Last year our return on equity was 18% and our return on assets was 16%. Based on our consolidated net profit, our earnings per share amounted to TL 13.3 for each share of stock with a par value of TL 1.00.

Our priorities in 2011 once again were productivity, effectiveness, and profitability. In line with this, Kartonsan focused on making the most productive use of its production capacity and it continued to achieve successful results in this direction.

Seeking to minimize production shutdowns and placing customer satisfaction above everything else, Kartonsan responded fully to the demands of its customers in Turkey and abroad all year long in 2011. With the global economic crisis passing its third year, Kartonsan strengthened its identity as a company which focuses on achieving an ideal balance between its domestic and foreign market mix and which responds productively and effectively to demand conditions through a strong sales structure.

Kartonsan's approach to customer service, its marketing clout, and its operational efficiency all make it an industrial concern that is a respected model not just in its sector but throughout the country as well.

The combination of these qualities as a company with the competencies of our human resources played a big role in our maintaining our strong and consistent performance in 2011 as well in our achieving the financial and operational to which just briefly referred.

Kartonsan products in 17 countries

In 2011 Kartonsan exported 18% of its total production. As of the end of the year, our exports amounted to USD 21.8 million in value. In order to fully respond to the needs of customers in its domestic market in the face of rising local demand, Kartonsan pursued a strategy of somewhat reducing its export sales.

Considering the overall appearance of the world economy as it continues to suffer from the effects of the global economic crisis and to contend with its difficulties, our export performance during the last three years is noteworthy indeed.

On an export-tonnage basis, we sold and shipped 30,200 tons of goods to 17 countries in 2011.

In keeping with our marketing strategy of building up our presence especially in Mediterranean and Black Sea countries, in 2011 we booked increased sales to Russia, sold goods to Syria and Israel, and continued to strengthen our international relations.

Our proximity to markets in Europe as well as to those in the Mediterranean and Black Sea basins positions Kartonsan as a strong manufacturer with superior competitive and logistical abilities. In parallel with changes that we foresee taking place on the coated cardboard supply side in Turkey and neighboring regions in 2012 and the years that follow, our goal will be to make the Kartonsan name an integral part of the everyday lives of even more consumers.

Complete alignment with domestic market conditions

Turkey's demographic features and stable economic growth present long-term as well as short- and medium-term growth opportunities for many different sectors. Coated cardboard manufacturing is one of those sectors. This is especially true in a big and rapidly growing market such as Turkey's where the demand for packaged consumer goods is strong.

As Turkey's strong and sustainable growth performance continues to attract attention, the country's consumption of coated cardboard is also rapidly increasing. According to figures published by the Confederation of European Paper Industries (CEPI), not only did coated cardboard consumption in Turkey amount to 329,700 tons in 2010 but it further increased by 20% and 11% in the first

Our BM1 investment, which came on stream in 2010, boosted us to fifth place among European manufacturers. Our next goal is to rank among Europe's top three cardboard makers by 2015.

and second quarters of 2011 respectively and reached the 250,000 ton level as of the third quarter of the year.

A steady rise in coated cardboard consumption is one attribute that distinguishes Turkey from other European countries.

On the price front, 2011 was witness to volatilities that were the result of the effects of a number of external factors. In response to growing demand in the coated cardboard market, prices rose in the first quarter but this trend leveled off and remained flat for the rest of the year. In the third quarter, worries provoked by the European debt crisis exerted upward pressure on coated cardboard prices although the effect was a small one.

By correctly and quickly reading such variabilities in market conditions all year long, Kartonsan managed to keep its output effectively in line with consumption with the result that it was able to respond to customers' demands and expectations with the strongest possible lineup of products. Looking at those products, one of the most important developments in 2011 was the growth in our Luxtriplex sales, which was attributable to price rises in pigment-coated virgin mechanical pulp (GC-grade) cardboard and to supply-side difficulties. Another line of Kartonsan products whose sales rose in parallel with market demand consisted of the coated cardboard that is used in lamination.

In 2011 Kartonsan launched out a new product which it has developed as a possible alternative to GC-grade cardboard. Called "Ultratriplex", perhaps the most important feature of this cardboard is that it is fully compliant with the new health norms applicable to materials that may come into direct contact with foods in EU countries. With its enhanced top and back-side brightness and manufactured from carefully selected recovered paper, Ultratriplex is a brand-new option for customers who give importance to the issues of health and visual appeal.

Our robust product line ensures that we remain the first preference of customers. Our strong service capabilities, sound financial structure, innovative approach, and absolute commitment to ethical values are also factors that heighten interest in the Kartonsan brandname.

Our goal is to rank among Europe's top three manufacturers.

We remain fully on course in line with our long-term strategic plan. Our BM1 investment, which came on stream in 2010, boosted us to fifth place among European manufacturers. Our next goal is to rank among Europe's top three cardboard makers by 2015.

We are now working on a number of growth alternatives that will make us one of the most capable producers in our region in line with such objectives. To this end, we are seeking to increase our production capacity to something close to 250,000 tons a year. At the same time, the continued support of our shareholders reminds us of the atmosphere of courage and dedication that characterized Kartonsan in its earliest years of life and enables us to look to the future with even greater assurance. Kartonsan is strong enough that its actions need not be immediately impacted by current economic constraints and it has the ability to create value no matter what market conditions may be. This is what will give us the energy we need in our efforts to rise even higher in our sector's European league tables.

In 2011 Kartonsan carried out investments whose total value amounted to TL 5.9 million.

In 2011 we continued with the investments set out in our strategic investment plan and with those ordinarily required by our normal production operations. Total investments that we carried out last year in line with this reached TL 5.9 million in value.

Our investment outlays in 2011 corresponded to a 3% share of our total turnover. All of our investment projects were completed on time and within budget. For Kartonsan, the realization of these projects means improvements in resource efficiency, productivity, and production quality while also contributing towards the overall value which is created for its stakeholders.

Kartonsan believes that the only way to achieve sustainability is through the rational and productive use of resources. In line with this, the company continuously develops and improves its infrastructure, distinguishes itself by virtue of its approach to raw material and energy use in its production activities, and undertakes and carries out projects that serve as models for others.

Kartonsan believes that a livable world is only possible through responsible measures and initiatives that are undertaken in the areas of dealing with environmental issues and with climate change.

Within the framework of our environmental sensitivity and sustainability approach

Climate change and environmental responsibilities on a variety of levels are issues that pose the most serious threats to the future of humanity. As a responsible manufacturer, Kartonsan has commenced incorporating such issues into its production processes since 2003. The corporate awareness, capacity, and sustainable output levels which we have achieved today have made us a model company for others not just nationally but regionally as well.

Kartonsan's efforts to contribute towards combating global climate change and to deal with environmental problems become most evident in the context of its production cycles. Our company's use of recovered paper as an input has reached the 99% level in a large part of its production operations. The most modern methods are used to clarify effluent water from our manufacturing operations so that it is reused. It produces its own electiricity and steam that is generated through the exhaust gases from turbines.

Kartonsan believes that a livable world is only possible through responsible measures and initiatives that are undertaken in the areas of dealing with environmental issues and with climate change. It will therefore devote further attention to such matters and to achieve levels of effectiveness that compare favorably on a global scale in the years ahead.

To this end, we intend to give even greater support to and play an increasingly more active role in international initiatives in the years ahead. Our immediate goal at this time is to complete in 2012 the Paper by Nature and the Forest Stewardship Council Chain of Custody (FSC-COC) certification projects that we began in 2010.

As we look forward to a soft landing in 2012…

Global economic developments reached a new stage with the deepening of the European debt crisis in 2011. While much of the world–especially Europe–will have to continue to tough it out in 2012, the underlying macroeconomic outlook for Turkey is one of a "soft landing" in the new year.

We believe that the Turkish economy's growth performance will continue in 2012 albeit at a somewhat slower pace. The first quarter of the year will probably have to continue dealing with the lingering after-effects of the difficulties experienced by the global economy in the first half of 2011. However in the following quarters domestic demand is likely to recover and this will play a role in reaccelerating economic activity. While it is true that this process may be adversely affected by global trends in the coated cardboard market and by volatilities in exchange rates and raw material prices, our own expectation is that both our overall vigor and our profitability will remain sustainable.

Kartonsan will continue to make use of its abilities to correctly detect, understand, and satisfy market demand in order to properly manage market and production risks and to go on producing added value. In this process, the principles of transparency, accountability, social and environmental responsibility, honesty, and justice to which our entire team subscribes will continue to guide us, as powerful manifestations of our deep-rooted and entrenched corporate culture, in the conduct of all of our actions and practices.

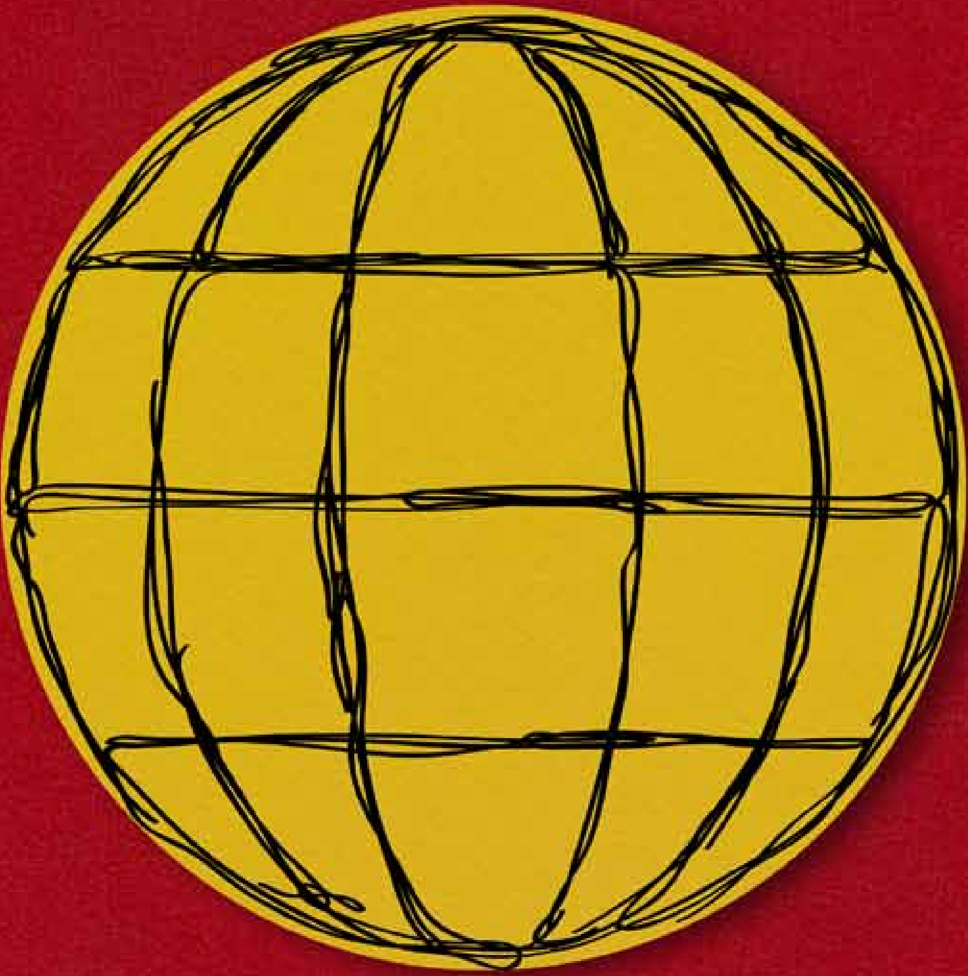
However it is only the uninterrupted support of our stakeholders which will ensure our long-term success and allow us to make the best and most productive use of our self-confidence and strength.

In closing, I extend my sincerest appreciation and respects to everyone who has contributed towards Kartonsan's success.

Mehmet Talu Uray
General Manager

Management

Mehmet Talu Uray	General Manager
Süleyman Kaya	Assistant General Manager
Haluk İber	Assistant General Manager
Bülent Koru	Financial Affairs Manager
Atiye S. Poyrazoğlu	Procurements Manager
R. Kemal Özkırım	Marketing Manager
Ümit Özkan	Production Manager
Yalçın Özel	Production Services Manager
	Human Resources & Quality Systems Manager
İlker Bodur	Technical Services Manager



The Turkish coated cardboard sector did rather well in 2011. Just as it was the fastest-growing market in Europe last year, in Turkey the sector appears to have registered an annualized growth rate on the order of 10% or so.

World and Turkish economic review

The global financial system has been unable to show that it has the strength to contend with the relax monetary and fiscal policies put into effect during the last years among the world's three principal economic blocs.

The world economy is witnessing a confluence of two dynamics that are moving in different directions. The first of these is a slowdown in the rates at which the developed economies have apparently been recovering since the beginning of the year; the second is a deterioration in public-side finances (and the associated fiscal uncertainties), which has become increasingly more obvious since August.

The public sector has become the leading actor of the economic crisis.

As the global crisis completed its third year in 2011 in parallel with ongoing megatrends, the global crisis reached a new point in terms of both scope and impact. Whereas the public sector was in the position of supporting the financial and real sectors when the crisis began in 2009, by the third year of the turmoil it had become its leading actor. Along with this development, the concept of "country risk" became a matter of great concern in world markets.

The global financial system has been unable to show that it has the strength to contend with the relax monetary and fiscal policies which have been put into effect during the last years among the world's three principal economic blocs. In this process, the eurozone finds itself confronted by serious pressures which stem from its own structural problems. Neither the support given to some EU member countries, Greece being foremost among them, nor the measures being taken were sufficient to alter markets' unfavorable perceptions while the deterioration in the fiscal structures of problem economies had grown steadily worse by the beginning of the last quarter of 2011.

Reflecting perceptions of rapidly rising country risk, government bonds issued by "problem" countries suffered excessive losses in their value. This confronted major banks that held these instruments in their portfolios with the possibility of having to deal with a new spate of "non-performing loans". This situation also began to cause problems for the European banking sector as well.

The close-knit structure of global financial markets caused this problem to spread rapidly while at the same time the global appetite for risk dropped off significantly. As a result of an observed contraction in international fund flows, the central banks of a number of developed countries had recourse to monetary policy changes and took measures to supply additional funding in order to lower banks' borrowing costs and help them deal with their liquidity problems.

The European Central Bank accelerated the pace of its bond purchases as a way both of lowering the problem countries' borrowing costs and of dealing with banks' own liquidity difficulties. Along the same lines, the ECB also expanding the funding with which it supplied the system. In the United States, the Federal Reserve Bank reduced its long-term interest rates and began replacing the short-term instruments in its balance sheet with longer-term ones as a way of lowering its own banks' funding costs and increasing their liquidity. On 21 November 2011, the International Monetary Fund announced a series of measures designed to increase the flexibility and scope of the financial instruments it used in order to provide problem-facing countries with more effective and urgent resources.

The EU debt crisis

It somehow took about two years to clearly understand the seriousness of Greece's chronic indebtedness and to appreciate the potential losses that eurozone banks might suffer on account of it. EU lawmakers developed tangible measures with which to deal with the eurozone debt crisis and at the end of a series of summit meetings held in Brussels on 22, 23, and 27 October, measures were announced which, it was said, would provide temporary relief for the government debt dilemma.

The five-point plan that was announced was designed basically to alleviate some difficulties which had arisen in financial markets and to restore a sense of confidence. According to this plan, ECB coverage was to be provided for up to 50% of the losses which euro-area banks might sustain on Greek government bonds.

It was recognized that this could still lead to significant capital problems for many European banks so it was also decided that the capital structures of banks needed to be reshaped in the face of their losses. As it was calculated that the amount of additional funding that would be needed to achieve this would be around EUR 106 billion, the EU told banks that they needed to boost their capital adequacy ratios to 9% by the middle of 2012. However neither these nor similar measures look like being even close to resolving the problems that underlie the huge stock of public sector debt which eurozone countries have built up. Anemic economic growth is causing tax revenues to be much lower than hoped for while public sector deficits are running much higher than planned for in national budgets.

European governments are having recourse to belt-tightening policies as a way of reducing both their debt levels and their public sector deficits. Despite these latest measures, which give lawmakers a little breathing-space and temporarily reduce the pressures on them, there is thought to be a very strong possibility that the indebtedness problem may spread to such bigger economies as those of Italy, Spain, and France.

In light of the measures taken in the last quarter of 2011, it is likely that recession will prevail in Europe in 2012.

The US economy is expected to slow down in the first half of 2012.

Even as it strikes a blow at consumer and business confidence in Europe, the continent's debt crisis also appears to be dampening economic growth in the United States, where weak improvements in household income are seen as reducing economic growth to around the 1% level from the last quarter of 2011 to the second quarter of 2012.

While it is possible that the adverse impact of events in Europe will wane during the remaining months of 2012, there is also a very strong risk that the contractionary effects of US budget policy will outweigh this. It is very difficult to predict the direction in which decisions taken by the US Congress will go. If Congress does approve the bulk of President Obama's proposed budget, which is pro-economic stimulus in its overall tenor, the detrimental effects of fiscal policy on growth will remain limited.

Any political tensions that may arise in the course of Congress's decision-making and/or any worsening of the crisis in Europe could easily have knock-on effects that drag the US economy back into recession.

Uncertainty in the global economy is expected to continue in 2012 as well.

The persistence of uncertainties at the global level into 2012 represents a serious element of risk that will amplify the effects which problems that are being encountered in the world's economic blocs have on the financial system.

For this reason, it becomes very important both to identify the principal channels through which contagion may spread and to keep a close watch on them. Contractions in the growth rates of developed countries are reflected in the trade and capital movements of developing countries. Both impairments in developed countries' public-side financing and expansions in their money supplies increase the variability and volatility of capital flows to developing countries.
In its most recent report (September 2011), the IMF said that it expected that worldwide economic development would slow down and that the rate of economic growth in 2012 would be around the 4% level. The accompanying chart shows the IMF's growth rate performances and projections for the world economy and for major economic blocs and countries.

Global growth in 2012 will be lower than previously expected.

Turkey's economy continues to perform strongly.

Coming together with the country's solid macroeconomic underpinnings and favorable market conditions, continued capital inflows in the first half of 2011 made it possible for Turkey to maintain its strong growth performance. Nevertheless new measures taken by the central bank to limit credit growth triggered a slowdown in the growth rate in the second quarter of the year. This process was accompanied by observed contractions in both domestic demand and imports. A modest increase on the exports front is what helped stabilize overall demand.

Twelve-month GDP growth rates of 11.6% and 8.8% were registered respectively in the first and second quarters of 2011. Despite the quarter-on-quarter decline that this signifies, growth in the second quarter remained fairly strong. National income, which rose by 11.2% in the first half of 2010, was up by 10.2% during the same period of 2012. It was to be observed that GDP growth stemmed largely from domestic demand.

The situation in the world economy and in the EU, US, and leading economies*

World	-0.7	5.1	4.0 (4.3)	4.0 (4.5)
EU	-4.2	1.8	1.7 (1.8)	1.1 (1.9)
USA	-3.5	3.0	1.5 (2.5)	1.8 (2.7)
Japan	-6.3	4.0	-0.5 (-0.7)	2.3 (2.9)
China	9.2	10.3	9.5 (9.6)	9.0 (9.5)
Russia	-7.8	4.0	4.3 (4.8)	4.1 (4.5)
Brazil	-0.6	7.5	3.8 (4.1)	3.6 (=)
India	6.8	10.1	7.8 (8.2)	7.5 (7.8)

* Source: IMF, World Economic Outlook, September 2011
** P = Projection. (The figures in parentheses represent the previously-made projections.)

Coming together with the country's solid macroeconomic underpinnings and favorable market conditions, continued capital inflows in the first half of 2011 made it possible for Turkey to maintain its strong growth performance.

Tighter bank reserve requirements and liquidity policies together with precautions taken by the Banking Regulation and Supervision Agency and that agency's commitment to fiscal policy brought the growth in domestic demand under control in the third quarter of 2011. Industrial output an capacity utilization figures for the same period suggested that the slowdown in economic activity would endure.

The current account deficit remains a noteworthy element of risk.

Turkey experienced capital outflows in the third quarter of the year in parallel both with heightened uncertainties about the global economy and with a weaker appetite for risk. The Turkish lira depreciated somewhat, but especially against the US dollar. The slowdown in domestic demand led to continued weakness in third-quarter imports though there were modest rises in exports. The net result of these movements was that the tendency of the current account deficit to grow rapidly was brought under control.

There was an observed increase in the proportion of the current account deficit being financed by long-term borrowing. Capital inflows, which corresponded to 6.4% of national income as of end-2010, rose by 7.2% by the end of the second half of 2011. Net capital inflows, which amounted to USD 56.4 billion as of June 2011, contracted slightly to USD 55.2 billion as of September. This movement was prompted by capital outflows that are attributable to the problems being experienced throughout the global economy. USD 12.7 billion of the September 2011 figure was the result of foreign direct investment with the remainder consisting of portfolio investments (USD 17.4 billion) and other investments (USD 25.1 billion).

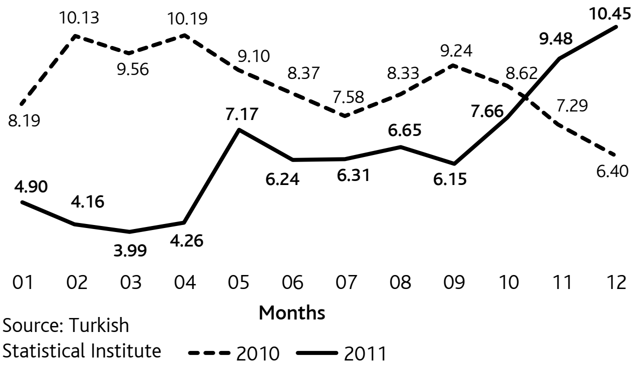
Between June and September 2011, the ratio of portfolio investments to net capital inflows fell by rather more than ten percentage points from 44.8% to 31.5% while the relative weights of other investments and foreign direct investments increased from 36.5% and 18.8% to 45.6% and 23.0% respectively. This change is indicative of an improvement in the quality of current account deficit financing inasmuch as it represents a movement towards longer-term capital inflows.

Inflation appears to be on the rise.

In December 2011 the twelve-month increase in the consumer price index (base year = 2003) was 10.45%. The biggest contributors to the rise in inflation during the year appear to have been higher alcoholic beverage and tobacco product prices.

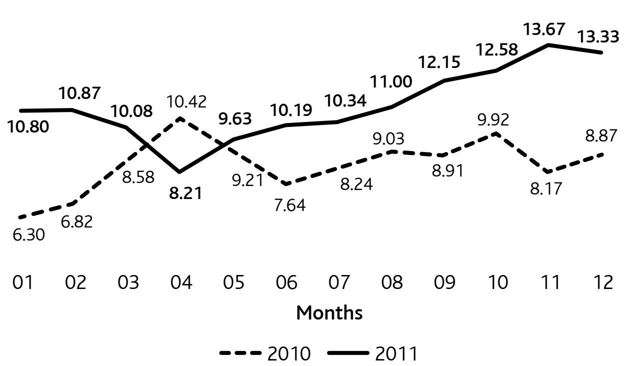
Producer price index inflation, which was 8.87% in all of 2010, reached 13.33% by the end of 2011. Looking at CPI movements on the basis of individual industries, we see that the biggest monthly increase (7.64%) was in tobacco product manufacturing. A twelve-month CPI increase target of 5% has been announced for 2012.

Consumer Prices Index (Change - %)



Source: Turkish Statistical Institute

Producer Prices Index (Change - %)



CBT continues to play an effective role in ensuring price stability and financial stability.

Since late 2010, the Turkish Central Bank (CBT) has been seeking to steer the national economy towards a healthier growth mix through gradual policy changes that are being phased so as to avoid impairing the medium-term inflation outlook. During 2011, the bank embarked upon a series of measures aimed firstly at circumscribing the adverse impact that FX market fluctuations and global economic developments might have on domestic economic activity and secondly at staving off inflationary expectations.

In 2011 CBT continued to make active use of banks' reserve requirements as a tool both to manage both TL and FC liquidity and to beef up banking sector reserves. At the same time, measures were also introduced (with the involvement of a number of other agencies) to keep credit growing at a reasonable clip.

On 26 October 2011, CBT announced an action plan whose aim was to significantly bolster the value of the Turkish lira. This plan focused on five points: price stability, policy rates, FX reserve policy, reserve requirement policy, and financial stability. It was also announced that CBT would resume (on 10 November 2011) playing an active role in FX trading and deposit markets, that it was doing this to contribute towards easing FX liquidity flows in the interbank FX market, and that it would continue to do so until international market uncertainties had been dispelled. The outcome of these measures appears to be that the depreciation in the value of the Turkish lira and exchange rate volatilities remained less than was the case with the national currencies of other developing countries.

Tight-budget performance in public sector financing remains effective.

Fiscal discipline continued in 2011 while the strength of overall economic activity, restraint in public sector outlays, and lower interest costs all helped keep national budget performance high.

In the first ten months of 2011, growth in tax revenues translated into improvements in budget revenues as compared with the same period of the previous year while interest outlays declined and non-interest expenditures remained relatively flat. The upshot was that both the budget balance and the primary surplus targets which had been set for the year were surpassed.

Current expectations are that the Turkish economy will experience a modest slowdown in 2012 and that the growth rate will decline somewhat as a result of deteriorating conditions in the global economy.

Sectoral developments and trends

In a Europe suffering from a debt crisis...

Europe's paper and pulp production in the last quarter of 2011 remained stronger than was the case in other energy-intensive sectors even though it fell slightly short of the overall manufacturing industry average performance. Pulp production was up by 6.9% during the first seven months of 2011 as compared with the same period of the previous year while the growth in overall paper production was a barely perceptible 0.1%. With growth rates of 0.6% and 0.4% respectively, the packaging paper and tissue paper manufacturing subsectors did slightly better than the average.

Coated cardboard remained the most energetic product in the packaging materials subsector. European newsprint and coated paper production experienced growth rates of 4.3% and 2.6% respectively but there were net declines in other branches. One glimmer of hope is that paper and paper product orders have stabilized at their pre-crisis levels.

Nevertheless it is extremely likely that some European paper manufacturers who lack the stamina to withstand crisis conditions will stop production as of the end of the year. This will result in a significant cutback in manufacturing capacity.

According to Eurostat figures, paper prices rose significantly in the first half of 2011 but thereafter remained flat during the summer months. Pulp prices by comparison reached the highest levels ever witnessed last year before beginning to subside in the third quarter. Wood containing and recovered paper prices remained very high. In addition to higher energy costs, there were also rises in the prices of a number of chemicals that play a significant role in the industry's production.

Divergences among countries...

Another development observed in 2011 was the appearance of different trends in different countries. In developing markets such as Turkey, Poland, the Czech Republic, and Slovakia, there was a significant rise in cardboard consumption comparing to previous year whereas the growth in consumption in Germany and other Central European countries was more modest and in countries such as Italy, Spain, France, and the UK it actually fell.

It seems certain that health- and environment-related concerns will become an increasingly more vital element of competition in addition to those of price efficiency and speed of delivery in the years ahead.

There were contractions in markets which are closer to Turkey (Bulgaria and Romania) and which also manufacture for European customers. In Greece, which had to contend with the most serious economic crisis in its history, there was a substantial drop in cardboard consumption. Meanwhile two factors–higher shipping costs and an appreciating US dollar–significantly eroded the effectiveness of Far Eastern producers (especially those in China and Korea) in the European market.

2011 was a good year for the Turkish coated cardboard sector.

The Turkish coated cardboard sector did rather well in 2011. Just as it was the fastest-growing market in Europe last year, in Turkey the sector appears to have registered an annualized growth rate on the order of 10% or so.

There was strong domestic demand in the first half of the year and this made it possible to reflect raw material prices driven higher by global trends in product prices and to pass them on to customers. Observed rises in exchange rates also contributed to the upward movement of costs and prices as well. In the second half of the year by contrast there was a pause in this rapid growth while at the same time prices remained flat even though costs continued to rise. Although the rise in demand slowed down, it was still sufficient to support overall market expansion. Because import prices increased very much in the same way, domestic manufacturers were not put at a serious competitive disadvantage.

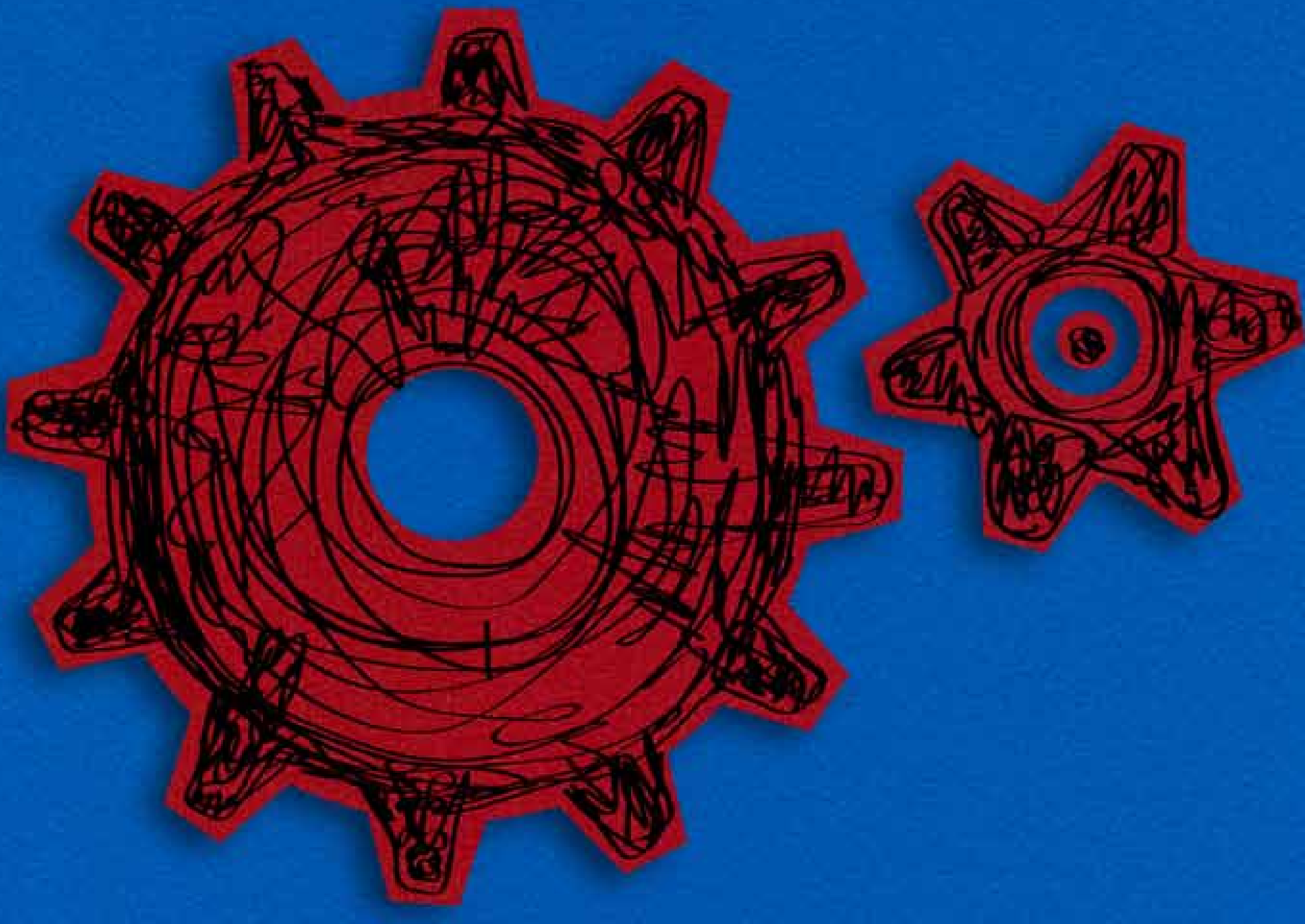
On parallel with the growth in Turkey's cardboard market, there has also been an increase in imported cardboard sales. There have been no changes in domestic cardboard production capacity in Turkey since the 30,000 ton/year increase that Kartonsan brought on stream in 2010. Despite increases in its consumption, pigment-coated virgin mechanical pulp (GC-grade) cardboard is not being manufactured in our country at this time and for this reason it may be anticipated that imports of this product will be growing steadily. Likewise in view of existing supply/demand levels, it would appear that Turkey needs to import more than 140,000 tons a year of pigment-coated recycled/secondary fiber (GD-grade) cardboard as well.

Health standards have become a crucial and decisive matter of concern.

One of the hottest issues in the coated cardboard packaging sector in 2011 was the question of health standards. Longstanding debates over whether or not mineral (petroleum-derivative) oils contained in some types of GD-grade cardboard contaminated foods that they came into contact with became increasingly more vehement last year. The ensuing publicity has increased the demand for GC-grade cardboard (which is made from virgin fiber) and its use in food packaging and this in turn led to rises in GC-grade cardboard prices in the first quarter of the year.

Manufacturers of recycled/secondary fiber-based cardboard speeded up their efforts to deal with this issue. Among the solutions which have been come up with so far, mention should be made in particular of two: reducing the amount of old newsprint used in GC-grade cardboard manufacturing and applying some sort of barrier-coating to cardboard surfaces that come into contact with foods.

It seems certain that health- and environment-related concerns will become an increasingly more vital element of competition in addition to those of price efficiency and speed of delivery in the years ahead. That being so, manufacturers who invest in innovation and who focus on R&D will have a much stronger competitive edge. Tough global economic conditions notwithstanding, the strong and innovative potential which the coated cardboard market has will enable it to go on presenting significant opportunities for additional growth.



In 2011 Kartonsan maintained its leadership of its sector by supplying 38% of all the coated cardboard manufactured from recycled paper in Turkey.

Kartonsan in 2011

An ability to read market conditions accurately and quickly as well as superior production and customer service competencies are what reinforce the company's deserved position as the sector's leader.

In 2011 Kartonsan maintained its leadership of its sector by supplying 38% of all the coated cardboard manufactured from recycled paper in Turkey.

2011 was an extremely successful and productive year for Kartonsan. Performing well in line with its targets, the company registered rises in total sales, turnover, and exports while nearly doubling its net profit year-on.

Kartonsan controlled a 38% market share in 2011.

Through its sustainable-growth-focused strategy, solid line of high-quality products, and unrivalled production capacity, Kartonsan once again maintained its position as the leader of Turkey's coated cardboard market. In the third year of the global economic crisis, Kartonsan properly adopted its own strategies to reflect the market dynamics of a strongly-performing national economy and home market and it successfully completed 2011 with year-on rises in turnover, sales tonnage, and export volumes.

Kartonsan's sales remained on course and as planned throughout 2011. The company booked a gross output of 177,003 tons; total sales of coated cardboard amounted to 160,000 tons; total sales proceeds were worth TL 200.6 million.

Taking a flexible approach in the planning of its domestic and international sales opportunities in 2011, Kartonsan gave greater weight to its home market, which remained lively. The company responded in full to all the demand it received from domestic customers without experiencing any problems whatsoever in stock management. Last year Kartonsan shipped 81% of its sales to its home market.

Having steadily strengthened its market position in 2007-2010, in 2011 Kartonsan successfully withstood the pressures exerted by global market instabilities, by strong competition from imports in its home market, by uncertainties as to costs, and by exchange rate volatilities. Despite all such factors, the company secured a 38% market share.

Discerning sales policies, marketing clout, efficient production technology, and a strong corporate structure were the principal contributors to the results that Kartonsan registered in 2011.

Our commitment to innovative, quality-focused products

Having been involved in the Turkish market for coated cardboard for 41 years, Kartonsan enjoys a steadily growing interest in and demand for its products. An ability to read market conditions accurately and quickly as well as superior production and customer service competencies are what reinforce the company's deserved position as the sector's leader.

At the same time and in keeping with its commitment to innovative, quality-focused products, Kartonsan also strives to offer consumers better goods under the best possible conditions. To a substantial degree, the company's R&D activities are designed to serve its goal of offering innovative products in a sustainable manner while efforts to make optimal use of all natural resources contributes to productivity, effectiveness, customer satisfaction, and profitability.

Normprint remained the best-selling of Kartonsan's products in 2011. Normprint accounted for 55% of total sales last year with the remainder consisting of Luxtriplex (24%) and Exprint (21%). Notwithstanding this composition, the biggest year-on rise in sales last year took place in the Luxtriplex category. The growth in Luxtriplex sales was nourished essentially by price rises in GC-grade cardboard and by supply-side difficulties. Another line of Kartonsan products whose sales rose all year long consisted of the coated cardboard that is used in lamination.

Ultratriplex makes its market debut

In 2011 Kartonsan introduced its customers to a new product: Ultratriplex.

Kartonsan developed Ultratriplex as a domestically-available alternative to GC-grade cardboard, which is not manufactured in Turkey and whose market is therefore highly dependent on imports. Manufactured from a blend of carefully selected recovered paper, Ultratriplex is a multi-coated cardboard that offers enhanced whiteness on both of its sides. Another very important feature of Ultratriplex is that it is fully compliant with the health norms that are sought after in materials that may be allowed to come into direct contact with foods–a matter that has become a highly contentious issue in EU countries of late.

Ultratriplex is a brand-new, "can-do" option that addresses concerns about health as well as visual appeal. Ultratriplex allows for excellent printability and superior ink and varnish economy in addition to best-quality brightness and clarity values. Made from a blend of carefully selected recovered paper and high-quality virgin fibers and owing also to its high whiteness values, Ultratriplex may be used for the packaging of foods, pharmaceuticals, and cosmetics as well as for luxury-item packaging. It is also ideal for a wide range of applications that require high levels of graphic detail.

To improve production efficiency...

Conducting all of its activities with an approach that is focused on sustainability at every stage of its production and trade cycles, Kartonsan knows that maintaining and increasing its short- and medium-term profitability depend on:

- Improving production efficiency
- Keeping its costs as low as possible.

In the short term, Kartonsan always seeks to formulate and implement a sales profile that will maximize both its turnover and its output.

In 2011 the company minimized production downtime while continuing its investments to reduce costs. This approach played a great role in Kartonsan's successfully meeting the lively demand that was particularly characteristic of its home market.

In line with our goal of becoming Europe's third biggest producer by 2015...

Thanks both to regional developments and to additional production capacity that was brought on stream in 2010, Kartonsan now ranks 5th in Europe's paper-manufacturing league tables. The company has now set its sights on becoming the third biggest producer in the region by 2015. For this reason, Kartonsan is currently considering new opportunities to drive its organic growth forward, one of them being a BM2 capacity-increase investment.

In its main outline, the structure of Kartonsan's strategy to pursue regional growth consists of:

- Becoming one of the principal suppliers of exports to markets in Turkey's hinterland;
- Continuing to deliver fast, high-quality service to customers;
- Increasing production process efficiencies;
- Taking a "regional-supplier approach" to production capacity increases;
- Achieving the highest possible level of sustainable profitability for shareholders.

Kartonsan will continue to be a coated cardboard producer who consistently pursues sustainable growth throughout its region by deploying its logistical advantages as a manufacturer based in Turkey, its lineup of high-quality products, and its attention to customer-satisfaction-focused service.

In 2011 Kartonsan chose to concentrate on serving its home market.

In keeping with its standing as an important Eurasian supplier, Kartonsan continued to give attention to international marketing and promotional activities last year. Exports, which weighed in at 30.2 thousand tons, accounted for about a 19% share of the company's total sales in 2011 and generated revenues amounting to USD 21.8 million in value.

In 2011 Kartonsan chose to supply a much larger proportion of its output to its home market, where much more favorable terms were on offer and which was characterized also by continuously high levels of demand. This choice was an outcome of the business strategy which the company formulated and implemented in light of domestic and international market figures last year. In line with this decision, Kartonsan registered year-on declines in exports of around 26% on a tonnage and 11.5% on a USD-value basis.

Looking at the company's exports broken down by product category, Normprint accounted for the biggest (47%) share last year. This was followed in turn by Exprint (40%) and Luxtriplex (13%) as the most sought-after products. Kartonsan coated cardboard products have become a part of the everyday lives of millions of consumers in no fewer than 17 countries. The destinations receiving the biggest shares of the company's exports last year were Ukraine, Bulgaria, Greece, Russia, and Spain. Goods were also shipped to Romania, Portugal, and Iran.

Kartonsan's underlying goal is to supply its customers with the highest-quality products at the best possible price and to do this completely on time.

In 2011 Kartonsan once again kept a close watch on its shipping costs inasmuch as these are what have the biggest impact on its export profitability. As a rule the company focuses on making sales to markets in which shipping conditions are the most favorable.

Kartonsan intends to remain a strong supplier to international markets. For this reason, it will keep close track of global trends in the near term and will only increase its export sales as circumstances warrant. Kartonsan will therefore make the best possible use of its manufacturing and logistical advantages as it continues selling its products to many more countries in its proximity while also diversifying and deepening its contacts and relationships with the world's major cardboard box manufacturers.

Kartonsan is getting ready to take part in DRUPA again.

Under the heading of international marketing and promotional activities, Kartonsan will be taking part in DRUPA in 2012. The world's biggest print media fair, DRUPA is held in the city of Düsseldorf in Germany every four years. Bringing together thousands of sector representatives as well as visitors from all over the world, DRUPA provides them with a chance to observe sectoral trends and to keep up with the latest products and technologies.

Kartonsan conducts all of its activities with a focus on customer satisfaction.

Kartonsan focuses on customer satisfaction everywhere throughout its production and trade cycles. The company's underlying goal is to supply its customers with the highest-quality products at the best possible price and to do this completely on time. Operating on a fully-integrated process basis, Kartonsan responds to its customers' wishes quickly and completely. It recognizes that both its ability to achieve this as well as its economic sustainability are fundamentally rooted in:

- Effective production planning
- Developing new products
- Maintaining optimum stock levels
- Determining prices appropriately
- Offering suitable payment terms.

Kartonsan's approach to business is one that proactively seeks to maintain and develop both customer satisfaction and its market presence as a company. The customer representative model which Kartonsan has developed especially for its home market allows it to come up with specially designed solutions for the customers with which it has business relationships while also remaining involved in markets on a first-hand basis. This model serves as a source of information that is extremely valuable in Kartonsan's decision-making processes while also allowing the company to keep a very close and continuous watch over markets and thus over its own business risks.

The environment and its protection are matters of great concern to Kartonsan.

Protecting the environment and respecting the environment are two concepts that are of crucial importance in Kartonsan's economic and business cycles. As a manufacturer with a strong sense of social responsibility, Kartonsan demonstrates its respect for the environment by:

- Maximizing the use of recovered paper in its manufacturing
- Generating its own electricity and steam
- Making use of the most modern techniques to clarify and reuse its effluent water.

Recovered paper utilization

Kartonsan achieves recovered paper utilization rates of up to 99% in its coated cardboard production. It works closely with its subsidiary Dönkasan in its recovered paper procurement and management operations. Kartonsan also holds a recycling plant license issued by the Turkish Environmental and Forestry ministry. In 2011 Kartonsan made use of 176,700 tons of waste paper as economically recoverable inputs in its manufacturing.

The accompanying chart gives a breakdown of Kartonsan's use of cellulose and recovered paper in 2009-2011.

Gross production and cellulose/recovered paper use (tons)

	Total gross production	Total cellulose consumption	Total waste paper consumption
2009	138,773	2,348	145,846
2010	169,633	2,092	180,654
2011	177,003	2,452	175,690

As a company that is very aware of its environmental, quality, and social responsibilities, Kartonsan carries out all of its activities under an integrated management system.

Energy production

Kartonsan produces electricity from four natural gas-fired turbines and steam from a waste heat recovery boiler. It utilizes the exhaust heat to produce steam. The company sells the excess electricity to the national grid.

Kartonsan produced 132.7 million kWh of electricity in 2011, of which amount it sold 24.2 million kWh. Last year the company also generated 334,902 tons of steam of which 108,424 and 206,389 tons were used respectively in its BM1 and BM2 production operations.

Effluent water

An important Kartonsan goal is to make the most effective use possible of limited natural resources. The company has its own effluent water treatment system which, equipped with state-of-the-art technology, has a treatment capacity of 5,000 m³ a day. About 48% of Kartonsan treated effluent water is reused in its production operations.

Solid waste

In late 2010 substantial changes that were made in the regulations governing the management of solid waste in Turkey went into effect. Under the new rules, all solid waste that is created must either be eliminated or reused.

Kartonsan reviewed its solid waste management processes in light of the new rules and made such changes in them as were required. Kartonsan incurred additional costs of about TL 6 million in order to bring itself into compliance with these new environmental-protection regulations.

Kartonsan Integrated Management System

As a company that is very aware of its environmental, quality, and social responsibilities, Kartonsan carries out all of its activities under an integrated management system for which it holds ISO 9001 Quality Management System, ISO 14001 Environmental Management System, and OHSAS 18001 Occupational Health & Safety Assessment Series certifications.

Throughout the year Kartonsan provided its personnel with training on such issues as occupational health and safety, job-related accident awareness, personal safety equipment and its use, and environmental awareness.

A total of 311 man-hours of training on worker health issues was provided by personnel of the company's own infirmary. A total of 520 people received 1,687 hours of training on occupational health and safety issues by occupational safety specialists.

On 14-15 November 2011, Kartonsan's integrated management system underwent and successfully passed an intermediary audit.

Kartonsan's goals in 2012

- Kartonsan will continue its efforts to maintain its existing positions both in Turkey and in the international markets in which it is active abroad while also exploring and entering new markets.
- Foremost among the activities in which Kartonsan will be engaging to achieve these goals in 2012 will be planning and undertaking visits to customers as well as participating in trade fairs in Turkey and abroad. Interactions with customers will give particular attention to making listeners better aware of the logistical service and product quality advantages which the company has to offer.
- Supporting the sustainability of Kartonsan's activities is always one of the company's prime objectives. To this end, efforts in 2012 will focus on: better dealing with the fiber losses that are incurred when using recovered paper; optimizing consumption and costs by procuring and using chemical alternatives; reducing the amounts of water that are used; improving the energy efficiency of operations.
- Under the heading of social responsibility activities, in 2012 Kartonsan will work on further improving employee health and safety and enhancing the quality of life at its workplaces and on increasing both customer and employee satisfaction.

Investments at Kartonsan

Kartonsan continued to carry out its investments in line with its strategic investment plan in 2011. The total value of projects amounted to TL 5.9 million.

Kartonsan continued to carry out its investments in line with its strategic investment plan in 2011. The total value of projects completed during the year under the heading of focusing on increasing total output and quality in the company's production-, environment-, and human resource-related activities was TL 5.9 million.

Renewal of the energy plant boiler automation system

This project calls for the renewal of the entire boiler automation system. New user interfaces (LCD monitors, operator's panel, etc) will make safer and more effective use of the system possible. Air- and gas-flow meters that measure flue-gas oxygen are also to be added to the system. By making more effective burning possible through online combustion control, this inclusion will achieve additional savings in natural gas consumption.

Modernization of the fire detection system

The company has decided to completely renovate the existing fire detection and announcing systems at the Kartonsan plant.

One goal of this project is to improve the level of fire safety by installing fire detectors in all of the plant's closed and semi-closed spaces. The addition of an improved announcing system will permit more effective internal communication and announcements structure. The number of control / monitoring points will be immediately increased from one to seven, which will significantly enhance the ability to detect an outbreak of fire should one occur. Installation work is currently in progress on this system, which is scheduled to be operational by the end of March 2012.

Renewal of generator power distribution and transfer panels

This project aims for the replacement of generators and transfer panels whose economic life has run out.

The use of technologically newer switches will result in a system that is more appropriate in terms of occupational health and safety. The addition of another generator to the system will also maximize existing generator capacity whenever required. Installation work is currently in progress on this system, which is scheduled to be completed by the end of February 2012.

Integration of the BM1 DAF System into the DCS system

The programmable logic control (PLC) structure of the dissolved air flotation (DAF) operating system is to be incorporated into the distributed control system (DCS). This integration will make it possible to monitor and control the entire system from DCS screens and thus to make more effective and efficient use of equipment. Project work is currently in progress and the new system is scheduled to be operational in early February 2012.

Modernization of the BM1 and BM2 internal lighting systems

The switchboards of the internal lighting systems on both machines are to be replaced under this project. The outlet supply system will be separated from the lighting system and have its own (independent) mains connection. A hierarchical infrastructure will be created that is more appropriate to the energy monitoring system, which will make it possible to have a more effective internal lighting and field outlet supply system. Installation work is currently in progress on this project, which is scheduled to be operational by the end of March 2012.

Procurement of DVR systems for BM1 and BM2 drive systems

The company plans to install dynamic voltage restorers on the drive systems of the BM1 and BM2 units. This will make it possible to reduce the number of shutdowns due to voltage fluctuations while also preventing the damage which such volatilities can cause to drive systems. Project work is currently in progress and the new system should become operational before the end of 2012.

Modernization of the BM1 Suction former Spray shower system

This project calls for the modernization of the BM1 Suction formers showers. The inability to clean suction formers effectively results in wire clogging, which reduces product quality. The replacement of existing showers with the Stamm-type showers should eliminate this problem.

Human resources at Kartonsan

Kartonsan regards ensuring the continued existence of a workplace environment which encourages employee participation and which is fully respectful of human rights as one of its fundamental corporate objectives. To this end Kartonsan strives to ensure the sustainable existence of a workplace environment which rewards success, which incentivizes individual development and initiative-taking, and which is safe and healthy.

As of 31 December 2011 Kartonsan had 259 people on its payroll. 13% of the company's personnel are employed at headquarters units while the remaining 87% work in plant operations. 34% of personnel are white-collar and 66% are blue-collar employees.

Thirty-four white-collar personnel work at Kartonsan headquarters. Of the people who work in plant operations, 225 are on the company's payroll and 177 are paid by subcontractors.

At end-2011:
- 31 of Kartonsan's employees were 25 years of age or younger;
- 118 were between the ages of 26 and 35;
- 70 were between the ages of 36 and 45;
- 40 were at least 46 years of age.

Kartonsan supports the total benefits that it provides to its employees with a salary and reward system which is structured in light of motivational human resources policies. To this end, the company adheres to a compensation policy which is mindful of the total added value which it promises to create for its stakeholders while also being both competitive and market-sensitive.

HR training at Kartonsan

Kartonsan engages in systematic efforts to improve its employees' job performance and individual competencies through occupational training and development programs. The ongoing goal of all training activities is to constantly nourish employees' job performance and individual competencies through occupational training and development programs.

The underlying and shared objective of all training activities is to maximize Kartonsan's overall effectiveness and productivity as much as possible through occupational and personal training programs that address employees' actual needs. Within the framework of these goals, during 2011:

- Personnel employed in the company's procurements, human resources, and quality systems units received 2.5 hours of orientation training appropriate to their jobs;
- A total of 43 on-the-job training activities were conducted. This resulted in an average training time of 13.28 hours/person as of end-December.

A corporate-culture recognition and employee-satisfaction survey is currently being carried out at Kartonsan. It is expected that the results of this survey will be released during the third quarter of 2012.

HR: Basic indicators*	**2010****	**2011****
Total number of employees	436	437
Contractor personnel	181	183
Kartonsan	255	254
Men	233	232
Women	22	22
Average age (years)	36	36
HR: Educational background		
Master's degree or doctorate	12	12
Bachelor's degree	33	28
Vocational high school	43	48
High school	147	147
Elementary school	20	19
Competency in one foreign language	54	52
Competency in two or more foreign languages	11	11

* Actual number of people unless otherwise indicated.
** Average (as of end-December 2011) for the year.

Kartonsan strives to ensure the sustainable existence of a workplace environment which rewards success, which incentivizes individual development and initiative-taking, and which is safe and healthy.

Transparency, equality, diversity

A fundamental rule at Kartonsan is that information should be shared among and be conveniently accessible to employees. A computerized data base system is employed throughout the company to maintain and access information about such matters as integrated management system documentation, corrective/preventive measures, the receipt and resolution of customer complaints, and the results of meetings etc. Accessible to all employees, the Kartonsan data base is designed to ensure that the highest level of information transparency is achieved.

Diversity and equality of opportunity are two fundamental elements of Kartonsan's human resources policy. Kartonsan's human resources policy is managed with an approach that is opposed to all forms of special privilege. Kartonsan regards diversity as a precious feature of its organizational structure and the bedrock of the human resources which make up its intellectual capital. Taking this as its point of departure, the company engages in activities that seek to encourage its employees to:

- Think multidimensionally
- Act individually
- Develop their personal abilities.

Mindful of ensuring equality of opportunity among employees in all of its human resource management policies and practices, Kartonsan also supports gender, faith, and age diversity.

Labor relations

Kartonsan is an industrial concern which has a long history of labor-union relations and which seeks to be a model for others in its scrupulous approach to dealing with such matters.

57% of Kartonsan's employees are members of Selüloz İş, a trade union for those employed in the paper and paper products industry. The company fully abides by the terms of the collective bargaining agreement which it has entered into with this union and which covers the period beginning on 1 September 2010 and ending on 31 August 2012.

Health and safety at Kartonsan

Kartonsan is aware that its employees' health, safety, and well-being are crucially important not just to their job productivity but to their personal lives as well. It therefore makes this awareness an integral and effective element of its human resources policy.

The company is mindful of being in full compliance with the requirements of workplace health and safety laws and regulations as they are applicable in Turkey at all of its headquarters and factory premises. On matters of concern to workplace health and safety, Kartonsan's policies are also informed by current worldwide practices. All such matters at Kartonsan are the responsibility of the company's Human Resources and Quality Systems departments.

To ensure ongoing workplace safety, factories' physical and technical equipment and conditions are regularly checked. Monitoring and feedback systems are developed so that potential problems may be identified and effectively dealt with.

The Occupational Health and Safety Committee engages in an ongoing and effective effort to ensure that corrective and preventive measures are taken to reduce work-related accidents and illnesses through training, improvements, and employee health screenings.

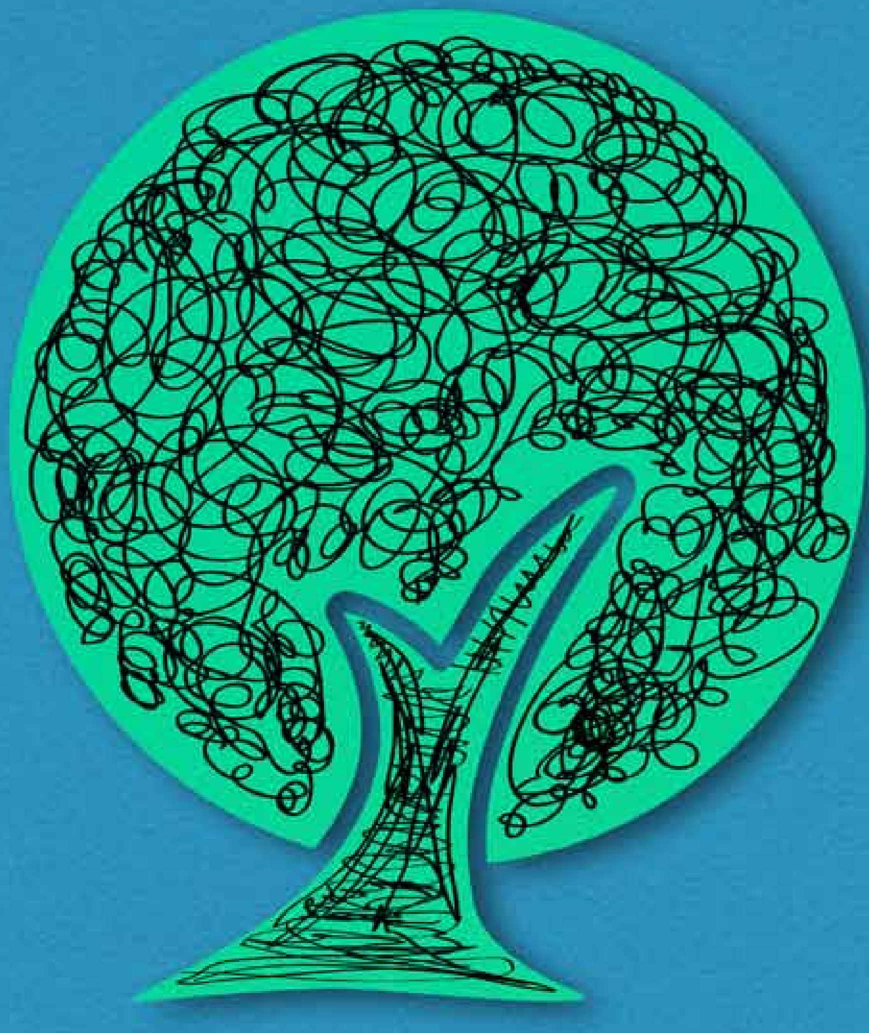
Occupational health and safety-related checks and training activities were increased in frequency in 2011, with greater attention being given to preventing work-related accidents through risk-assessments and corrective/preventive measures.

There was a net year-on decline in the number of work-related accidents at the Kartonsan plant in 2011. Kartonsan's goal is to achieve and maintain a zero accident rate at its workplaces.

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

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

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



Kartonsan has been creating value for the Turkish economy and for its stakeholders for forty-one years. It behaves as a responsible corporate citizen should and seeks to share a part of the added value which it creates with society as a whole.

A good corporate citizen who invests for the benefit of future generations

Kartonsan supports and supplies resources to a variety of activities, particularly those in the area of education.

Kartonsan has been creating value for the Turkish economy and for its stakeholders for forty-one years. It behaves as a responsible corporate citizen should and seeks to share a part of the added value which it creates with society as a whole. To achieve this, Kartonsan supports and supplies resources to a variety of activities, particularly those in the area of education.

Başiskele Primary School Project

Kartonsan is undertaking the construction of a primary school in the district of Başiskele where its factory is located in Kocaeli. Work is currently in progress. Completion of the school, which will have sixteen classrooms and be capable of accommodating about 500 pupils, is scheduled to take place by the end of February 2012.

Kartonsan Primary School (Kullar Köyü, Kocaeli)

In 2011 Kartonsan continued to support the Kartonsan Primary School in the village of Kullar in the province of Kocaeli, where its factory is located. The company provided grounds-keeping, custodial, and general maintenance and repair services for this and a number of other schools, to which it also supplied various materials. The total value of the material support provided in these ways was TL 24,984.96.

Support for waste paper collection programs

As required by packaging waste control regulations in Turkey, packaging waste resulting from the Kartonsan factory's operations is separately collected and surrendered to recycling firms in a project that is conducted jointly with the Başiskele municipality.

The importance of waste paper recovery

Waste paper accounts for between 85-100% of the materials used in the manufacturer of coated cardboard at Kartonsan. In keeping with its sense of social responsibility, the company voluntarily continues to support efforts to collect and recover waste paper.

FSC-COC and Paper by Nature certification activities

As an environmentally aware corporate citizen, Kartonsan has initiated projects to qualify for Paper by Nature and for Forest Stewardship Council Chain of Custody (FSC-CoC) certification, both of whose organizations' aims are to ensure the sustainability of forest products.

The goals of FSC-CoC certification are to make sure that the world's forest resources are correctly managed, to define applicable methods and standards for this, to ensure that any forest products which are used are from responsibly harvested and verified sources, and to prevent undocumented forest products from entering the supply chain of certified products at any point. Kartonsan successfully completed the groundwork and preliminaries necessary for FSC-CoC certification in 2011. The company's goal now is to have satisfied certification requirements before the end of February 2012.

Kartonsan has received Paper by Nature certification for its Normprint line of products, which are manufactured from 100% recycled paper.

SELKA İç ve Dış Ticaret A.Ş.

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

SELKA achieved all of its sales targets in 2011 and registered a 17% year-on rise in its turnover.

Corporate Governance and Financial Information

Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Summary of Legal Auditor's Report

A- About Partnership

1- Name of the Company	Kartonsan Karton Sanayi ve Ticaret A.Ş.
2- Center Office	İstanbul
3- Share capital	TL 2,837,014.21
4- Subject of Operation	Production of glossy paper and others mentioned in the main Article of Association.

B- Auditors

1- Name and Surname	Erdal Çalıkoğlu	Hakan Hasan Arı
2- Period of Duty	01.01.2011- 31.12.2011	01.01.2011- 31.12.2011
3- Partnership	No Partnership	No Partnership
	Not a Company Employee	Not a Company Employee

C- The Board of Directors Meetings Attended

In accordance with Main Article of Association; the board of directors are to be meet at least once a month however in the year 2011, 25 meetings have been realized. Our auditing committee has been invited to all these meetings and entire cases as subject of meetings were committed to us as well. And our auditing committee has attended to some of these meetings.

D- Examinations on Accounts, Books of Accounts and Documents

By examining the monthly operational reports which are prepared and sent to our Auditing Committee by the Board of Directors and which comprise the workings of production, sales, purchasing, profitability and investments of our Company and also by attending to the meetings of Board of Directors; our Auditing Committee has obtained continuous information about the operations, accounting and recording systems of the Company and has performed audits in the last weeks of the months 3, 6, 9 and 12; and finally come to resolution that records are kept properly and on time.

E- Cashier's Office Examinations and Results

In consistent with Article 353, paragraph 3 of Turkish Commercial Code, 4 counting procedures have been realized in the year 2011 and neither error nor missing has been determined in comparison to legal records.

F- Results of Examinations and Counts

In consistent with Article 353, paragraph 4 of Turkish Commercial Code; in the examinations realized in the last week of each month, it has been confirmed that legal documents are consistent with the books of accounts.

G- Complaints and Frauds

In the year 2011, there is neither complaint nor fraud determined or heard.

We have audited the accounting transactions of Kartonsan Karton Sanayi ve Ticaret A.Ş. for the period ended 01.01.2011- 31.12.2011 in consistent with Turkish Commercial Code, Main Article of Association of Partnership, other legislations and generally accepted accounting principles as well.

In our opinion; attached balance sheets prepared as of 31.12.2011 and which we approved their contents reflect the actual financial position of the Company; and the income statement for the period 01.01.2011- 31.12.2011 also reflect the actual results of its operations totally correct and moreover the offer for profit distribution is in consistent with both Laws and Main Article of Association. We would kindly like to present balance sheet and income statement for approval and the Board of Directors to be acquitted.

Auditor	Auditor
Erdal Çalıkoğlu	Hakan Hasan Arı

Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audited Balance Sheet

(Prepared within the Context of CMB Communique Serie: XI No:29)
(Currency - In Turkish Lira Unless Otherwise Indicated.)

	Audited Current Period 31.12.2011	*(Revised)* Audited Current Period 31.12.2010
ASSETS		
Current Assets	**135.565.281**	**95.216.659**
Cash and Cash Equivalents	62.234.087	40.415.790
Trade Receivables	24.845.438	19.831.331
Other Receivables	106.705	722.714
Inventories	43.864.387	30.451.799
Other Current Assets	4.514.664	3.795.025
Total	**135.565.281**	**95.216.659**
Long-Term Assets	**93.072.130**	**97.926.965**
Other Receivables	6.447	6.447
Financial Investments	12.609.081	12.609.081
Investment Properties	229.270	229.270
Tangible Assets	79.441.051	84.527.708
Intangible Assets	48.669	63.744
Other Long-Term Assets	**737.612**	**490.715**
TOTAL ASSETS	**228.637.411**	**193.143.624**

Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audited Balance Sheet

(Prepared within the Context of CMB Communique Serie: XI No:29)
(Currency - In Turkish Lira Unless Otherwise Indicated.)

	Audited Current Period 31.12.2011	(Revised) Audited Current Period 31.12.2010
LIABILITIES		
Short-Term Liabilities	**23.003.255**	**20.049.468**
Financial Liabilities	32.314	307.779
Trade Payables	18.205.870	15.916.103
Other Payables	2.680.152	2.137.268
Period Profit Tax Liabilities	1.411.194	901.536
Accrued Payables	673.725	786.782
Total	**23.003.255**	**20.049.468**
Long-Term Liabilities	**4.541.973**	**4.594.996**
Provision For Termination Indemnity	3.125.522	3.202.518
Deferred Tax Liabilities	1.416.308	1.392.335
Other Long-Term Liabilities	143	143
SHAREHOLDERS' EQUITY	**201.092.183**	**168.499.160**
Main Shareholders' Equity	201.092.183	168.499.160
Capital	2.837.014	2.837.014
Inflation Adjustment of Shareholders' Equity Items	93.298.658	93.298.658
Premium in Excess of Par	7.529	7.529
Restricted Reserves	21.750.497	21.433.065
Retained Earnings	47.289.283	34.536.825
Net Profit / (Loss) for the Period	35.909.202	16.386.069
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**228.637.411**	**193.143.624**

Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audited Income Statement

(Prepared within the Context of CMB Communique Serie: XI No:29)
(Currency - In Turkish Lira Unless Otherwise Indicated.)

	Audited Current Period 31.12.2011	*(Revised)* Audited Current Period 31.12.2010
CONTINUED OPERATIONS		
Sales	200.883.939	164.946.549
Cost of Sales (-)	(153.890.631)	(139.321.988)
Gross Profit / (Loss) from Trade Operations	46.993.308	25.624.561
GROSS PROFIT / (LOSS)	46.993.308	25.624.561
Marketing, Selling and Distribution Expenses (-)	(3.595.067)	(3.087.763)
General Administration Expenses (-)	(6.705.567)	(4.896.944)
Other Operations Incomes	1.607.948	1.395.128
Other Operations Expenses (-)	(2.213.542)	(2.057.639)
OPERATION PROFIT / (LOSS)	36.087.080	16.977.343
The Profit/(Loss) of Investments Evaluated According to Equity Method		
Financial Incomes	13.302.757	8.019.602
Financial Expenses (-)	(4.297.907)	(4.596.500)
CONTINUED OPERATIONS PROFIT / (LOSS) BEFORE TAX	45.091.930	20.400.445
Continued Operations Tax Profit / (Loss)	(9.182.728)	(4.014.376)
- Current Period Tax Income / (Expense)	(9.158.755)	(3.758.833)
- Deferred Tax Income / (Expense)	(23.973)	(255.543)
CONTINUED OPERATIONS PERIOD PROFIT / (LOSS)	35.909.202	16.386.069
DISCONTINUED OPERATIONS		
Discontinued Operations Profit / (Loss) After Tax		
PERIOD PROFIT / (LOSS)	35.909.202	16.386.069
Distribution of Period Profit / (Loss)		
Main Partnership Share	35.909.202	16.386.069
Net Earnings Per Share	12,65739	5,77581

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2011 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

Independent Auditor's Report

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

1. We have audited the accompanying consolidated financial statements of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi, its Subsidiary and Joint Venture (collectively referred to as the "Group") which comprise the consolidated balance sheet as of 31 December 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Group Management's Responsibility for the Financial Statements

2. The Group management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the financial reporting standards accepted by the Capital Markets Board ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the proper preparation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi as of 31 December 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the financial reporting standards accepted by the CMB (Note 2).

Other matter

5. The consolidated financial statements of the Group as of 31 December 2010 were audited by other auditors whose report, dated 18 February 2011, expressed an unmodified opinion on those statements.

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

Talar Gül, SMMM
Partner

Istanbul, 24 February 2012

Consolidated Balance Sheets at 31 December 2011 and 2010

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2011	*Restated* 2010
ASSETS			
Current Assets			
Cash and cash equivalents	6	63.626.032	44.236.230
Trade Receivables	8	25.771.032	22.017.331
Other Receivables	9	118.046	735.765
Inventories	10	50.288.483	32.795.747
Other Current Assets	17	5.916.164	4.195.525
Total Current Assets		**145.719.757**	**103.980.598**
Non-current Assets			
Other Receivables	9	6.447	6.447
Investment Properties	11	229.270	229.270
Property, Plant and Equipment	12	82.233.490	87.459.887
Intangible Assets	13	62.588	69.454
Other Non-Current Assets	17	737.862	490.715
Total Non-Current Assets		**83.269.657**	**88.255.773**
Total Assets		**228.989.414**	**192.236.371**

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

Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Consolidated Balance Sheets at 31 December 2011 and 2010

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2011	*Restated* 2010
LIABILITIES			
Current Liabilities			
Financial Liabilities	7	62.557	325.889
Trade Payables	8	15.216.483	13.026.383
Other Payables	9	3.135.586	2.423.410
Current Income Tax Liabilities	25	1.496.570	944.063
Provisions	15	695.618	793.961
Total Current Liabilities		**20.606.814**	**17.513.706**
Non-Current Liabilities			
Provisions for Employment Termination Benefits	16	3.713.613	3.645.798
Deferred Tax Liabilities	25	1.308.010	1.331.570
Other Non-current Liabilities		143	143
Total Non-Current Liabilities		**5.021.766**	**4.977.511**
Total Liabilities		**25.628.580**	**22.491.217**
EQUITY			
Equity Attributable to Equity Holders of the Parent	18	**203.319.323**	**169.705.143**
Paid-in Capital		2.837.014	2.837.014
Adjustment to Paid-in Capital		93.298.657	93.298.657
Share Premium		7.529	7.529
Legal Reserves		23.348.454	22.948.260
Retained Earnings		46.873.952	33.044.125
Net Income for the Year		36.953.717	17.569.558
Non-controlling Interest		**41.511**	**40.011**
Total Equity		**203.360.834**	**169.745.154**
TOTAL LIABILITIES AND EQUITY		**228.989.414**	**192.236.371**

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

Consolidated Statements of Comprehensive Income for the Years Ended 31 December 2011 and 2010

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2011	*Restated* 2010
CONTINUING OPERATIONS			
Sales	19	211.305.096	172.011.097
Cost of sales (-)	19	(162.047.379)	(143.451.702)
Gross Profit from Trade Operations		49.257.717	28.559.395
GROSS PROFIT		49.257.717	28.559.395
Marketing, Selling and Distribution Expenses (-)	21	(3.766.691)	(3.276.428)
General Administrative Expenses (-)	21	(7.689.830)	(6.255.621)
Other Operating Income	22	1.849.978	1.219.363
Other Operating Expenses (-)	22	(2.272.841)	(2.135.780)
OPERATING PROFIT		37.378.333	18.110.929
Financial Income	23	13.693.635	8.572.148
Financial Expenses (-)	24	(4.443.325)	(4.679.218)
INCOME BEFORE TAX FROM CONTINUING OPERATIONS		46.628.643	22.003.859
Continuing Operations Tax		(9.666.929)	(4.427.069)
- Current Income Tax	25	(9.690.489)	(4.175.659)
- Deferred Tax	25	23.560	(251.410)
INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		36.961.714	17.576.790
NET INCOME FOR THE YEAR		36.961.714	17.576.790
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income		-	-
Tax income and Expenses on Other Comprehensive Income		-	-
OTHER COMPREHENSIVE INCOME (AFTER TAX)	-	-	
TOTAL COMPREHENSIVE INCOME		36.961.714	17.576.790
Net Income for the Year Attributable to:		36.961.714	17.576.790
Non-controlling Interest		7.997	7.232
Equity Holders of the Parent		36.953.717	17.569.558
Earnings per share	26	13,02557	6,19298

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

Consolidated Cash Flow Statements for the Years Ended 31 December 2011 and 2010

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	2011	*Restated* 2010
A) Cash Flows from Operating Activities			
Net Income for the Year from Continuing Operations		**46.628.643**	**22.003.859**
Adjustments to Reconcile Net Cash Generated:			
Depreciation and Amortisation	12,13	10.935.819	10.926.431
Provision for Employment Termination Benefits	16	815.174	1.126.889
Deferred Interest Income from Sales on Credit Terms	8	12.488	(117.763)
Provision for Doubtful Receivables	8	92.987	314.370
Provisions	15	(98.343)	204.646
Gain/ (loss) on Sale of Property, Plant and Equipment	22	(147.841)	(417.422)
Interest Expense	24	2.097.303	1.715.153
Interest Income	23	(7.825.037)	(5.788.657)
Unincurred Interest Expense from Purchases on Credit Terms	8	(81.324)	1.161
Operating Income before Changes in Working Capital		**52.429.869**	**29.968.667**
Increase in Trade Other Receivables	8,9	(3.241.457)	(1.228.180)
(Increase)/ Decrease in Inventories	10	(17.492.736)	603.566
Increase in Trade Payables	8,9	2.983.600	2.696.987
Increase in Order Advances Given	17	(2.532.609)	(1.474.712)
Decrease in Other Current and Non-Current Assets	17	564.823	342.165
Other Decreases in Working Capital		-	(11.788)
Cash Generated from Operating Activities		**32.711.490**	**30.896.705**
Taxes Paid	25	(9.137.982)	(3.720.739)
Employment Termination Benefits Paid	16	(747.359)	(1.119.664)
Net Cash Generated from Operating Activities		**22.826.149**	**26.056.302**
B) Cash Flows from Investing Activities			
Purchase of Tangible and Intangible assets (-)	12,13	(6.321.356)	(6.545.730)
Proceeds from Sale of Tangible and Intangible Assets	12,13	766.641	1.767.211
Net Cash Used in Investing Activities		**(5.554.715)**	**(4.778.519)**
C) Cash Flows from Financing Activities			
(Decrease)/ Increase in Financial Liabilities	7	(263.332)	38.489
Dividends paid	18	(3.346.034)	(4.036.424)
Interest Received/ (Paid), Net		5.631.707	4.015.998
Net Cash Generated from Financing Activities		**2.022.341**	**18.063**
Net Increase in Cash and Cash Equivalents		**19.293.775**	**21.295.846**
Cash and Cash Equivalents at the Beginning of the Year	**6**	**44.106.777**	**22.810.931**
Cash and Cash Equivalents at the End of the Year	**6**	**63.400.552**	**44.106.777**

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

Consolidated Statements of Changes in Equity for the Years Ended 31 December 2011 and 2010

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Legal Reserves
1 January 2011	**2.837.014**	**93.298.657**	**7.529**	**22.948.260**
Transfers to Retained Earnings	-	-	-	-
Transfers to Legal Reserves	-	-	-	400.194
Dividends paid	-	-	-	-
Total Comprehensive Income	-	-	-	-
31 December 2011	**2.837.014**	**93.298.657**	**7.529**	**23.348.454**

	Paid-in Capital	Adjustment to Paid-in Capital	Share Premium	Legal Reserves
1 January 2010	**2.837.014**	**93.298.657**	**7.529**	**22.499.774**
Transfers to Retained Earnings	-	-	-	-
Transfers to Legal Reserves	-	-	-	448.486
Dividends Paid	-	-	-	-
Total Comprehensive Income	-	-	-	-
31 December 2010	**2.837.014**	**93.298.657**	**7.529**	**22.948.260**

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

		Attributable to		
Retained Earnings	Net Income for the Year	Equity Holders of the Parent	Non-controlling Interest	Total Equity
33.044.125	**17.569.558**	**169.705.143**	**40.011**	**169.745.154**
17.569.558	(17.569.558)	-	-	-
(400.194)	-	-	-	-
(3.339.537)	-	(3.339.537)	(6.497)	(3.346.034)
-	36.953.717	36.953.717	7.997	36.961.714
46.873.952	**36.953.717**	**203.319.323**	**41.511**	**203.360.834**

	Attributable to			
Retained Earnings	Net Income for the Year	Equity Holders of the Parent	Non-controlling Interest	Total Equity
24.353.956	**13.170.152**	**156.167.082**	**37.706**	**156.204.788**
13.170.152	(13.170.152)	-	-	-
(448.486)	-	-	-	-
(4.031.497)	-	(4.031.497)	(4.927)	(4.036.424)
-	17.569.558	17.569.558	7.232	17.576.790
33.044.125	**17.569.558**	**169.705.143**	**40.011**	**169.745.154**

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s (the "Company" or "Kartonsan") principal activity is the production and trade of coated cardboard. Kartonsan is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE") since 1985. All shares are quoted on ISE. Kartonsan's 24,84% shares are free floating. The Company's ultimate controlling party is PAK Family members through PAK Group Companies (Note 18).

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

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

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

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

As of 31 December 2011, the number of employees of the Group is 271 people (2010: 261) excluding the subcontracted employees.

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2012-05 on 24 February 2012 and signed on its behalf by, Sinan Ercan Gülçur, Chairman of the Board, and Mehmet Talu Uray, General Manager.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting and reporting principles accepted by the Capital Markets Board ("CMB"), namely "CMB Financial Reporting Standards".

CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué No: XI-29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué").

This Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes the Communiqué No: XI-25, "The Financial Reporting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB which are in line with the aforementioned standards shall be considered.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these consolidated financial statements, the consolidated financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB in accordance with the accounting and reporting principles accepted by the CMB ("CMB Financial Reporting Standards") which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats required at the announcements of CMB those announced at 14 April 2008, 9 January 2009 and 25 October 2010.

The Group, prepares its consolidated financial statements within the framework of Communiqué XI, No:29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The consolidated financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, including the compulsory disclosures. Necessary changes are performed in the prior year consolidated financial statements in this scope.

The Company maintains its books of account in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the CMB Financial Reporting Standards.

The consolidated financial statements have been prepared in Turkish lira ("TL") which is the currency of the primary economic environment in which the Group operates ("functional currency") based on the historical cost conversion except for the financial assets and liabilities which are expressed with their fair values. The Group's financial statements are presented in TL; the Group's functional currency.

With a resolution passed on 17 March 2005, CMB has announced that inflation accounting will not apply for those companies operating in Turkey and that have drawn up the financial statements in accordance with CMB Accounting Standards as of 1 January 2005. Therefore, effective as of 1 January 2005, the standard number 29 "Financial Reporting in the Economies with High Inflation" (IAS 29) published by IASB have not been implemented.

The Group prepared consolidated financial statements in accordance with the going concern assumption.

2.2 Consolidation

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

Joint ventures are entities to undertake economic activities which are subject to joint control under a contractual arrangement between the Company and one or more other ventures. Joint ventures are consolidated by way of proportionate consolidation method whereby, the Group's share of the assets, liabilities, income and expenses of the joint venture is combined line by line with similar items in the Group's financial statements.

The balance sheets and statements of income of the subsidiaries are consolidated by way of full consolidation method whereas the balance sheets and statements of income of the joint ventures are consolidated by way of proportionate consolidation method. The carrying value of the investments held by Group and its subsidiaries and joint ventures are eliminated against the related equity. Intercompany transactions and balances between the Group and its subsidiaries and joint ventures are eliminated on consolidation.

The non-controlling interest shares in the net assets and operating results of subsidiaries are separately classified in the consolidated balance sheets and statements of income as "Non-controlling Interest".

	Dönkasan		Selka	
On Nominal TL	Ownership (%)	Registered TL	Ownership (%)	Registered TL
Kartonsan	50,00	74.999	99,27	1.240.838
Selka	-	1	-	-
Other	50,00	75.000	0,73	9.162
Total Equity	100,00	150.000	100,00	1.250.000

2.3 Comparatives and restatement of prior periods' financial statements

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

- Transportation costs amounting to TL 5,399.439, which the Group incurs for the transportation services it provides and invoices to its customers are netted off from the related "revenues" and "cost of sales" in the previously reported statement of comprehensive income for the year ended 31 December 2010 taking into consideration the economic substance of the transaction.
- In 2011, the Group reviewed its spare parts and determined that spare parts amounting to TL 3.646.802 have tangible assets attributes. Such spare parts are classified to property, plant and equipment. The spare parts amounting to TL 3.506.050 which was presented under inventories in the previously reported balance sheet as of 31 December 2010 has been classified to property, plant and equipment to enable conformity with the presentation of the current period.
- In the previously reported statement of comprehensive income for the year ended 31 December 2010, the deferred interest income from sales on credit terms amounting to TL 398.945 presented under "Financial Income" has been classified to "Financial Expenses" and the unincurred interest expense from purchases on credit terms amounting to TL 398.945 presented under "Financial Expenses" has been classified to "Financial Income".

2.4 Changes in accounting policies

Accounting policies are changed if is required or results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the Group's financial position, financial performance or cash flows. If a change in accounting policies has impact on prior periods, such policy change is applied retrospectively in the financial statements as if the new accounting policy had always been applied. There are no changes in accounting policies in the current period.

2.5 Changes in accounting estimates and errors

Accounting estimates are made based on reliable information and appropriate estimation methods. However, the estimates are revised if changes occur in the circumstances on which the estimate was based, new information becomes available or there are new developments. The effect of a change in an accounting estimate is recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both.

The nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect is disclosed in notes to the financial statements.

The Group uses accounting estimates in determination of doubtful receivables, impairment on inventories and property, plant and equipment and intangible assets, useful lives of property, plant and equipment and intangible assets, whether to provide for the litigations against the Group and actuarial assumptions used in the calculation of provision for employment termination benefits. The Group did not make changes in accounting estimates in the current period. The accounting estimates applied by the Group are disclosed below in the relevant notes. The Group utilizes past experience in making accounting estimations.

2.6 New and revised International Financial Reporting Standards

a) The amendments and interpretations to IAS/ IFRS which are effective for the annual financial period beginning on 1 January 2011 and for the interim periods beginning on 1 January 2011, and which has an effect on the consolidated financial statements of the Group and applied:

- IAS 24 (revised), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.
- Standards under 2010 Annual Development Project are effective for the financial periods beginning on or after 1 January 2011. The list of standards of this project which has an impact on the Group's consolidated financial statements as follows:

  > IFRS 7 Financial Instruments: Disclosures"
  > IAS 1 "Presentation of Financial Statements"
  > IAS 27 "Consolidated and Separate Financial Statements"
  > IAS 34 "Interim Financial Reporting"

b) The amendments and interpretations to IAS/ IFRS which are effective for the annual financial period beginning on 1 January 2011 and for the interim periods beginning on 1 January 2011, and which does not have an effect on the consolidated financial statements of the Group:

- IFRIC 19, "Extinguishing financial liabilities with equity instruments", is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor.
- IAS 32 (amendment), "Financial instruments: Presentation", is effective for annual periods beginning on or after 1 February 2010. The amendment clarifies the accounting of the equity securities issued denominated in a currency different than the functional currency of the issuer.
- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2010. The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the amendments to IFRS 7.
- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. It will apply from the beginning of the earliest comparative period presented. The amendments correct an unintended consequence of IFRIC 14, "IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction".
- Standards under 2010 Annual Development Project are effective for the financial periods beginning on or after 1 January 2011. The list of standards of this project which does not have an impact on the Group's consolidated financial statements as follows:

  > IFRS 1 "First-time adoption of IFRS"
  > IFRS 3 "Business Combinations"
  > IFRIC 13 "Customer Loyalty Programmes"

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

c) Standards and amendments not yet effective and not early adopted by the Group:

- IFRS 7 (Amendment), "Financial Instruments: Disclosures" is effective for annual periods beginning on and after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.
- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. The amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- IAS 12 (amendment), "Income taxes", is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- IAS 1 (amendment), "Presentation of financial statements", is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.
- IFRS 9, "Financial instruments" is not applicable until 1 January 2013 but is available for early adoption. This standard is the first step in the process to replace IAS 39, "Financial instruments: recognition and measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the group's accounting for its financial assets.
- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. Standard is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.
- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

2.7 Offsetting

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

2.8 Summary of significant accounting policies

Significant accounting policies applied in the preparation of financial statements are summarised below:

2.8.1 Revenue Recognition

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

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

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

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

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

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

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

2.8.2 Inventories

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

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

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

2.8.3 Property, plant and equipment

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

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

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

Type	2011 Rate (%)	2010 Rate (%)
Buildings	2 - 2,5	2 - 2,5
Leasehold Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67- 25	6,67- 25
Furniture and Fixtures	20 - 25	20 - 25
Vehicles	20-25	20-25

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

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

2.8.4 Intangible Assets

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

2.8.5 Impairment of Assets

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

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

No indicators of impairment exist in the current and prior period.

2.8.6 Leases

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

Group as a lessee:

Operating lease

An operating lease is a lease that lessor does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. The Group's most important operating lease is for its headquarters. The rent expense relating to the headquarters amounting to TL 336.000 (2010: TL 367.027 is accounted for under operating expenses.

The Group as lessor:

Operating Lease

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

2.8.7 Financial Assets

Classification

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. The group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the management intends to dispose of it within 12 months of the end of the reporting period.

Recognition and measurement

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for- sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the income statement within "other (losses)/gains in the period in which they arise.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "gains and losses from investment securities".

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired except for financial assets at fair value through profit or loss. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

2.8.8 Cash and cash equivalents

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

2.8.9 Trade receivables

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

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

2.8.10 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. There are not any capitalized borrowing costs in the current period.

2.8.11 Trade payables

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

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

2.8.12 Foreign currency transactions

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

2.8.13 Earnings per share

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

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

2.8.14 Subsequent Events

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

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

2.8.15 Provisions, contingent liabilities and contingent assets

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

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

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

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

2.8.16 Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, their families and companies controlled by/or affiliated with them, affiliates and joint ventures are considered and referred to as related parties. The balances and transactions with related parties are disclosed in Note 27.

2.8.17 Government grants and assistance

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

2.8.18 Income taxes

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

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

Current income tax

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

Deferred income tax

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

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

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

Current and deferred income taxes

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

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

Offsetting income tax assets and liabilities

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

2.8.19 Retirement and employment termination benefits

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

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

2.8.20 Cash flow statement

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

2.8.21 Investment properties

The Group's investment properties comprise of land.

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

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

2.8.22 Equity and dividends

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

2.8.23 Convenience translation into English of consolidated financial statements originally issued in Turkish

The financial reporting standards issued by the CMB as described in Note 2.1 to these consolidated financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, these consolidated financial statements are not intended to present the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group in accordance with IFRS.

NOTE 3 - BUSINESS COMBINATIONS

Business combinations are undertakings or businesses combined to establish a single reporting entity. The Group does not have a transaction that should be considered as a business combination in the current period.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 4 - JOINT VENTURES

The summary of financial information before consolidation adjustments, relating to the assets, liabilities and net income of Dönkasan accounted for by way of proportionate consolidation is as follows:

	2011	2010
Current Assets	18.144.009	15.781.057
Non-Current Assets	5.283.226	5.436.292
Total Assets	**23.427.235**	**21.217.349**
Current Liabilities	3.130.389	2.911.784
Non-Current Liabilities	1.023.254	816.526
Equity	19.273.592	17.489.039
Total Liabilities and Equity	**23.427.235**	**21.217.349**

	2011	2010
Gross profit	1.667.372	3.121.921
Operating Profit (Net)	1.301.538	1.111.968
Income for the Period (Net)	1.784.553	1.335.160

NOTE 5 - SEGMENT REPORTING

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

NOTE 6 - CASH AND CASH EQUIVALENTS

The Group's Cash and Cash Equivalents at the end of reporting periods are as follows:

	2011	2010
Cash in Hand	48.647	36.380
Due from Banks	60.299.749	41.114.210
- Time Deposits	*59.797.828*	*40.134.115*
- Demand Deposits	*501.921*	*980.095*
Liquid Funds	*-*	*16*
Receivables from Reverse Repurchase Agreements	*585.225*	*-*
Credit Card Receivables (*)	*2.692.411*	*3.085.624*
Total	**63.626.032**	**44.236.230**

(*) Average maturity is 15 days.

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

Maturity analysis of due from banks is as follows.

	2011	2010
At call	501.921	980.095
1-30 days	59.797.828	40.134.115
Total	**60.299.749**	**41.114.210**

The effective interest rates of time deposits per the denominated currencies are as follows:

	2011		2010	
Currency Type	Amount	Weighted Avg. Interest Rate %	Amount	Weighted Avg. Interest Rate %
Turkish Lira ("TL")	42.857.000	11,64	35.007.048	8,96
American Dollar ("USD")	2.758.000	4,94	1.043.067	3,25
Euro ("EUR")	4.708.000	4,79	1.715.036	2,83

Cash and cash equivalents in the cash flow statement is presented net-off the interest income accrual;

	2011	2010
Cash and Cash Equivalents	63.626.032	44.236.230
Interest Income Accrual (-)	(225.480)	(129.453)
Cash Flow Statement	**63.400.552**	**44.106.777**

NOTE 7 - FINANCIAL LIABILITIES

Short Term Financial Liabilities of the Group at the end of reporting periods are as follows:

	2011	2010
Bank Loans	62.557	325.889
Total	**62.557**	**325.889**

Maturities of Financial Liabilities are as follows:

	2011	2010
0-3 months	62.557	325.889
Total	**62.557**	**325.889**

The Group's bank loans comprise of interest-free TL spot loans obtained for payment of tax and social security institution ("SSI") premiums.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

Short-Term Trade Receivables at the end of the reporting period of the Group are as follows:

	2011	2010
Trade Receivables	25.618.979	21.967.112
Notes Receivables	1.086.572	1.123.994
Unearned Finance Income from Sales on Credit Terms (-)	(269.593)	(257.105)
Provision for Doubtful Receivables (-)	(664.926)	(816.670)
Total	**25.771.032**	**22.017.331**

Movements in provision for doubtful receivables:

	2011	2010
1 January	**816.670**	**502.300**
Collections within the period (-) (Note 22)	(244.731)	-
Charge for the period (Note 22)	92.987	314.370
31 December	**664.926**	**816.670**

The details of the mortgages and guarantees obtained for receivables are as follows.

	2011				2010			
Type	TL	USD	EUR	GBP	TL	USD	EUR	GBP
Guarantee Notes	-	-	-	-	-	-	69.849	-
Guarantee Checks	-	-	-	-	300.000	-	-	-
Other Bank Guarantees	1.120.000	-	-	-	1.008.188	-	-	-
Eximbank Guarantee	-	1.575.000	11.740.000	150.000	-	1.325.000	10.020.000	50.000
Letters of Guarantee	14.594.000	6.000	69.000	-	12.351.000	136.000	69.000	-
Total	**15.714.000**	**1.581.000**	**11.809.000**	**150.000**	**13.659.188**	**1.461.000**	**10.158.849**	**50.000**

Information relating to the nature and level of risks in trade receivables are disclosed in Note 28.

Short-Term Trade Payables of the Group at the end of the reporting period are as follows:

	2011	2010
Trade Payables	11.280.457	8.315.011
Due to Related Parties (Note 27)	4.150.509	4.192.025
Other Trade Payables	-	652.506
Unincurred Finance Expense from Purchases on Credit Terms (-)	(214.483)	(133.159)
Total	**15.216.483**	**13.026.383**

The average maturity dates for trade receivables is 30 days and for trade payables it is 40 days. The average interest rates used in the discount of trade receivables and payables are; 11% for TL denominated receivables and payables, 0.4281%, for the USD denominated receivables and payables, 1.10286% for the EUR denominated receivables and payables (2010: TL 7%, USD 0.78%, EUR 1.47%).

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

	2011	2010
Receivables from Personnel	105.705	125.779
Deposits and Guarantees Given	1.879	596.935
Other	10.462	13.051
Total	**118.046**	**735.765**

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

	2011	2010
Deposits and Guarantees Given	6.447	6.447
Total	**6.447**	**6.447**

Information relating to the nature and level of risks in other receivables are disclosed in Note 28.

Other Short-Term Payables of the Group at the end of the reporting period are as follows:

	2011	2010
Taxes, Dues and Fees Payable	1.732.543	1.250.693
Payables to Personnel	454.775	492.298
Social Security Premiums Payable	554.615	249.283
Due to Related Parties (Note 27)	194.709	190.608
Order Advances Received	184.305	233.660
Other	14.639	6.868
Total	**3.135.586**	**2.423.410**

NOTE 10 - INVENTORIES

Inventories of the Group at the end of the reporting periods are as follows:

	2011	2010
Raw Materials and Supplies	17.147.408	13.889.910
Work-in-Process	284.573	272.024
Finished Goods	29.281.497	18.453.850
Trade Goods	3.464.384	26.922
Goods in Transit	116.568	78.710
Provision for impairment on inventories (-)	(5.947)	(4.413)
Other Inventories	-	78.744
Total	**50.288.483**	**32.795.747**

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

Movements in provision for impairment on inventories:

	2011	2010
1 January	**4.413**	**-**
Realised due to sale of inventory	(4.413)	-
Current period provisions (-)	5.947	4.413
31 December	**5.947**	**4.413**

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

	2011	2010
Cost	53.254	111.977
Net Realizable Value	47.307	107.564
Provision	5.947	4.413

As of 31 December 2011, inventories amounting to TL 47.307 were stated at their net realizable value and the remaining inventories are stated at their cost in the financial statements. As of 31 December 2010, inventories amounting to TL 107.564 were stated at their net realizable value and the remaining inventories are stated at their cost in the financial statements.

There are no inventories pledged as security for the liabilities.

The cost of inventories recognized as expense within the period is disclosed in Note 19.

NOTE 11 - INVESTMENT PROPERTIES

Carrying Amount	1 January 2011	Additions	Disposals/Transfers	31 December 2011
Land	229.270	-	-	229.270
Total	**229.270**	**-**	**-**	**229.270**

Carrying Amount	1 January 2010	Additions	Disposals/Transfers	31 December 2010
Land	229.270	-	-	229.270
Total	**229.270**	**-**	**-**	**229.270**

Investment properties are carried at cost in the financial statements. The fair value of the investment properties is TL 249.000. The fair values of the investment properties were estimated by the Group management taking into consideration the values determined in the appraisal report dated 22 February 2008 prepared by TSKB Gayrimenkul Değerleme A.Ş., which is licensed by CMB. The fair value determined by TSKB Gayrimenkul Değerleme A.Ş. is TL 249.000 and the Group management is in the opinion that there are no changes in the fair value of the investment properties since 22 February 2008.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Group at the end of the reporting periods are as follows:

31 December 2011

Cost	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Other Tangible Assets	Construction in Progress	Total
Opening Balance										
1 January 2011	5.109.298	5.116.871	43.810.487	329.389.631	1.967.347	9.805.401	236.764	9.285	371.211	395.816.295
Additions	-	36.312	217.653	1.040.836	144.854	363.807	-	-	4.479.347	6.282.809
Transfers	-	-	-	1.338.189	-	-	-	-	(1.338.189)	-
Disposals	-	-	-	(769.490)	(233.619)	(54.606)	(50.000)	-	-	(1.107.715)
Closing Balance 31 December 2011	5.109.298	5.153.183	44.028.140	330.999.166	1.878.582	10.114.602	186.764	9.285	3.512.369	400.991.389

Cost	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Other Tangible Assets	Construction in Progress	Total
Opening Balance										
1 January 2011	-	4.255.238	18.974.033	274.763.797	1.563.873	8.626.051	164.131	9.285	-	308.356.408
Depreciation charge for the period	-	142.444	880.257	9.402.559	163.091	283.809	18.246	-	-	10.890.406
Disposals	-	-	-	(176.012)	(228.284)	(51.285)	(33.334)	-	-	(488.915)
31 December 2011	-	4.397.682	19.854.290	283.990.344	1.498.680	8.858.575	149.043	9.285	-	318.757.899
1 January 2011 Net book value	5.109.298	861.633	24.836.454	54.625.834	403.474	1.179.350	72.633	-	371.211	87.459.887
31 December 2011 Net book value	5.109.298	755.501	24.173.850	47.008.822	379.902	1.256.027	37.721	-	3.512.369	82.233.490

31 December 2010

Cost	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Other Tangible Assets	Construction in Progress	Total
Opening Balance										
1 January 2010	5.109.298	5.056.667	44.483.497	293.354.130	2.006.747	9.335.443	163.062	59.285	31.860.869	391.428.998
Purchases	-	57.200	13.245	2.990.494	179.254	666.966	23.702	-	2.551.546	6.482.407
Transfers	-	3.004	1.609	33.961.811	12.622	-	50.000	(50.000)	(33.981.496)	(2.450)
Disposals	-	-	(687.864)	(916.804)	(231.276)	(197.008)	-	-	(59.708)	(2.092.660)
Closing Balance 31 December 2010	5.109.298	5.116.871	43.810.487	329.389.631	1.967.347	9.805.401	236.764	9.285	371.211	395.816.295

Accumulated Depreciation	Land	Land Improvements	Buildings	Plant, Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Other Tangible Assets	Construction in Progress	Total
Opening Balance										
1 January 2010	-	4.116.040	18.295.285	265.447.040	1.614.548	8.601.508	119.671	30.244	-	298.224.336
Depreciation charge for the period	-	139.198	876.838	9.436.680	150.964	219.253	44.460	10.000	-	10.877.393
Disposals, net	-	-	(198.090)	(119.923)	(201.639)	(194.710)	-	(30.959)	-	(745.321)
31 December 2010	-	4.255.238	18.974.033	274.763.797	1.563.873	8.626.051	164.131	9.285	-	308.356.408
1 January 2010 Net book value	5.109.298	940.627	26.188.212	27.907.090	392.199	733.935	43.391	29.041	31.860.869	93.204.662
31 December 2010 Net book value	5.109.298	861.633	24.836.454	54.625.834	403.474	1.179.350	72.633	-	371.211	87.459.887

Other Information:

- Allocation of the depreciation expense to the profit and loss accounts is disclosed in Note 21.
- There are no restrictions on the assets like mortgages, pledges, etc.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 13 - INTANGIBLE ASSETS

31 December 2011

	Rights
Cost	
Opening balance 1 January 2011	**1.070.333**
Additions	38.547
Closing Balance 31 December 2011	**1.108.880**
Accumulated Amortization	
Opening balance 1 January 2011	**1.000.879**
Amortization charge for the period	45.413
Closing Balance 31 December 2011	**1.046.292**
1 January 2011 net book value	**69.454**
31 December 2011 net book value	**62.588**

Allocation of amortization expense to profit and loss accounts is disclosed in Note 21.

31 December 2010

	Rights
Cost	
Opening Balance 1 January 2010	**1.007.220**
Additions	63.323
Disposals	(210)
Closing Balance 31 December 2010	**1.070.333**
Accumulated Amortization	
Opening Balance 1 January 2010	**952.051**
Amortization charge for the period	49.038
Disposals	(210)
Closing Balance 31 December 2010	**1.000.879**
1 January 2010 net book value	**55.169**
31 December 2010 net book value	**69.454**

NOTE 14 - GOVERNMENT GRANTS AND ASSISTANCE

The Group cannot benefit from the corporate income tax incentive, it can only benefit from VAT exemption and customs duty exemption on the purchases made within the scope of investment certificates listed below.

The Group does not have an investment incentive certificate that is benefits currently, however the investment incentive certificates obtained in prior years expired in 2010 and the Group applied to the completion expertise of the investment to the Turkish Treasury. The Group was informed that the completion expertise of the investment incentive certificate dated 2 July 2009 numbered 93726 was performed on 24 June 2011 and completion certification was issued with the Turkish Treasury's letter dated 1 July 2011. The Group was informed that the completion expertise of the investment incentive certificate dated 18 December 2007 numbered 88699 was performed on 24 September 2011 and completion certification was issued with the Turkish Treasury's letter dated 20 October 2011.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

i) Provisions

Short Term	2011	2010
Provision for Commissions	289.590	281.015
Provision for Personnel Wages and Salaries	86.403	74.175
Provisions for Other Payables and Debts	210.094	165.633
Provision for Personnel Litigations	109.531	91.075
Collective Bargaining Agreement Wage Differences	-	182.063
Total	695.618	793.961

	Provision for Litigations	Other Provisions	Total
1 January 2011	91.075	702.886	793.961
Additional provisions	18.456	586.087	604.543
Payments	-	(702.886)	(702.886)
31 December 2011	109.531	586.087	695.618

	Provision for Litigations	Other Provisions	Total
1 January 2010	130.184	459.131	589.315
Additional provisions	-	702.886	702.886
Payments	(16.530)	(459.131)	(475.661)
Released provisions	(22.579)	-	(22.579)
31 December 2010	91.075	702.886	793.961

ii) Contingent Assets and Liabilities;

31 December 2011

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favor of the Group as of 31 December 2011 are as follows:

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

2- The Governorship of Kocaeli filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2010/419 E. with the claim of TL 2.500.000 as rehabilitation compensation. In accordance with the Group's objections, the lawsuit was dismissed on the ground that the Governorship of Kocaeli is not eligible to file a lawsuit relating to village pasture on 1 February 2011. However, Turkish Treasury filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2011/13 E. with the claim of TL 2.500.000 as rehabilitation compensation. This lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements. The Group management also considered expert opinions in its assessments.

3- The Group filed a lawsuit on Istanbul 1st Tax Court with file numbers 2010/4108 E. and 2010/2187 E. for the cancellation of the payment orders amounting to TL 730.411 notified by Boğaziçi Kurumlar Tax Office relating to the VAT periods 3,5,6,7,8,9,10 and 11th in 2005 and 3,5,6,7,8 and 11th in 2006. The lawsuit is still in progress. The subject of these payment orders is the Group's deferred VAT amounts on its sales under VAT Law Provisional Article 17 in 2005 and 2006. The Group management assesses that the taxes subject to the payment orders are the liabilities of the customers under VAT Communiqué numbered 83 and does not anticipate cash outflows from the Group and hence did not provide provision in the consolidated financial statements.

31 December 2010

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favor of the Group as of 31 December 2010 are as follows:

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

2- The Governorship of Kocaeli filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2010/419 E. with the claim of TL 2.500.000 as rehabilitation compensation. In accordance with the Group's objections, the lawsuit was dismissed on the ground that the Governorship of Kocaeli is not eligible to file a lawsuit relating to village pasture on 1 February 2011. However, Turkish Treasury filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2011/13 E. with the claim of TL 2.500.000 as rehabilitation compensation. The first trial is on 15 March 2011. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements. The Group management also considered expert opinions in its assessments.

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

iii) Commitments not included in liabilities;

As of 31 December 2011, the Group's commitments are as follows:

MORTGAGE / GUARANTEE	BENEFICIARY	REASON	CURRENCY	MATURITY	AMOUNT
Guarantee Letter	OMV Gaz ve Enerji A.Ş.	Guarantee	TL	No Maturity	5.080.000
Guarantee Letter	Sakarya Elektrik A.Ş.	Guarantee	TL	No Maturity	841.068
Guarantee Letter	Derince Güm. Müd.	Guarantee	TL	No Maturity	550.000
Guarantee Letter	Various Suppliers	Guarantee	TL	Various Maturities	109.040
Total					**6.580.108**

As of 31 December 2010, the Group's commitments are as follows:

MORTGAGE / GUARANTEE	BENEFICIARY	REASON	CURRENCY	MATURITY	AMOUNT
Guarantee Letter	Botaş A.Ş.	Guarantee	USD	No Maturity	3.799.448
Guarantee Letter	Derince Güm. Müd.	Guarantee	TL	No Maturity	550.000
Guarantee Letter	Various Suppliers	Guarantee	TL	Various Maturities	66.540
Guarantee Letter	Sakarya Elektrik.A.Ş.	Guarantee	TL	No Maturity	96.723
Guarantee Letter	Türk Telekom A.Ş.	Guarantee	TL	15.10.2010	10.995
Guarantee Letter	Kocaeli Elekt. A.Ş.	Guarantee	TL	No Maturity	4.500
Total TL					**728.758**
Total USD					**3.799.448**

iv) Total mortgages and guarantees on assets;

There are no mortgages and guarantees on the Group' movable and immovable properties in the current and prior periods.

v) Letters of Credit

The Group's commitments per orders are as follows:

31 December 2011

Type	Beginning Date	Ending Date	Beneficiary	Foreign Currency Amount
Letter of Credit USD	1 January 2012	31 December 2012	Various	1.029.561
Letter of Credit EUR	1 January 2012	31 December 2012	Various	397.216
Letter of Credit SFR	1 January 2012	31 December 2012	Various	62.581
Letter of Credit GBP	1 January 2012	31 December 2012	Various	-

31 December 2010

Type	Beginning Date	Ending Date	Beneficiary	Foreign Currency Amount
Letter of Credit USD	1 January 2011	31 December 2011	Various	1.665.994
Letter of Credit EUR	1 January 2011	31 December 2011	Various	498.285
Letter of Credit GBP	1 January 2011	31 December 2011	Various	1.070
Letter of Credit SFR	1 January 2011	31 December 2011	Various	-

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

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

The details of collaterals, pledges and mortgages ("CPM") of the Group at 31 December 2011 and 2009 are as follows:

CPMs given by the Group	31 December 2011		31 December 2010	
	Foreign Currency Amount	TL Equivalent	Foreign Currency Amount	TL Equivalent
A. CPM given on behalf of the Company's legal personality		6.580.108		6.602.705
Guarantee Letter (USD)	-	-	3.799.448	5.873.947
Guarantee Letter (TL)	-	6.580.108	-	728.758
Guarantee Letter (EUR)	-	-	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
B. CPM given on behalf of fully consolidated subsidiaries	-	-	-	-
C. CPM given for continuation of ordinary economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM given	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-
Total		**6.580.108**		**6.602.705**

The ratio of other CPMS given by the Group to equity of the Group is 3% as of 31 December 2011 (31 December 2010: 4%).

NOTE 16 - EMPLOYEE BENEFITS

Long Term	2011	2010
Provision for Employment Termination Benefits	3.713.613	3.645.798
Total	**3.713.613**	**3.645.798**

Under Turkish Labor Law, the Group is required to pay employment termination benefits to the employees whose employment contract is ended entitling the employees to receive termination benefits. Additionally, there is the obligation for payment of termination benefits to the employees who has qualified for a pension when quitting their employment. As of 31 December 2011, termination benefit payable is limited to a maximum of TL 2.731,85 (31 December 2010: TL 2.517,01) per month. The maximum liability of TL 2.805,05 which is effective from 1 January 2012 and TL 2.623,23 which is effective from 1 January 2011 have been taken into consideration in the calculations of the Group's liability for employment termination benefits as of 31 December 2011 and 31 December 2010, respectively.

There is no legal funding requirement for employment termination benefits liability.

Employment termination benefit is calculated as the present value of the total estimated provision for the liabilities of the personnel who may retire in the future. IAS 19 ("Employee Benefits") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability 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 future inflation. In the financial statements as of 31 December 2011, the provision is calculated as the estimated present value of the liabilities of the personnel who may retire in the future. As of 31 December 2011, the provision is calculated using 4,50% real discount rate based on the assumptions of 5,25% annual inflation and 10% discount rate (31 December 2010: 4,66% real discount rate).

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

As of 31 December 2011, the rate used to estimate the probability of retirement is 97,19% (31 December 2010: 97,43%).

	2011	2010
1 January	3.645.798	3.638.573
Interest Cost	169.975	454.004
Actuarial Loss	92.705	206.459
Payments	(747.359)	(1.119.664)
Service Cost	552.494	466.426
31 December	3.713.613	3.645.798

As of 31 December, provision expenses for employment termination benefits are accounted for in other operating expenses.

NOTE 17 - OTHER ASSETS AND LIABILITIES

The Group's Other Current Assets at the end of the reporting periods are as follows:

	2011	2010
Order Advances Given	4.388.089	2.109.754
Deferred VAT	708.893	-
Prepaid Expenses	434.513	220.074
Refundable VAT	365.094	1.755.698
Advances Given to Personnel	17.813	1.250
Job Advances	1.762	296
Other VAT	-	108.453
Total	5.916.164	4.195.525

The Group's Other Non- Current Assets at the end of the reporting periods are as follows:

	2011	2010
Prepaid Expenses	184	7.311
Order Advances Given for Property, Plant and Equipment and Intangible Assets	737.678	483.404
Total	737.862	490.715

NOT 18 - EQUITY

i) Capital

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

	2011		2010	
Shareholders	Amount	Ratio (%)	Amount	Ratio (%)
Pak Holding A.Ş.	975.589	34,39	975.290	34,38
Pak Gıda Üretim ve Pazarlama A.Ş.	564.903	19,91	564.903	19,91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	523.524	18,45	498.717	17,58
Oycan İthalat İhracat ve Ticaret A.Ş.	68.300	2,41	82.897	2,92
Other shareholders (Publicly traded portion)	704.698	24,84	715.207	25,21
Capital at historical cost	2.837.014	100,00	2.837.014	100,00

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

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

In Accordance with the Company's Articles of Association	
Number of Shares	283.701.421
Nominal Value of Each Share	0,01-TL
Total Nominal Amount	**2.837.014,21-TL**

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

ii) Capital Reserves

Capital reserves consist of share premiums.

iii) Restricted Reserves

Restricted reserves consist of legal reserves and profits from sale of participation shares and real estate sale exemptions that will be added to capital.

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

	2011	2010
Legal Reserves	21.033.111	20.632.917
Profit on Sale of Participation Shares and Real Estate Sale Exemptions to be Added to Capital	2.315.343	2.315.343
Total	**23.348.454**	**22.948.260**

iv) Retained Earnings

Retained earnings comprise of Extraordinary Reserves, Inflation Adjustment to Reserves and Other Accumulated losses.

Public companies distribute dividend in accordance with CMB regulations as follows:

Dividends will be distributed at the total amount calculated in accordance with the minimum dividend distribution requirements of CMB Decree 7/242 dated 25 February 2005 applied to the net distributable profit found in accordance with CMB regulations when such distributable profit is does not exceed the statutory net distributable profit, otherwise the total amount of the statutory net distributable profit shall be distributed. Dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements. In accordance with CMB Decree dated 27 January 2010, it was decided not to oblige minimum dividend distribution requirements for the publicly traded entities.

Equity inflation adjustment differences and the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses. However, equity inflation adjustment differences are subject to corporate income tax when utilised in cash dividend distribution.

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

The Group's profit for the year in its financial statements prepared in accordance with CMB regulations is TL 36.953.717. The Group's distributable profit in 2011 is limited to the statutory distributable profit. The Group's statutory distributable profit is TL 35.965.266. The Group's distributable retained earnings in its financial statements prepared in accordance with CMB regulations is TL 46.873.952. The Group's distributable retained earnings in its statutory financial statements are TL 33.233.362 which is the limit for the Group's distributable retained earnings. The Group's distributable profit from both profit for the year and retained earnings amounts to TL 69.198.628. During dividend distribution, 10% of the distributed profit will be appropriated as second legal reserve. The Group management has not decided for dividend distribution as of the date of the report. In calculation of the distributable profit, equity inflation adjustment differences and profit on real estate sale exemption that will be added to capital have not been taken into consideration.

In accordance with General Assembly decision held on 21 March 2011, the Group has distributed TL 3.316.179,70 from its profit for the year 2010 in cash on 23 March 2011. The cash dividends distributed to;

1. To common and privileged (Group A) shares with nominal value of TL 1, (Gross) TL 0,62 per share (61,995%),
2. To privileged (Group A) shares with nominal value of TL 1, (Gross) TL 432.606,52 per share (43260714,22%)
3. To Members of the Board of Directors, (Gross), TL 692.170,43.

v) Other

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Paid-in capital", "Restricted Reserves" and "Share Premiums" need to be recognized over the amounts contained in the legal records. The valuation differences (such as inflation adjustment differences) shall be disclosed as follows:

- If the difference is arising from the valuation of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";
- If the difference is arising from valuation of "Restricted Reserves" and "Share Premium" and the amount has not been subject to dividend distribution or capital increase, it shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

The Group's equity items are as follows:

	2011	2010
Paid-in Capital	2.837.014	2.837.014
Adjustment to Paid-in Capital	93.298.657	93.298.657
Share Premium	7.529	7.529
Legal Reserves	23.348.454	22.948.260
Retained Earnings	46.873.952	33.044.125
Net Income for the Year	36.953.717	17.569.558
Total Attributable to Equity Holders of the Parent	**203.319.323**	**169.705.143**
Non-controlling Interest	41.511	40.011
Total Equity	**203.360.834**	**169.745.154**

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 19 - SALES AND COST OF SALES

The Group's sales and cost of sales at the end of the reporting periods are as follows:

	2011	2010
Domestic Sales	168.855.258	130.890.537
Foreign Sales	48.951.674	49.248.994
Other Sales	3.536.416	2.774.227
Sales Returns (-)	(157.610)	(169.767)
Sales Discounts (-)	(8.915.522)	(9.777.742)
Other Discounts (-)	(965.120)	(955.152)
Net sales	**211.305.096**	**172.011.097**
Cost of Trade Goods Sold (-)	(23.065.111)	(13.598.089)
Cost of Goods Sold (-)	(136.183.529)	(127.006.935)
Cost of Other Sales (-)	(2.798.739)	(2.846.678)
Gross Profit	**49.257.717**	**28.559.395**

	2011	2010
Raw materials and supplies expenses (-)	(78.994.382)	(86.811.589)
Direct labour expenses (-)	(6.120.813)	(5.491.955)
General production overhead expenses (-)	(40.228.138)	(37.151.410)
Change in work-in process and finished goods (+)/(-)	(10.840.196)	508.865
Cost of finished goods sold	**(136.183.529)**	**(128.946.089)**
Cost of trade goods sold (-)	(23.065.111)	(11.658.935)
Cost of other sales (-)	(2.798.739)	(2.846.678)
Cost of Sales (-)	**(162.047.379)**	**(143.451.702)**

The Group's production and sales volumes at the end of the reporting periods are as follows:

	2011	2010
Production Quantities		
Coated Cardboard (Tone)	167.833	160.834
Scrap Paper (Tone)	99.560	93.226
Electricity Production (10^3 Kwh)	133.012	132.056
Sales Quantities		
Coated Cardboard (Tone)	160.050	161.807
Scrap Paper (Tone)	99.065	90.748
Electricity Production (10^3 Kwh)	25.504	25.941

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 20 – RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

The Group's Operating Expenses at the end of the reporting periods are as follows:

	2011	2010
Marketing, Selling and Distribution Expenses (-)	3.766.691	3.276.428
General Administrative Expenses (-)	7.689.830	6.255.621
Total Operating Expenses	**11.456.521**	**9.532.049**

NOTE 21 – EXPENSES BY NATURE

The Group's Expenses by Nature at the end of the reporting periods are as follows:

	2011	2010
Marketing, Selling and Distribution Expenses (-)	**3.766.691**	**3.276.428**
Personnel Expenses	876.681	779.681
Export Expenses	329.497	508.061
Transportation Expenses	1.611.573	914.546
Depreciation and Amortization Expenses	224.522	201.995
Other Expenses	724.418	872.145
General Administrative Expenses (-)	**7.689.830**	**6.255.621**
Personnel Expenses	4.437.929	3.789.392
School Construction and Repair Expenses	1.126.900	-
Services Outsourced	658.509	657.256
Taxes, Fees and Dues Expenses	294.034	560.991
Depreciation and Amortization Expenses	199.731	207.622
Other Expenses	972.727	1.040.360
Total Operating Expenses	**11.456.521**	**9.532.049**

Depreciation and amortization expenses charged to the income statement accounts are as follows:

	2011	2010
Cost of Sales	9.847.837	10.148.280
Idle Capacity Expenses	664.152	368.534
Marketing, Selling and Distribution Expenses	224.522	201.995
General Administrative Expenses	199.731	207.622
Total	**10.936.242**	**10.926.431**

Personnel expenses charged to the income statement accounts are as follows:

	2011	2010
Cost of Sales	13.245.150	11.815.956
General Administrative Expenses	4.470.528	3.789.392
Marketing, Selling and Distribution Expenses	876.681	779.681
Idle Capacity Personnel Expenses	274.173	170.997
Total	**18.866.532**	**16.556.026**

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 22 – OTHER OPERATING INCOME/EXPENSES

The Group's Other Income and Expenses at the end of the reporting periods are as follows:

	2011	2010
Other Operating Income	**1.849.978**	**1.219.363**
Incentive, Discount and Premium Income	875.070	380.462
Released Provisions	244.731	-
Scrap Sales	158.006	189.862
Profit from Sale of Property, Plant and Equipment	147.841	417.422
Income from Insurance Damage Compensation	109.839	-
Profit from Sale of Securities	15.241	17.645
Other Income	299.250	213.972
Other Operating Expenses	**(2.272.841)**	**(2.135.780)**
Idle Capacity Expenses	(938.326)	(539.531)
Provision Expenses for Employment Termination Benefits	(679.040)	(1.086.721)
Provision Expenses for Doubtful Receivables	(92.987)	(314.370)
Provision Expenses for Litigations	(18.456)	-
Provision Expenses for Impairment of Inventories	(5.947)	(4.413)
Other Expenses	(538.085)	(190.745)
Other Operating Income/Expenses (Net)	**(422.863)**	**(916.417)**

NOTE 23 – FINANCIAL INCOME

The Group's Financial Income at the end of the reporting periods is as follows:

	2011	2010
Foreign Exchange Gains	5.363.770	2.415.724
Interest Income from Sales on Credit Terms	3.456.511	3.656.728
Interest Income	4.368.526	2.131.929
Due Date Income	504.828	367.767
Total Financial Income	**13.693.635**	**8.572.148**

NOTE 24 – FINANCIAL EXPENSES

The Group's Financial Expenses at the end of the reporting periods is as follows:

	2011	2010
Foreign Exchange Losses (-)	2.345.992	2.964.065
Interest Expense from Purchases on Credit Terms (-)	1.293.765	1.116.480
Interest Expenses (-)	803.538	598.673
Other (-)	30	-
Total Financial Expenses	**4.443.325**	**4.679.218**

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

NOTE 25 – TAX ASSETS AND LIABILITIES

The Group's tax expense (or income) comprises of current income tax expense and deferred income tax expense (or income).

	2011	2010
Current Income Tax Expense (-)	(9.690.489)	(4.175.659)
Deferred Tax Income (Expense)	23.560	(251.410)
Total Tax Income/ (Expense)	**(9.666.929)**	**(4.427.069)**

	2011	2010
Current Income Tax Payable	9.690.489	4.175.659
Prepaid Taxes	(8.193.919)	(3.231.596)
Total Taxes Payable, Net	**1.496.570**	**944.063**

i) Current Income Tax

In Turkey, corporations are required to pay advance corporation tax quarterly. Advance corporate taxes on the Group's corporate income in 2011 were calculated quarterly at a tax rate of 20%.

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

In accordance with Corporate Income Tax Law Article 20, corporate tax is levied per the tax-payer's declaration. There is no procedure for a final and definitive agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the related financial year. The tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments within 5 years.

Income Tax Withholding:

Additional to the corporate tax, corporations are required to pay income tax withholding on the dividends distributed except for the dividends paid to tax-payers which declare these dividends as part of their corporate income and to non-resident corporations, which have a representative office in Turkey, or resident corporations. With the Council of Ministers decision numbered 2006/10731 published in Official Gazette on 23 July 2006, the income tax withholding was increased to 15% from 10%. With the Council of Ministers decision dated 12 January 2009 numbered 2009-14952, it was decided to continue to the application of 15%.

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

ii) Deferred Income Taxes

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements prepared in compliance with CMB Financial Reporting Standards and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for CMB financial statements and statutory tax financial statements and are set out below. 20% tax rate is considered in the calculation of the deferred income taxes.

	Cumulative Temporary Differences		Deferred Income Tax	
	2011	2010	2011	2010
Property, Plant and Equipment	10.330.389	11.558.743	(2.066.078)	(2.311.749)
Discount Expense	(269.593)	(257.105)	53.918	51.421
Discount Income	214.483	133.159	(42.896)	(26.632)
Provision for Employment Termination Benefits	(3.713.613)	(3.645.798)	742.722	729.160
Provision for Doubtful Receivables	(9.196)	212.952	815	49.314
Provisions for Litigations	(109.531)	(91.075)	21.907	18.215
Other Provisions	(166.544)	(182.063)	33.310	36.413
Inventories	60.805	(572.525)	(12.161)	105.114
Other	197.733	(85.869)	(39.547)	17.174
Deferred Income Tax Asset/ (Liability), Net			**(1.308.010)**	**(1.331.570)**

	2011	2010
Deferred Income Tax Liability at the Beginning of Period	(1.331.570)	(1.080.160)
Deferred Tax Income/ (Expense)	23.560	(251.410)
Deferred Income Tax Asset/ (Liability), Net	**(1.308.010)**	**(1.331.570)**

Tax reconciliation of current income tax expense to the income for the period is as follows;

Tax reconciliation:

	2011	2010
Profit from continuing operations	46.628.643	22.003.859
Income tax rate 20%	9.325.729	4.400.772
Tax Impact:		
- Non-deductable expenses	341.200	26.297
Current Income Tax Expense	**9.666.929**	**4.427.069**

NOTE 26 – EARNINGS PER SHARE

Earnings per share are determined by dividing the net income by the weighted average number of shares that have been outstanding during the year. The Group's earnings/loss per share is calculated as follows:

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, such bonus shares are regarded as issued shares. Accordingly, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and for each earlier year.

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

In Accordance with the Company's Articles of Association

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

Although the nominal value of each share is TL 0,01 in accordance with the new Articles of Association of the Company, to enable comparability with prior years and presentation of shares with TL 1 nominal value at Istanbul Stock Exchange, the earnings per share is calculated using the weighted number of shares per nominal value of TL 1.

	2011	2010
Net Income for the Period	36.953.717	17.569.558
Weighted average number of shares (TL 1 nominal value of each)	2.837.014	2.837.014
Earnings per Share with TL 1 Nominal Value of Each	**13,02557**	**6,19298**

NOTE 27 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

	Receivables		Payables	
31 December 2011	Trade Receivables	Non-Trade Receivables	Trade Payables	Non-Trade Payables
Dönkasan	-	-	4.132.329	-
Shareholders (Dividends)	-	-	-	194.709
Asil Gıda ve Kimya San. ve Tic. A.Ş. ("Asil Gıda")	-	-	18.180	-
Total	**-**	**-**	**4.150.509**	**194.709**

	Receivables		Payables	
31 December 2010	Trade Receivables	Non-Trade Receivables	Trade Payables	Non-Trade Payables
Dönkasan	-	-	4.145.573	-
Shareholders (Dividends)	-	-	-	190.608
Asil Gıda	-	-	46.452	-
Total	**-**	**-**	**4.192.025**	**190.608**

b) Sales to and purchases from related parties

31 December 2011

	Purchases				Sales			
	Rent	Goods and Services	Other (*)	Total	Rent	Services	Goods and Other	Total
Dönkasan	-	29.864.946	-	29.864.946	-	-	-	-
Asil Gıda	336.000	-	168.087	504.087	-	-	-	-
Total	**336.000**	**29.864.946**	**168.087**	**30.369.033**	**-**	**-**	**-**	**-**

(*) Comprises of dues for Pak İş Merkezi.

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

The nature of transaction and guarantees received from- given to related parties are as follows:

31 December 2011	Nature of Relation	Nature of Guarantee	Amount of Guarantee
Asil Gıda ve Kimya San. ve Tic. A.Ş.	Pak İş Merkezi Rent ve Due Payments	None.	-
Total			**-**

	Purchases				Sales			
	Rent	Goods and Services	Other (*)	Total	Rent	Services	Goods and Other	Total
Dönkasan	-	17.230.048	-	17.230.048	-	-	-	-
Asil Gıda	367.027	-	189.161	556.188	-	-	-	-
Total	**367.027**	**17.230.048**	**189.161**	**17.786.236**	**-**	**-**	**-**	**-**

(*) Comprises of dues for Pak İş Merkezi.

The nature of transaction and guarantees received from- given to related parties are as follows:

31 December 2010	Nature of Relation	Nature of Guarantee	Amount of Guarantee
Asil Gıda ve Kimya San. ve Tic. A.Ş.	Pak İş Merkezi Rent ve Due Payments	None.	-
Total			**-**

a) Key management compensation

Description	31 December 2011	31 December 2010
Short term employee benefits	1.421.080	1.557.813
Total	**1.421.080**	**1.557.813**

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

(a) Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern and to maintain an optimal capital and debt structure to increase profitability.

The Group's capital structure includes borrowings disclosed in Note 7, cash and cash equivalents disclosed in Note 6 and the equity items of capital, capital reserves, legal reserves and retained earnings disclosed in Note 18.

The Group's cost of capital together with the risks associated with class of capital is assessed by senior management. Based on the assessments by senior management, it is aimed to maintain capital structure through new borrowings or payments of existing debts as well as dividend payments and issue of new shares.

The Group monitors capital on the basis of the debt / equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (borrowings and trade payables as disclosed in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The Group's overall strategy on capital management does not differ from prior period.

The Group's risk management policy focuses on the unpredictability and volatility of the financial markets and seeks to minimize potential adverse effects.

(b) Significant accounting policies

The Group's significant accounting policies related to financial instruments are disclosed in Note 2.

(c) Risks exposed by the Group

The Group is exposed to foreign currency exchange risk, interest rate risk and other risks because of its activities. The Group is also exposed to the risk that counterparties may be unable to meet the terms of their agreements due to the financial instruments it holds. The market risks exposed at the Group level are measured with sensitivity analysis. There were no changes in the current period in the market risks the Group was exposed to or the methods the Group manages these risks or how the Group measures such risks compared to prior periods.

(c.1) Currency risk management

Foreign currency denominated transactions leads to currency risk.

The Group is exposed to currency risk due to the changes in the foreign currency rates used to translate foreign currency denominated assets and liabilities into TL. Currency risk arises due to future trade transactions and the differences between the recognized assets and liabilities.

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

The Group mainly is exposed to currency risk due to foreign currency denominated deposit accounts, foreign currency denominated receivables and liabilities.

Foreign Currency Sensitivity Analysis

31 December 2011

	Gain /Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%;		
1- Net Asset/Liability in USD	678.263	(678.263)
2- Hedged amount (-)	-	-
3- Net Effect-of USD (1+2)	**678.263**	**(678.263)**
If EUR appreciated/(depreciated) against TL by 10%		
4- Net Asset/Liability in EUR	1.574.452	(1.574.452)
5- Hedged amount (-)	-	-
6- Net Effect-of EUR (4+5)	**1.574.452**	**(1.574.452)**
If other foreign currencies appreciated/(depreciated) against TL by 10%		
7- Net Asset/Liability in other foreign currencies	-	-
8- Hedged amount (-)	-	-
9- - Net Effect-of Other Foreign Currencies (4+5)	**-**	**-**
Total	**2.252.715**	**(2.252.715)**

Foreign Currency Sensitivity Analysis

31 December 2010

	Gain /Loss	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%;		
1- Net Asset/Liability in USD	337.080	(337.080)
2- Hedged amount (-)	-	-
3- Net Effect-of USD (1+2)	**337.080**	**(337.080)**
If EUR appreciated/(depreciated) against TL by 10%		
4- - Net Asset/Liability in EUR	1.186.544	(1.186.544)
5- Hedged amount (-)	-	-
6- Net Effect-of EUR (4+5)	**1.186.544**	**(1.186.544)**
If other foreign currencies appreciated/(depreciated) against TL by 10%		
7- - Net Asset/Liability in other foreign currencies	-	-
8- Hedged amount (-)	-	-
9- - Net Effect-of Other Foreign Currencies (4+5)	**-**	**-**
Total	**1.523.624**	**(1.523.624)**

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

Foreign Currency Position

	31 December 2011					31 December 2010				
	TL Equivalent	USD	EUR	CHF	Other	TL Equivalent	USD	EUR	CHF	Other
1. Trade Receivables	8.819.235	998.355	2.837.156	-	-	12.258.804	1.143.859	5.119.515	-	-
2a. Monetary Financial Assets	16.762.519	2.759.273	4.725.894	-	-	5.129.887	1.043.880	1.715.900	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-
4. Total Current Assets (1+2+3)	25.581.754	3.757.628	7.563.050	-	-	17.388.691	2.187.739	6.835.415	-	-
5. Trade Receivables	-	-	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-	-	-
8. Total Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	25.581.754	3.757.628	7.563.050	-	-	17.388.691	2.187.739	6.835.415	-	-
10. Trade Payables	3.053.207	166.044	1.115.025	-	-	2.152.449	7.365	1.039.829	-	-
11. Financial Liabilities	-	-	-	-	-	-	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-	-	-	-	-
13. Total Current Liabilities (10+11+12)	3.053.207	166.044	1.115.025	-	-	2.152.449	7.365	1.039.829	-	-
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)	3.053.207	166.044	1.115.025	-	-	2.152.449	7.365	1.039.829	-	-
19. Net Asset/Liability position of off-the balance sheet derivatives (19a-19b)	-	-	-	-	-	-	-	-	-	-
19a. Total Hedged Assets	-	-	-	-	-	-	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-	-	-	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	22.528.547	3.591.584	6.448.025	-	-	15.236.242	2.180.374	5.795.586	-	-
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	22.528.547	3.591.584	6.448.025	-	-	15.236.242	2.180.374	5.795.586	-	-
22. Fair value of financial derivatives used in hedging	-	-	-	-	-	-	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-	-	-	-	-	-	-
23. Hedged portion of foreign currency denominated liabilities	-	-	-	-	-	-	-	-	-	-
23. Exports	39.566.850	6.941.178	11.957.596	-	465.361	40.946.081	5.810.838	16.187.995	-	-
24. Imports	17.231.741	3.875.721	4.122.671	563.220	1.070	14.006.712	3.439.255	4.359.695	-	2.832

(c.2) Interest rate risk management

Interest Rate Position

	Financial Assets with fixed ratio	31 December 2011	31 December 2010
	Financial Assets at Fair Value through Profit and Loss	60.383.053	40.134.131
Financial Assets	Financial Assets Held for Sale	-	-
Financial Liabilities			
	Financial Assets with variable interests		
Financial Assets		-	-
Financial Liabilities		-	-

The Group does not have financial instruments with variable interest rates. The Group's financial instruments with fixed interest rates are taken into consideration in the analysis due to their short-term nature. Major portion of the Group's bank deposits are time deposits. The decreases in the interest rates would result in losses. As of 31 December 2011, if TL interest rate had been 1% higher / lower and all other variables were held constant, income before taxes and non-controlling interests would be TL 603.830 higher / lower (31 December 2010: TL 401.341).

The above analyses are based on the assumption that all other variables remain constant except for interest rates.

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

(c.3) Credit risk management

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Group's credit risk mainly arises from trade receivables. Trade receivables are assessed in accordance with Group policies and principles and carried at the balance sheet at their net values after allowance for doubtful receivables (Note 8).

The Group's trade receivables consist of receivables from customers almost all of which are secured by adequate guarantees and the Group established an effective control mechanism over its customers. The credit risk is monitored for each customer by the Group management and is limited for each debtor. There is no credit and concentration risk as trade receivables are from many different customers rather than a few customers with high amounts.

All domestic trade receivables of the Group are secured by guarantee letters and major portion of the foreign receivables of the Group is secured by Eximbank credit insurance.

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2011	Related Parties	Other	Related Parties	Other	Note	Deposits and Reverse Repurchase Agreements at Banks	Note
Maximum credit risk exposure at the reporting date (A+B+C+D+E)		25.771.032		124.493		60.884.974	
- Secured portion of the maximum risk by guarantees		*18.393.434*					
A. Net book value of financial assets not due not impaired		14.346.308		124.493	8-9	60.884.974	6
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired		-			8-9		6
C. The net book value of assets that are past due but not impaired (*)		6.722.859					6
- The portion under guarantees		*6.722.859*			8-9		6
D. Net book value of impaired assets		4.701.865					6
- Past due (gross book value)		5.366.591			8-9		6
- Impairment (-)		*(664.726)*			8-9		6
- Portion of the net value with guarantees (**)		*4.701.865*			8-9		6
- Not Due (gross book value)		-			8-9		6
- Impairment (-)		-			8-9		6
-Portion of the net value with guarantees		-			8-9		6
E. Off-balance sheet items with credit risk		-					

	Receivables						
	Trade Receivables		Other Receivables				
31 December 2010	Related Parties	Other	Related Parties	Other	Note	Deposits and Reverse repurchase agreements in banks	Note
Maximum credit risk exposure at the reporting date (A+B+C+D+E)		22.017.331		742.212		41.114.226	
- Secured portion of the maximum risk by guarantees		*17.829.154*					
A. Net book value of financial assets not due not impaired		20.666.585		742.212	8-9	41.114.226	6
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired		-			8-9		6
C. The net book value of assets that are past due but not impaired (*)		12.027					6
- The portion under guarantees		*12.027*			8-9		6
D. Net book value of impaired assets		1.338.719					6
- Past due (gross book value)		2.155.389			8-9		6
- Impairment (-)		*(816.670)*			8-9		6
- Portion of the net value with guarantees (**)		*1.338.719*			8-9		6
- Not Due (gross book value)		-			8-9		6
- Impairment (-)		-			8-9		6
-Portion of the net value with guarantees		-			8-9		6
E. Off-balance sheet items with credit risk		-					

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

(*) The maturity analysis of the assets which are past due but not impaired is as follows.

	2011	2010
Past due by 0-3 Months	6.722.859	819
Past due by 3-6 Months	-	764
Past due by 6-9 Months	-	767
Past due by 9-12 Months	-	9.677
Total	**6.722.859**	**12.027**
Guarantee Amount (Guarantee Letter)	**6.722.859**	**12.027**

(**) 90% of foreign receivables are secured with Eximbank credit insurance. The guarantee amount comprises of the 90% of the foreign receivables which are secured under Eximbank credit insurance.

Domestic receivables are secured with guarantee letters and majority of the foreign receivables are secured with Eximbank credit insurance.

(c.4) Liquidity risk management

The Group manages the liquidity risk through regularly monitoring the cash flows and maintaining sufficient funds and borrowing reserves by way matching the maturities of financial assets and liabilities.

Liquidity risk schedules

Prudent liquidity risk management signifies maintaining sufficient amount of cash, sufficient loan transactions and utilization of funds and ability to close market positions.

The risk of financing the current and possible future debt requirements is managed by maintaining sufficient and reliable sources of high quality loans as accessible.

The maturities of the Group's derivate and non-derivative financial liabilities in TL are presented in the below schedule.

31 December 2011

Maturity of Agreements	Book Value	Total Contractual Cash Outflow	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years
Non-derivative financial liabilities	**18.414.625**	**18.414.625**	**18.414.625**	**-**	**-**	**-**
Bank loans	*62.557*	*62.557*	*62.557*	-	-	-
Bonds	-	-	-	-	-	-
Finance Lease Liabilities	-	-	-	-	-	-
Trade Payables	*15.216.483*	*15.216.483*	*15.216.483*	-	-	-
Other Payables	3.135.585	3.135.585	3.135.585	-	-	-
Other	-	-	-	-	-	-

Maturity of Agreements	Book Value	Total Contractual Cash Outflow	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years
Derivative Financial Liabilities	**-**	**-**	**-**	**-**	**-**	**-**
Derivative Cash Inflows	-	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-	-

Notes to the Consolidated Financial Statements as at 31 December 2011

(Convenience Translation Into English of Consolidated Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

31 December 2010

Maturity of Agreements	Book Value	Total Contractual Cash Outflow	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years
Non-derivative financial liabilities	15.775.682	15.908.841	15.908.841	-		-
Bank loans	*325.889*	*325.889*	*325.889*	-		-
Bonds	-	-	-	-		-
Finance Lease Liabilities	-	-	-	-		-
Trade Payables	*13.026.383*	*13.159.542*	*13.159.542*	-		-
Other Payables	*2.423.410*	*2.423.410*	*2.423.410*	-		-
Other	-	-	-	-		-

Maturity of Agreements	Book Value	Total Contractual Cash Outflow	Less than 3 Months	3-12 Months	1-5 Years	Over 5 Years
Derivative Financial Liabilities	-	-	-	-	-	-
Derivative Cash Inflows	-	-	-	-	-	-
Derivative Cash Outflows	-	-	-	-	-	-

(c.5) Analysis of Other Risks

Associated with financial instruments of common stocks, etc.

The Group does not own financial assets like common stocks, etc. which are subject to fair value changes.

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE ESTIMATION) AND HEDGE ACCOUNTING

The Group estimates that the carrying amounts of its financial instruments reflect their fair values.

Financial risk management objectives

The Group's Finance Department is responsible for maintaining regular access to financial markets and monitoring and managing the financial risks exposed due to the Group's operations. These risks include market risk (currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group does not utilize derivative financial instrument of forward foreign-currency transaction contracts to minimize the effects of these risks and to hedge against these financial risks. The Group does not have financial instruments for speculative purposes (including derivative financial instruments) and does not have an activity for the sale-purchase of such instruments.

2011 Profit Distribution Declaration

Below is the proposal for profit distribution based on the Article No:25 of the Articles of Association of the Company, relating to the profit for the year ending December 31, 2011. The proposal for the profit distribution as of May 04, 2012 is presented for General Assembly's appraisal and approval.

1- Paid in / Issued Capital	2.837.014,21
2- Total Legal Reserves	2.593.834,25
Information relating to the Privileges during profit distribution, if there is any stated in the Articles of Association.	5% of the remaining profit after legal reserves and 10% of the paid-in capital are deducted from the net profit is distributed to the (Group A) privileged shareholders.

		According to CMB	According to Legal Books
3.	Current Period Profit	46.620.646,00	45.124.021,27
4.	Taxes and Legal Duties Payable (-)	9.666.929,00	9.158.754,75
5.	Net Profit for the Period	36.953.717,00	35.965.266,52
6.	Previous Years' Losses (-)	0,00	0,00
7.	First Legal Reserves (-)	0,00	0,00
8.	Net Distributable Period Profit	36.953.717,00	35.965.266,52
9.	Endowments During the Year	1.206.151,36	
10.	Net Distributable Period Profit Basis for First Dividend Calculation, incl. Endowments	38.159.868,36	
11.	First Dividend to Shareholders	5.723.980,25	
	Cash	5.723.980,25	
	Bonus Shares	0	
	Total	5.723.980,25	
12.	Dividend Distributed to Owners of Privileged Shares	1.893.808,35	
13.	Dividend Distributed to Board of Directors Members	1.515.046,68	
14.	Dividend Distributed to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	0,00	
	Cash	0,00	
	Bonus Shares	0	
	Total	0,00	
16.	Second Legal Reserves	899.098,45	
17.	Statutory Reserves		
18.	Special Reserves		
19.	Extraordinary Reserves	26.921.783,27	25.933.332,79
20.	Other Distributable Items		
	Previous Years' Profit		
	Extraordinary Reserves		
	Other Distributable Reserves as per the Law and Articles of Association		

SUMMARY OF PROFIT DISTRIBUTIONS	Total Gross Dividend	Tax Deduction	Total Net Dividend
Common Shares	5.723.980,25	858.597,04	4.865.383,21
Privileged (Group A) Shares	1.893.808,35	284.071,25	1.609.737,10
Dividend Paid to Board of Directors	1.515.046,68	227.257,00	1.287.789,68
TOTAL	**9.132.835,28**	**1.369.925,29**	**7.762.909,99**

DIVIDEND INFORMATION PER SHARE

	GROUP	TOTAL DIVIDEND	DIVIDEND PER SHARE WITH A NOMINAL VALUE OF TL 1	
			AMOUNT (TL)	RATE (%)
GROSS	Privileged (Group A) Shares	1.893.808,35	946.904,18	94.690.418,22%
	Group B Shares	5.723.980,25	2,02	201,76%
	TOTAL	7.617.788,60		
NET	Privileged (Group A) Shares	1.609.737,10	804.868,55	80.486.855,22%
	Group B Shares	4.865.383,21	1,71	171,50%
	TOTAL	6.475.120,31		

THE RATIO OF DISTRIBUTED DIVIDEND TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PERIOD PROFIT

DIVIDEND DISTRIBUTED TO THE SHAREHOLDERS (TL)	THE RATIO OF THE DIVIDEND DISTRIBUTED TO THE SHAREHOLDERS TO THE ENDOWMENT ADDED NET DISTRIBUTABLE PERIOD PROFIT (%)
5.723.980,25	15,00%

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

A) REPORT PERIOD: 01.01.2011 - 31.12.2011

B) GENERAL INFORMATION

a) The Company's Field of Activity

The Company engages in the manufacture of coated cardboard at its own factory located in Kullar Village, Kocaeli and in the domestic and foreign trade of its products. The Company produces the electricity and steam required for manufacturing from its natural gas processing plant as permitted by its Autoproducer License, and sells the excess electricity generated as per the electricity market legislation. The Company carries out manufacturing activities at the factory in Kullar Village, Kocaeli. Finance, marketing and purchasing operations are conducted at the Head Office in Gayrettepe, Istanbul. The Company also owns a branch used as sales office and storehouse in Sefaköy, Istanbul.

Head Office

Prof. Dr. Bülent Tarcan Sok. Pak İş Merk. No: 5 Kat: 3 Gayrettepe/Beşiktaş/ISTANBUL

Tel: 0212-273 20 00 Fax: 0212-273 21 70 Web: www.kartonsan.com.tr

Factory

Kullar Köyü/KOCAELİ

Tel: +90 262-349 61 50 Fax: +90 262- 349 33 00

Sales Office

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/ ISTANBUL

Tel: +90 212 598 95 35 Fax: +90 212- 598 95 36

b) Shareholding Structure and Information on Board of Directors and Audit Committee:

All Company shares are bearer shares and approximately 95% of these are traded in the stock exchange. Accordingly, the Company's shareholding structure as submitted to the most recent General Assembly and the Istanbul Stock Exchange is as follows. The shareholding structure may vary in time due to the reason explained above.

Title of Shareholder	Number of Shares	Ratio
PAK HOLDİNG A.Ş.	975,589	34.39
PAK GIDA ÜRETİM VE PAZARLAMA A.Ş.	564,903	19.91
ASİL GIDA VE KİMYA SAN. VE TİC. A.Ş.	523,524	18.45
OYCAN İTHALAT İHRACAT VE TİC. A.Ş.	68,300	2.41
OTHER REAL AND LEGAL PERSON SHAREHOLDERS	704,698	24.84
TOTAL	2,837,014	

The Company's paid-in capital is TL 2,837,014.21 and is divided into 283,701,421 shares each worth TL 0.01.

The following articles of the Company's Articles of Association concern the functioning of the Board of Directors and Audit Committee.

Board of Directors

Article: 8- The Company is managed and administered by the Board of Directors with at least 7 (seven) and at most 12 (twelve) members, to be elected by the General Assembly as per the Turkish Commercial Code.

Every year Board Members elect a chairman and two vice-chairmen to substitute the chairman by turns in his absence.

Board Members are elected for 1 (one) year. Board Members can be reelected upon the termination of their term of office. The General Assembly is authorized to change the Board Members whenever it deems necessary. A Board Member who has been removed from office cannot demand any compensation.

In case a Board membership becomes vacant before the termination of the term of office, the Board of Directors appoints a provisional member to fill the vacated position. The appointment decision is submitted for approval at the next General Assembly meeting. In this manner, the newly appointed member completes the term of office of the member she/he replaces.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

When a Board Member serving on the Board as the representative of a legal entity ceases her/his relationship with the said entity, her/his membership terminates when the entity reports the situation to the Board of Directors, without any further legal action.

Board of Directors' Functions and Authorities, and their Transfer

Article: 9- The Company is managed and represented by the Board of Directors. The Company can be represented and indebted with two authorized signatures. The same rule applies for all debt transactions and other transactions concerning the creation, revision, and termination of material rights.

The Board of Directors decides upon the authorized individuals and the required combination of these individuals to represent and bind the Board of Directors with their signature, and issues a book of authorized signatures.

The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation.

The Board of Directors can opt for a division of labor among its Members. It can elect one or more executive directors and appoint a General Manager to run the affairs of the Company.

The executive director is elected by the General Assembly, and the General Manager's function, authority and remuneration is determined by the Board of Directors.

Article: 9/A- Cancelled.

Board of Directors' Authority to Issue Bonds and Other Capital Market Instruments

Article:10– In accordance with the provisions of the Turkish Commercial Code, Capital Markets Law and other relevant legislation, the Company can issue bonds and other capital market instruments serving as debt certificates, to be marketed in domestic and overseas markets. As per Article 13 of the Capital Markets Law, the Board of Directors has the authority to issue bonds and other capital market instruments serving as debt certificates. In such a case, Article 423 of the Turkish Commercial Code does not apply.

Board of Directors' Meetings

Article: 11- The Board of Directors convenes at least once a month and at any time required in the due course of the Company's business. The meetings are held at the Company's Head Office. Nevertheless, the Board of Directors may decide to convene in a location outside the Head Office. The Board of Directors' meeting is held with the participation of the majority and decisions are taken by the majority of the Members present at the meeting.

Remuneration of Board Members

Article: 12- Remuneration of the Chairman and Members of the Board is determined by the General Assembly, and can be paid per month or per meeting.

Auditors

Article: 13- The General Assembly elects one or two Auditors for each year.

Remuneration of Auditors

Article: 14- The auditors receive a monthly or annual remuneration to be determined by the General Assembly.

Functions of Auditors

Article: 15- The auditors carry out their functions in accordance with the provisions of the Turkish Commercial Code and Capital Markets Law. Additionally, they can make proposals to the Board of Directors to ensure the adoption of measures to protect Company interests. Each Auditor is authorized to invite the General Assembly and Board of Directors to a meeting and determine the agenda.

The Company's Ordinary General Assembly concerning the activities in the 2010 calendar year was held on 21.03.2011. At the General Assembly meeting, the below mentioned members of the Board of Directors and Audit Committee were elected to serve for a 1 year term of office.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

The following individuals serve on the Board of Directors and Audit Committee of the Company:

Board of Directors

Name Surname	Title	Term of Office
Sinan Ercan Gülçur	Chairman	21.03.2011-21.03.2012
Aslı Balkır	Vice Chairman	21.03.2011-21.03.2012
Ünal Bozkurt	Vice Chairman	21.03.2011-21.03.2012
Babür Gökçek	Board Member	21.03.2011-21.03.2012
Mehmet İmregün	Board Member	21.03.2011-21.03.2012
Mehmet Talu Uray	Board Member and General Manager	21.03.2011-21.03.2012
Süleyman Kaya	Board Member and Assistant General Manager	21.03.2011-21.03.2012
Haluk İber	Board Member and Assistant General Manager	21.03.2011-21.03.2012

Audit Committee

Name Surname	Title	Term of Office
Erdal Çalıkoğlu	Auditor	21.03.2011-21.03.2012
Hakan Hasan Arı	Auditor	21.03.2011-21.03.2012

Audit Board

Name Surname	Title	Term of Office
Ünal Bozkurt	Board Member	21.03.2011-21.03.2012
Mehmet İmregün	Board Member	21.03.2011-21.03.2012

Members of the Board of Directors, Audit Board and Audit Committee whose terms of office expired during the reporting period

Name Surname	Title	Term of Office
Oktay Duran	Member of the Board of Directors	19.03.2010-19.03.2011
Canan Tomasoğlu	Member of the Board of Directors	19.03.2010-19.03.2011
BihlunTamaylıgil	Member of the Board of Directors and Audit Committee	19.03.2010-19.03.2011
Şener Canpolat	Member of the Board of Directors	19.03.2010-19.03.2011
Ufuk Saka	Member of the Board of Directors	19.03.2010-19.03.2011
Süleyman Berat Akerman	Auditor	19.03.2010-19.03.2011

Information of Affiliates and Subsidiaries:

The Company holds shares in the companies whose shareholding structure are shown below.

Selka İç ve Dış Ticaret A.Ş.

Shareholder Name/Title	Number of Shares	Ratio
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,240,838.75	99.27
Other real and legal person shareholders	9,161.25	0.73
Total	**1,250,000.00**	**100**

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

Shareholder Name/Title	Number of Shares	Ratio
Kartonsan Karton Sanayi ve Ticaret A.Ş.	74,999	50
Olmuksa International Paper Amb. San. ve Tic. A.Ş.	74,969	50
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.	1	0<
Tursa A.Ş.	30	0<
Selka İç ve Dış Ticaret A.Ş.	1	0<
Total	**150,000**	**100**

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

C. MARKET PROFILE, ACTIVITIES AND EXPECTATIONS

a) Market Profile

Since its beginning in 1967, the Company has been active in the coated cardboard sector. The coated cardboard sector supplies packaging material mainly to the food and pharmaceutical industries. The packaging material is designed for daily use products such as a vast number of food items, pharmaceuticals, detergents, matches, perfumes, textiles, perforated laminate, stationery, books and notebooks, glass articles and small white durable goods.

Although the exact data is not available, the annual domestic coated cardboard consumption is estimated to be 300 thousand tons. Kartonsan is Turkey's largest and Europe's fifth-largest coated-cardboard manufacturer, in terms of annual production volume. The Company sells around 70% of its production in the domestic market and has a domestic market share of 40-45%. The importation volume of the coated-cardboard sector is closely linked to the foreign exchange and the pricing policies of foreign cardboard manufacturers. The volume of imported cardboard varies according to changes in the foreign exchange rate. With the completion of a recent investment at the No. 1 cardboard production line on 31.01.2010, the Company's production capacity has attained 180 thousand tons/year.

b) Sales Policy of the Company

The Company's objective is to market around 75% of its production to the domestic market and the remaining 35% in overseas markets, after taking into consideration domestic and overseas market conditions. In choosing overseas markets, neighboring countries offering relatively more favorable freight charges are assigned a higher priority.

c) Investment and Dividend Policies

There is only one investment incentives certificate that the group is currently taking advantage of, all previously-issued certificates having run out in 2010. The group applied to the economics ministry to initiate completion of investment audit formalities. The terms of incentives certificate number 93726 dated 2 July 2009 were audited as of 24 June 2011 and notice of completion was issued by ministry authorities in a letter dated 1 July 2011. The terms of incentives certificate number 88699 dated 18 December 2007 were audited as of 24 September 2011 and notice of completion was issued by ministry authorities in a letter dated 20 October 2011.

The investments which the company plans are generally concerned with keeping existing plants in operation. However a quality improvement and capacity increase investment is being considered for the BM2 cardboard production line at the plant. If realized, this investment will raise the line's production capacity by an estimated 25,000 tons/year and bring total production capacity to an estimated 205,000 tons/year. Engineering work is currently being carried out on this investment.

The profit distribution policy of the Board of Directors is to distribute the minimum amount of the distributable profit required by the Capital Markets Law. Nevertheless this policy is revised each year by the Board of Directors according to domestic and foreign economic developments and investment and finance opportunities.

In this respect, the Board of Directors distribution proposal for the previous year's profit is featured as a separate section in the annual report of the current year and is made public to the shareholders and the public before the General Assembly meeting.

According to the Company's Articles of Association, Class A shares are privileged in terms of profit shares. Also, in case the first dividend is distributed, the Board of Directors is also entitled to receive profit shares. Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted, and 5% of the remainder is distributed to Class A shareholders and 4% to the Board Members as profit share.

The profit distribution takes place according to legal requirements.

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

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

D. FINANCIAL SOURCES AND RISK MANAGEMENT POLICIES

The Company does not experience any difficulties in financing, because its equity capital is robust. It invests its surplus funds in the financial system, in TL and foreign currency deposit accounts. The Company's main financial risk is the foreign exchange risk. That is because its foreign receivables and foreign currency deposit accounts carry a risk related to changes in the foreign exchange rate. Because the Company's foreign currency assets exceed its foreign currency liabilities, a rise in the exchange has favorable effects, whereas a fall adversely affects the Company's finances.

The Company is audited by the Audit Committee and Controllers, and all transactions and activities are checked for compliance with legislation and Company policies. In addition, there is ongoing work to form the risk management mechanism and revising the internal control mechanism.

As for the audit of the Company's internal control system, independent external auditors carry out audits for the confirmation of ISO 9001, ISO 14001 and OHSAS 18001 Quality Certificates and the senior management is informed of any nonconformance.

E. FORECASTS ABOUT THE DEVELOPMENT OF THE ENTERPRISE

Currently, the Company conducts its manufacturing activities in two main cardboard production lines.

The Company has completed and commissioned the quality improvement and capacity increase (estimated 25 thousand tons) investment in the production line No. 1 (BM1) of the factory at Kullar Village, İzmit as of 31.01.2010.

Our company's existing production capacity is calculated at 180,000 tons/year.

A quality improvement and capacity increase investment is being considered for the BM2 cardboard production line at the plant. If realized, this investment will raise the line's production capacity by an estimated 25,000 tons/year and bring total production capacity to an estimated 205,000 tons/year. Engineering work is currently being carried out on this investment.

F. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

1. Corporate Governance Principles Compliance Statement

2011, the Board of Directors made the utmost effort to implement the guidelines of the Corporate Governance Principles, in view of the current shareholding structure and market conditions.

The Board of Directors considers that the Corporate Governance Principles are very beneficial for both the Company and its shareholders. It is believed that the adoption of the Corporate Governance Principles will create a number of opportunities for the Company, such as lower capital cost, expansion of liquidity and means of financing, improvement of the Company's image, as well as increased visibility of the Company among domestic and foreign investors. The shareholders, for their part, will benefit from a more transparent management structure, allowing them to exercise their rights in more efficiently and access more information about the Company. These steps would be a cause for shareholders to uphold the Corporate Governance Principles.

The Board of Directors manages investor relations through the efforts of the Finance Department. The Finance Department responds to shareholders' requests of information and provides information to them concerning issues such as shares and profit distribution. The Company's Articles of Association do not have any provisions limiting the rights of shareholders (such as the rights to participate in the General Assembly, to vote, to share in profits, and to transfer shares). The shareholders' rights are protected with the information they receive through the detailed annual activity reports issued each year, and the material disclosures on matters that the Company is legally obliged to announce.

Concerning public disclosure and transparency, the Company fulfills all legal obligations outlined in the Capital Market Board's (CMB) regulations. It periodically publicly announces its financial statements, their footnotes, and independent audit reports. Further, in extraordinary situations, the Company issues material disclosures at the Istanbul Stock Exchange. Through its web site, the Company communicates in a multilateral fashion with shareholders and members of the public. The Company's disclosure policy is limited to these measures and the legislation in this area is deemed to be sufficient.

As for stakeholder relations, the Company encourages the participation of employees to management of the Company through the creation of subcommittees.

The Company has made public its human resources policy via the corporate website.

In customer relations, the Company places a high priority on the principle of customer satisfaction, receives customers' demands and expectations through periodical customer surveys and accordingly takes the necessary measures.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

SECTION I - SHAREHOLDERS

2. Investor Relations Unit

The Company's relations with shareholders were managed by the Finance Department prior to 2009, when an Investor Relations Unit was established, again under the Finance Department. The contact details of the said unit are presented below. The Investor Relations Unit received around 140 inquiries from investors during 2011. Information requests concerning issues that cannot be publicly disclosed as per the Capital Market Law were not answered. All remaining inquiries as regards profit shares, stocks and other related matters, however, were responded to.

Investor Relations Unit Manager

Name and Surname	: Bülent YILMAZ
Address	: Prof. Dr. Bülent Tarcan Sok. Pak İş Merk. No:5 K:3 Gayrettepe/Beşiktaş/Istanbul
Phone, fax and e-mail	: Tel: +90-212-2732000 (Ext. 302) Fax:+90-212-273 21 64
e-mail	: byilmaz@kartonsan.com.tr

3. Exercise of Shareholders' Right to Information

Shareholders communicate their requests for information and inquiries to the Company via phone and email. In 2011, shareholders made around 140 inquiries to the Company. Almost all of these concerned period profits, share price performance, equity ceiling increase and capital increase. The remaining questions were about dematerialization transactions, share transfers and dividend distribution. According to Capital Markets Law, such requests cannot be answered when the relevant information has yet to be made public. Information disclosed to the public, on the other hand, is made accessible to shareholders.

The main medium of information is material disclosures sent to the Istanbul Stock Exchange and published in the corporate website.

The Company's Articles of Association do not provide for requests for the appointment of special auditors as an individual right. Matters not covered by the Articles of Association are regulated according to the relevant provisions in the Turkish Commercial Code. The Company did not receive any special auditor appointment request in 2011.

4. Information on the General Assembly

The Company's General Assembly for 2010 was held on 21.03.2011. At the General Assembly, 212,413,596 shares out of a total 283,701,421, or 75% of all shares were represented. The Articles of Association do not provide for a special meeting quorum for the General Assembly, and meeting and resolution quorums are determined according to provisions of the Turkish Commercial Code. The invitation to the meeting was issued to the ISE and also published in two national newspapers. The ads described the location, date and hour of the General Assembly, sample letters of attorney for attorneys that would participate in the General Assembly, deadline of the presentation of documents verifying number of shares, financial statements for the year 2010, and the date and location of the disclosure of reports by Board of Directors, Independent Auditors and Controllers.

Because the Company does not have registered shares, there is no special invitation form concerning any such shareholders.

In the General Assembly concerning the year 2010, no inquiries were made by shareholders, but written proposals were submitted concerning the meeting's agenda. These proposals were put to a vote and accepted unanimously.

The Company's Articles of Association include an article on the functions and authorities of the Board of Directors, which provides for a division of duty at the first Board of Directors meeting following each General Assembly election. Accordingly, important decisions concerning the division of the Company, and the sale, purchase, rental etc., of large-scale assets are under the authority of the Board of Directors. As a result, the Articles of Association do not include any provisions regarding the execution of such transactions through General Assembly resolutions, although the relevant articles of the Turkish Commercial Code remain operative.

An extraordinary general meeting of the company was held on 30 September 2011. This meeting took place with a 74.34% majority (210,908,397 of 283,701,421) of shares in attendance or represented. Our company's articles of incorporation set no specific quorum requirements for the conduct of its general meetings, for which reason the convening and voting quota specified in the Turkish Commercial Code are applicable. Invitations concerning the meeting were announced at the İstanbul Stock Exchange and published in two nationally-circulating newspapers.

These announcements included information about the place, date, and time of the general meeting; a specimen proxy statement for those who might attend the meeting on behalf of shareholders; and the cutoff date for submitting evidence of shareholding interests in order to obtain a pass to attend the meeting. At the meeting, amendments in the third and sixth articles of the company's articles of incorporation which had been approved by the Capital Markets Board and by the Ministry of Science, Industry, and Technology were discussed and passed by a majority vote.

In accordance with the Articles of Association, to facilitate participation, the General Assembly is held in the three months following the end of the accounting period, at the Company Head Office. In organizing the meeting, the means of transportation and the number of attendees in previous years are taken into account.

Shareholders can access the minutes of the General Assembly meeting at the Head Office and via the corporate website.

5. Voting Rights and Minority Rights

According to the Company's Articles of Association, each share has a single vote in ordinary and extraordinary General Assembly meetings and no shares enjoy privileged voting rights. At General Assembly meetings, issues are voted on in an open manner, by raising hands; however, a secret vote can be organized upon the request of 10% of shareholders present at the meeting.

At the General Assembly, shareholders with mutual affiliate relations cast votes. Minority rights are not represented at the Company's Board of Directors, and the cumulative voting method is not utilized at General Assembly meetings.

6. Profit Distribution Policy and Deadline

In the General Assembly meeting held in 2010 concerning the activities of 2009, the profit distribution policy of the Company was added as an item to the agenda in order to provide information to shareholders once again. The Company has a profit distribution policy implemented consistently through the years, as presented to shareholders at the Ordinary General Assembly. The Company's distributable profit for the year concerned is determined based on the proposal of the Board of Directors and the approval of shareholders at the General Assembly, in accordance with the relevant legislation.

General Assembly meetings are held each year in the three months following the termination of the accounting year and the profit distribution process is completed according to the deadline determined at the General Assembly. The Board of Directors' profit distribution proposal and the net profit per share is included in the annual activity report. Nevertheless the said policy is revised each year by the Board of Directors, according to domestic and foreign economic developments and investment and finance opportunities.

In this respect, Board of Directors distribution proposal for the previous year's profit is featured as a separate section in the annual activity report of the current year and is shared with the shareholders and the public before the General Assembly meeting.

According to the Company's Articles of Association Class A shares are privileged in terms of profit shares. Additionally, in case the first dividend is distributed, Board of Directors is also entitled to receive profit shares. From the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted, and 5% of the remainder is distributed to Class A shareholders and 4% to the Board Members as profit share.

The profit distribution takes place according to legal requirements.

Unless there is a resolution to the contrary by the General Assembly, the Company shall continue to distribute profit shares by striking a balance between the possible expectations of shareholders and growth strategies.

7. Transfer of Shares

The share certificates that represent the Company's capital are all bearer shares and the Articles of Association do not provide for any limitation on share transfer.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

SECTION II – PUBLIC DISCLOSURE AND TRANSPARENCY

8. The Company's Disclosure Policy

Objective

In accordance with Corporate Governance Principles, the Company's objective is to provide accurate and complete information on financial and other matters (except confidential data and trade secrets), as required by the legislation, without affecting the value of the capital market instruments issued, nor damaging the equality of opportunity among different shareholders.

Material Disclosures under the Scope of the Disclosure Policy

In accordance with the Capital Market Board's Communiqué Series: VIII, No: 54 and guidelines issued as annex to the said communiqué, the Company provides information to shareholders, stakeholders, and the public via material disclosures to the Istanbul Stock Exchange, without compromising the equal opportunity principle. The said material disclosures are published on the same day in the Company's website.

Shareholders' information requests concerning issues which have not yet been disclosed to the public and which might compromise the equality of opportunities among shareholders are not responded to; however, all details of any information already made the public is provided to shareholders who are interested.

Disclosure Policy Instruments

The corporate website, material disclosures, activity reports, General Assembly meetings, news and ads published in newspapers and magazines are some of the means the Company uses to provide information to shareholders.

The selection of the correct instrument depends on the nature and import of the information to be unveiled. However, in all cases, the Company issues a material disclosure to the ISE, in line with CMB regulations.

The Company's website features up-to-date data and information on the Company, and the information and documents concerning investors are published under the menu "Investor Relations". The Investor Relations Unit has been established to facilitate communication between the Company and shareholders, and this unit is in charge of providing information to stakeholders.

In accordance with CMB regulations, the Board of Directors, the General Manager and Assistant General Managers can make statements to newspapers and magazines on behalf of the Company in order to provide information to the public.

At least two signatures featured in the Company's authorized signatures book must be present in any public announcement sent as a material disclosure to the ISE on behalf of the Company.

9. Material Disclosures

In 2011, there were 17 material disclosures made on behalf of the Company, as of 31.12.2011. In accordance with Public Disclosure Principles, all the material disclosures were posted according to the legal requirements. Aside from the ISE, the material disclosures were also posted in the corporate website for the information of shareholders and the public.

10. The Company Website and its Contents

The Company's website is accessible at www.kartonsan.com.tr. The website has an Investor Relations section to ensure that shareholders can access the information they need in a practical manner. This section includes all the information, reports and disclosures stated in Section II Article 1.11.5 of CMB's Capital Governance Principles, except for past amendments to the Articles of Association and trade registry journals.

11. Disclosure of Ultimate Controlling Individuals

The Company does not issue public disclosures concerning the ultimate controlling individuals after netting out indirect and mutual affiliate relations. The Company's periodical financial statements and the footnotes to these statements include only the shareholding structure after the netting out of indirect and mutual affiliate relations (without going as far as the ultimate controlling individuals). These reports are disclosed to the public via the ISE and the corporate website.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

12. Public Disclosure of Insiders

The Company's website and annual activity report include lists with the names of the Board Members, the General Manager, Assistant General Managers, and department managers in charge of Company operations. Additionally, the list of individuals with access to insider information has been prepared by the Board of Directors and is ready for delivery upon request by the CMB. The individuals included in the list were provided with information on the legislation and regulations of the CMB.

SECTION III - STAKEHOLDERS

13. Informing the Stakeholders

The stakeholders are informed about the operations of the Company via General Assembly meetings and material disclosures in line with the public disclosure policy. These disclosures are posted in the ISE, as well as the corporate website, which also features annual activity reports.

14. Stakeholders' Participation in Management

In order to ensure that personnel on different levels of the organization participate in management, monthly Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management, and various issues are discussed in these meetings. The decisions taken are implemented by the departments in question.

15. Human Resources Policy

The Company places a high priority on occupational health and safety in all of its operations. Further, it follows a human resources policy that emphasizes participation and development of employees with continuous training. The Company's recruitment policy ensures that the right individual is appointed to the right post, in view of employees' objectives and personal competencies, as well as equal opportunity among employees in the same position. The criteria for the recruitment of personnel are stated in written form and all recruitment decisions comply with these criteria. The Company plans and puts into practice various training programs to enrich employees' know-how and skills, and support their personal development. The job definitions of the Company's employees are stated in written form. Various measures are taken to increase productivity and improve working conditions. To boost employee motivation and satisfaction, various social events are held periodically.

16. Information on Relations with Customers and Suppliers

In order to boost satisfaction of suppliers and customers, the Company engages in multilateral communication and tries to respond to expectations. For this purpose, customers and suppliers are visited, and customer surveys are conducted to receive first hand information on demands and expectations. The result is that the Company is able to formulate solutions. The Human Resources and Quality Systems Department has been specifically established to directly receive customer complaints concerning Company products. This unit is easily accessible via all communication channels. Inspections reveal any quality deficiencies related to production, which are then immediately resolved.

17. Social Responsibility

With an awareness of its responsibilities towards society at large, the Company constructed an elementary school in the Kocaeli Village where its plants are located and donated the school to the Ministry of National Education. The Company makes significant annual contributions to meet the school's expenses.

The Company holds ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety System certificates issued by BVQI. All necessary action is taken to meet system requirements and to ensure safety of the employees and respect for the environment.

The Waste Water Treatment Plant avoids the direct discharge of processed water into the environment, and the waste water treatment plant's output values are constantly monitored. Other wastes are delivered to licensed firms, which then recycle or eliminate them, thus contributing to the prevention of environmental pollution.

In cardboard production, the Company uses 90% recycled paper to contribute to the national economy and protection of forests.

Every year, the day and night noise levels in and around the factory are measured, and the noise level is kept within legal limits.

To contribute to minimizing environmental pollution, the Company uses natural gas, generates its own energy and makes all the necessary measurements in time.

The Company also makes social donations to sports clubs, municipalities, public agencies, associations and foundations in the community.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

SECTION IV – BOARD OF DIRECTORS

18. The Structure and Formation of the Board of Directors and Independent Members

The Board of Directors is composed of the following individuals:

Name Surname	Title
Sinan Ercan Gülçur	Chairman
Aslı Balkır	Vice Chairman
Ünal Bozkurt	Vice Chairman
Babür Gökçek	Board Member
Mehmet İmregün	Board Member
Mehmet Talu Uray	Board Member and General Manager
Süleyman Kaya	Board Member and Assistant General Manager
Haluk İber	Board Member and Assistant General Manager

Mr. Mehmet Talu Uray (General Manager), Mr. Süleyman Kaya (Assistant General Manager) and Mr. Haluk İber (Assistant General Manager) hold executive positions in the Company, whereas the other Board Members do not.

The Articles of Association do not provide for any provision preventing Board Members from assuming other duties outside the Company. Each year the Company's General Assembly grants Board Members the authorities indicated in the Articles 334 and 335 of the Turkish Commercial Code. The reason for this practice is that Board Members had already assumed other duties and responsibilities outside the Company before becoming Board Members.

The Articles of Association do not take up the issue of the independence of Board Members; however, there are independent members on the Board, aside from members representing shareholders. The independent members are experts in the sector and serve the Company and its shareholders with their information, skills and know-how.

19. Qualifications of Board Members

The Company's Articles of Association do not provide for provisions concerning the election criteria of Board Members; however, the current Board Members fulfill the qualifications stated in Section IV, Articles 3.1.1, 3.1.2 and 3.1.5 of CMB Corporate Governance Principles. There are no Board Members who do not fulfill the said criteria.

20. The Company's Mission, Vision and Strategic Objectives

The Company has adopted its mission and vision as a Company policy under the scope of the ISO 9001 Quality Certificate and published these in its website and annual activity reports. Accordingly, the Company's Quality-Environment-Occupational Health and Safety policy is as follows:

As a manufacturer of cardboard, Kartonsan A.Ş. aims at maintaining the high quality of its products and activities in line with occupational safety rules and with minimum impact on the environment. Accordingly it has established an Integrated Management System.

In this respect the Kartonsan family strives to maintain its leadership of the Turkish market and competitive position in the world, in the Company's main field of activity: cardboard manufacturing. The Company's commitments as regards this objective are as follows:

- Constantly improving the efficiency of Quality–Environment–Occupational Health and Safety Management Systems by employing the correct human resources, appropriate technologies and financial resources,
- Continuously upgrading product and service quality in line with the demands and expectations of customers,
- Placing as a high priority, occupational health and safety in all employee operations, preventing work accidents, and becoming an organization that learns, develops and shares through continuous training and participatory management,
- Preventing environmental pollution, utilizing natural resources in an efficient and productive fashion, using recycled inputs and manufacturing recyclable end-products,
- Complying with current laws and legislation, ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety Management System standards and other rules in all operations,
- Maintaining the satisfaction of customers, suppliers, employees, shareholders and the society at large through multilateral communication.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

Department managers and senior managers set strategic targets every year and submit these to the approval of Board of Directors as part of budget activities. In this process, departmental targets are assessed by senior managers and the ultimate targets of the Company are identified. These targets in turn are approved, and evaluated monthly at Board of Directors' meetings.

21. Risk Management and Internal Control Mechanism

The Company is audited by the Audit Committee and Controllers, and all transactions and activities are checked for compliance with legislation and Company policies. In addition, there is ongoing work on the formation of the risk management mechanism and the revision of the internal control mechanism.

Concerning the audit of the internal control system, independent external auditors undertake audits for the confirmation of ISO 9001, ISO 14001 and OHSAS 18001 Quality Certificates and problems detected are reported to the Company's senior management. Solutions are sought for these problems and necessary policies are formulated through multilateral communication.

22. Authorities and Responsibilities of Board Members and Managers

The Company's Articles of Association outline the authorities and responsibilities of the Board of Directors. The authorities and responsibilities of other executives are not included in the Articles of Association; however, job definitions list the authorities and responsibilities of all employees including senior management.

23. Working Principles of the Board of Directors

According to the Company's Articles of Association, the Board of Directors convene at least once a month and whenever deemed necessary. In 2011, the Board of Directors convened 20 times.

Prior to meetings, the secretariat of the Head Office sends written invitations to the Members. The meeting agenda is determined by discussions between the Chairman and Members. According to the Company's Articles of Association, in order for the resolutions of the currently eight-member Board to be effective, the absolute majority of the Members must be present. The decision must be taken by the affirmative vote of the majority.

Board Members always have the right to oppose any resolution and state their caveats. The Company's Articles of Association do not provide provisions for veto rights of the Board Members.

24. Doing Business with the Company and Non-Compete Clause

The Company's Articles of Association do not provide any ban on doing business or competing with the Company during the period, and the relevant provisions of the Turkish Commercial Code are implemented. As a result of proposals submitted at the General Assembly Board, Members were granted the authorities listed in the Articles 334 and 335 of the Turkish Commercial Code.

No member of the company's board of directors is involved in any business relationship with the company. However while allowing that such relationships may exist in the future, it is also recognized that they must not entail any special privileges. It is a company policy that the same norms, procedures, and rights that are applicable to customers must also apply to company directors.

25. Code of Ethics

The Board of Directors has not prepared a code of ethics for the Company and its employees, disclosed to employees and the public. However, there are job definitions for employees and their actions and statements are kept in compliance with well-established business life principles, laws, ethical values, traditions, norms, and principles of environmental protection.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

26. The Number, Structure and Independence of Committees Formed by the Board of Directors

The Board of Directors has formed the two-member Audit Committee. No other committees, such as a Corporate Governance Committee, were established.

The Audit Committee has two members and convenes every three months. The Audit Committee conducts its activities in line with well-established principles and there are no written procedures regulating its working principles. The Audit Committee members are elected among non-executive members competent in their respective fields.

After each meeting, the Audit Committee issues a written report about its activities and presents a summary of the meeting minutes to the Board of Directors.

27. Remuneration of the Board Members

The rights, benefits and salaries of Board Members do not include any performance-based remuneration.

According to the Company's Articles of Association, each year, 10% of the paid-in capital is deducted from the distributable profit used to calculate the first dividend, and 4% of the remainder is distributed to Board Members as profit share. Besides each year the General Assembly decides upon the attendance fees of Board Members. According to the relevant General Assembly resolution, the Board Members received a gross salary of TL 300 per month during 2010. For 2011, this figure was raised to TL 350 at the General Assembly decision dated 21.03.2011.

G. INFORMATION ON THE COMPANY'S SECTOR OF ACTIVITY AND ITS POSITION IN THE SECTOR

The Company is active in the coated cardboard sector. Its main raw material for production is scrap paper; small amounts of cellulose and coating chemicals are also utilized. The largest part of the manufactured cardboard is utilized as packaging material by the food, pharmaceutical, cosmetic and detergent sectors. Despite the lack of exact data, it is estimated that the total domestic demand is around 300 thousand tons/year. The Company's annual production capacity is around 180 thousand tons, and of this production, 70-80% is sold in the domestic market and the remaining 20-30% in overseas markets. The other manufacturers in the sector are thought to possess a production capacity of 75 thousand tons and the rest of the coated cardboard demand is met through importation.

H. DEVELOPMENTS IN INVESTMENTS AND INCENTIVE UTILIZATION

There are no investment incentives certificates that the company is currently taking advantage of. Applications have been made to Treasury authorities to initiate completion of investment audit formalities for previously-issued certificates.

The investments which the company plans are generally concerned with keeping existing plants in operation. However a quality improvement and capacity increase investment is being considered for the BM2 cardboard production line at the plant. If realized, this investment will raise the line's production capacity by an estimated 25,000 tons/year and bring total production capacity to an estimated 205,000 tons/year. Engineering work is currently being carried out on this investment.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

I. THE COMPANY'S PRODUCTION UNITS, THEIR QUALIFICATIONS, CAPACITY UTILIZATION RATES AND COMPARISON WITH THE PREVIOUS YEAR

The Company produces coated cardboard at its factory in Kullar Village, Kocaeli, and generates the electric power required by the plant under an auto producer license. The Company's annual coated cardboard manufacturing capacity is calculated to be approximately 180 thousand tons. (31.12.2010: 180 thousand tons) The production and sales volumes of 2010 and 2011 are presented below. The capacity utilization ratio, calculated by dividing current production with annual production capacity stood at 93% as of 31.12.2010. (31.12.2009:89%)

The Group's period-end production and sales volumes are as follows.

Production Volumes	01.01. - 31.12.2011	01.01. - 31.12.2010
Coated Cardboard (Tons)	167,833	160,834
Scrap Paper (Tons)	99,560	93,226
Electric Power Sales (10^3 Kwh)	133,012	132,056

J. INFORMATION ON SALES

The Company's comparative consolidated sales volumes for the years 2010 and 2011 are as follows

Sales Volume	01.01. - 31.12.2011	01.01. - 31.12.2010
Coated Cardboard (Tons)	160,050	161,807
Scrap Paper (Tons)	99,065	90,748
Electric Power Sales (10^3 Kwh)	25,504	25,941

Our net consolidated sales in 2011 amounted to TL 172,011,097 in value. Such sales amounted to TL 211,305,096 in 2010.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

K. FINANCIAL RATIOS OF CONSOLIDATED FINANCIAL STATEMENTS

Liquidity ratios		31.12.2011	31.12.2010
Current Ratio	Current Assets/ Short Term Liabilities	7.07	5.94
Acid Test Ratio	(Current Assets-Inventories)/ Short Term Liabilities	4.63	4.06
Inventories /Current Assets	Inventories/Current Assets	0.35	0.32
Working Capital	Current Assets (excluding Cash and Liquid Assets)- Short Term Liabilities (excluding Loans)	61,549,468	42,556,551
Cash Ratio	(Cash and Liquid Assets)/ Short Term Liabilities	3.09	2.53
FINANCIAL STRUCTURE RATIOS			
Financial Leverage	(Short and Long Term External Assets) /Assets	0.11	0.12
Total Liabilities/ Shareholders' Equity		0.13	0.13
Short-Term Liabilities/ Shareholders' Equity		0.10	0.10
Long-Term Liabilities/ Shareholders' Equity		0.02	0.03
Fixed Assets/Shareholders' Equity		0.41	0.52
Financial Liabilities/ Shareholders' Equity		0	0
PROFITABILITY RATIOS			
Asset Turnover Rate	Net Sales/Total Assets	0.92	0.89
Gross Profit Margin	Gross Sales Profit/Net Sales	0.23	0.17
Asset Utilization	Net Profit/Total Assets	0.16	0.09
Net Profit/Net Sales		0.17	0.10
Pre-tax Profit/Net Sales		0.22	0.13
Net Profit / Shareholders' Equity		0.18	0.10
Operational Profit/Sales Revenues		0.18	0.11
Net Profit Per Share		13.03	6.19
Cash Assets		63,626,032	44,236,230
Financial Liabilities		62,557	325,889
Net Financial Position		63,563,475	43,910,341
Commercial Receivables		25,771,032	22,017,331
Other Receivables		118,046	735,765
Inventories		50,288,483	32,795,747
Commercial Liabilities		15,216,483	13,026,383
Other Liabilities		3,135,586	2,423,410

The Company has not opted for any external funding as its financial structure is robust.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

L. INFORMATION ON CHANGES IN SENIOR MANAGEMENT AND ITS PRESENT MEMBERS

During the current year there was no change in the senior management. Below is information on the Company's General Manager and Assistant General Managers.

Mehmet Talu Uray – Board Member and General Manager

Mehmet Talu Uray was born in 1956. He holds a BS in mechanical engineering and an MS in management engineering from İstanbul Technical University and a PhD in finance from İstanbul University. Prior to coming to our company he served in a variety of management positions in the private sector and was the general manager of Çuhadaroğlu Holding's chemicals, marketing, and industrial companies in 1997-2001. In the latter year, he joined Kartonsan as its general manager with a seat on the Board of Directors, a position which he has held since then. Concurrent with these duties Mr. Uray also holds the position of managing director at Dönkasan Dönüşümlü Kağıt Sanayi ve Ticaret A.Ş., in which Kartonsan controls a minority stake, and in Selka İç ve Dış Ticaret A.Ş., which is a Kartonsan subsidiary.

Süleyman Kaya – Board Member and Assistant General Manager

Süleyman Kaya was born in 1956. A graduate of the İstanbul Boys' Lycee, he holds a BS from İstanbul Technical University (Faculty of Mechanical Engineering) and an MS from Aachen Technical University in Germany. Having served in a variety of capacities at our company in 1983-1996, in February of the latter year he was promoted to the position of assistant general manager. He has also held a seat on the company's board since 2006. Concurrent with these duties Mr. Kaya also holds the position of director at Selka İç ve Dış Ticaret A.Ş., which is a Kartonsan subsidiary and, since 2011, the position of director at Dönkasan Dönüşümlü Kağıt Sanayi ve Ticaret A.Ş., in which Kartonsan controls a minority stake. Süleyman Kaya is also a director and company manager for the firm of Mel SA, a member of the Pak Group which is based in Greece.

Haluk İber – Board Member and Assistant General Manager

Haluk İber was born in 1959. He holds a BS from İstanbul Technical University (Department of Chemical Engineering) and an MS from Maine University in the United States. He began his career in 1987 at the firm of Seka A.Ş. He served in a variety of capacities at our company from 1991 to 2002 and he has been an assistant general manager since the latter year. Mr. İber has been a Kartonsan director since being voted to a seat on the company's board in 2005.

M. EMPLOYEES AND LABOR MOVEMENTS, COLLECTIVE LABOR AGREEMENTS, RIGHTS AND BENEFITS OF THE PERSONNEL AND WORKERS:

The Company employs 271 individuals, except the personnel of contractor firms as of 31.12.2011. (31.12.2010: 261 individuals)

The workers employed at the Company factory are members of the trade union Selüloz-İş. The Company signed a collective labor agreement with Selüloz-İş covering the period 01.09.2010 to 31.08.2012, on 11.02.2011. All rights and benefits outlined in detailed collective labor agreements were completely offered to the workers.

Board of Directors Annual Report Pursuant to the Communique Series: XI No: 29

N. INFORMATION ON DONATIONS DURING THE YEAR:

The Company makes contributions to foundations and associations active in the fields of sports, education and culture. Additionally, the Company constructed an education facility in the Kocaeli University's campus at the Kullar Village in 2008. The Company donated it to the university, and provided various social donations and assistance in the year 2010.

The details of donations and assistance provided by the Company in 2011 are as follows:

Donations (TL)	31.12.2011
Donations to primary and secondary schools, and universities	27,285.96
Donations to foundations (educational, sports, and social)	45,000.00
Construction expenditures for an education-related building that is being erected as a charitable donation	1,126,900.00
Donations to other institutions	6,965.40
Total	**1,206,151.36**

O. MAIN ELEMENTS OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS:

The Company is audited by the Audit Committee and Controllers. All transactions and activities are checked for compliance with legislation and Company policies. In addition, there is ongoing work to form the risk management mechanism and revise the internal control mechanism.

Information for Investors

Stock Exchange

Kartonsan A.Ş. shares are traded on the National Market of the İstanbul Stock Exchange (ISE) under the symbol, KARTN. Information about the Company's shares is regularly published in the economics sections of daily newspapers and on the internet websites of investment brokerages.

Kartonsan's annual reports and other data can be obtained from the address below and via the corporate website at www.kartonsan.com.tr.

Kartonsan Investor Relations

Prof. Dr. Bülent Tarcan Caddesi No:5 Pak İş Merkezi Kat: 3
Gayrettepe 34349 İstanbul

Annual General Meeting

Kartonsan A.Ş.'s Annual General Meeting will be held on 2 May 2012 Wednesday at 10:30 at the Conrad İstanbul Otel Cihannüma Cad. Saray Mah. No:5 34353 Beşiktaş - İstanbul.

Independent Auditors

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Tax Certification

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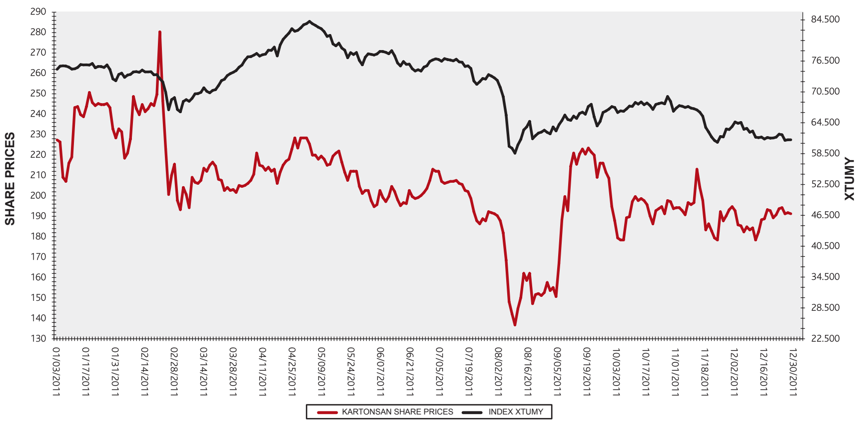
Tel: (90 212) 326 60 60 Fax: (90 212) 326 60 50

Kartonsan Share Performance in 2011

Kartonsan's year-end balance sheet shows paid-in capital amounting to TL 2,837,014.21. This capital is divided into 283,701,421 shares of which 200 are "Class A" and 283,701,221 are "Class B" shares.

Kartonsan Share Performance in 2011 (in comparison with ISE General Index)



The shares' lowest trading price during the year was TL 136.00 and the highest was TL 281.00. The average trading price for the year 2011 was TL 203.70. The table below shows the lowest and highest trading prices during the year.

QUARTER	Lowest (TL)	Highest (TL)
01.01.11-31.03.11	193,00	281,00
01.04.11-30.06.11	194,50	228,50
01.07.11-30.09.11	136,00	223,50
01.10.11-31.12.11	178,00	213,00

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