Kartonsan

Annual Report 2014

pak group

Contents

Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

AGENDA FOR THE 2014 ANNUAL GENERAL MEETING TO BE HELD ON 30 MARCH 2015

1. Opening the meeting and electing the presiding committee,

2. Reading and deliberating the Board of Directors' Report concerning 2014 operations,

3. Reading and deliberating the Independent Auditors' Report concerning 2014 operations,

4. Reading, deliberating, and approving the 2014 balance sheet and income statement,

5. Acquitting company directors of their fiduciary responsibilities for the company's 2014 operations,

6. Providing information about donations made in 2014 and setting limits on such donations in 2015,

7. Approving, discussing any changes in, and approving or rejecting the Board of Directors' proposal concerning distribution of 2014 profits and the date of their distribution,

8. Determining remuneration to be paid to the members of the Board of Directors,

9. As required by Capital Markets Board Corporate Governance Principles, electing and approving members of the Board of Directors, at least two of whom must be independent directors,

10. Informing the General Assembly about the principles governing the emolument of company directors and senior managers,

11. Presenting, pursuant to the Turkish Commercial Code (Statute 6102), for the General Assembly's approval the independent auditors selected by the Board of Directors to audit the company's 2015 financial statements and reports pursuant to the Capital Markets Law (Statute 6362),

12. Informing the General Assembly, pursuant to Articles 395 and 396 of the Turkish Commercial Code and to relevant capital markets laws and regulations, that company shareholders, directors, and senior managers who are in control of the company's management as well as their spouses and their first- or second-degree relations, whether by blood or marriage, may engage in transactions that may involve conflicts of interest and/or their competing with the company or with its subsidiaries or affiliates; obtaining the General Assembly's approval for these individuals' involvement in such dealings.

13. Requests and comments.

Corporate Summary

Kartonsan continues to move forward towards its growth targets, focusing on customer satisfaction and high quality standards in production in all circumstances.

Kartonsan became the 4th largest coated cardboard producer in Europe with its 240,000 tons/year production capacity in 2014.

Kartonsan has been the undisputed and constant leader in the coated cardboard market in Turkey since its establishment in 1967.

Founded 44 years ago, Kartonsan is the leading player in the coated cardboard market in Turkey thanks to its;

- total production capacity,
- market share,
- volume of the recyclable waste paper it can use in production,
- quality standards, and
- logistics power.

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

Kartonsan distinguishes itself in the market both nationally and internationally by virtue of its unrivaled production and quality standards, superior customer satisfaction and its strengths in manufacturing, trading, and logistics and continues to move forward towards its growth targets.

Kartonsan reaches a wide range of customers in various sectors such as food, pharmaceuticals, cosmetics and advertising and promotion.

Having continued to generate value for its shareholders through a strong economic performance in 2014, Kartonsan commands a 27% share in the Turkish coated cardboard (WLC) market, the total size of which is estimated at around 365,000 tons, based on ECMA figures. Meanwhile, exports accounted for 22% of Kartonsan's total sales in the same period.

In the meantime Kartonsan products are being exported to more than 20 countries including Bulgaria, Romania, Spain, Portugal, the UK, France, Italy, Egypt and Greece.

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

As a responsible industrial entity, Kartonsan pays specific attention to protecting the environment and respecting nature. The Company acts with consideration of the fact that it operates in a critically important industry in terms of natural production relation and interaction, and takes the necessary steps. Kartonsan recycles up to 99% of its paper in the production process, exceeding the sector average in Europe, as well as;

- employing the latest modern techniques to purify and re-use its waste water,
- generating its own energy, and
- utilizing the turbine exhaust gases effectively to produce steam.

Kartonsan's contribution to society increases each year

Kartonsan focuses on creating value in a broader sense and for all of its stakeholders. Kartonsan's contribution to society exhibits itself with the employment opportunities created with the direct and indirect taxes paid, the synergy created within the supply chain and with the social responsibility work and activities it carries out. Kartonsan's corporate targets include:

- Respecting human rights and the right to work,
- Maintaining a contemporary working environment,
- Ensuring that the "zero accident" target is met and
- Constant development of the total value given to its employees.

On the other hand, Kartonsan continues to contribute to society with training activities and in other various areas.

A member of the Pak Group

Pak Group is the Company's major shareholder, holding a 75.33% stake.

Kartonsan shares are traded on the BIST National Market under the KARTN ticker.

Kartonsan's assets reached TL 332 million at the end of 2014, according to the independently audited and consolidated financial statements.

Detailed information regarding Kartonsan shares is presented on page 112 of this report.

_A 30% increase
in Production Capacity

Kartonsan has successfully completed its expansion by increasing its total production capacity by 30% in 2014, and has added value to its quality with its investments.

Kartonsan's Production Power

As Europe's 4th biggest manufacturer of coated cardboard, Kartonsan products are being used in different sectors such as food, pharmaceuticals, cosmetics, advertising and promotion.

438,660 m²
Total Area

338,674 m²
Open Space

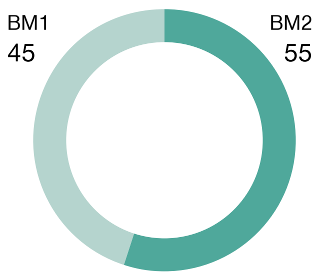
99,986 m²
Enclosed Area

BM1: 80,000 tons
BM2: 160,000 tons
Production Capacity

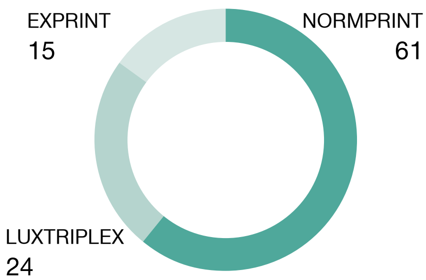
Product Range
- Normprint
- Exprint
- Luxtriplex
- Ultratriplex

Total Production
(thousand tons - gross)

Breakdown of Production
(%)



Breakdown of Production
(%)



10,000 m³
Daily Capacity of Waste Treatment Facilities

187,464 million kWh/year
Electricity Generation Capacity

499 tons
Cellulose

130,139 tons
Waste Paper

15 tons
Maximum Grinding Roll Weight

Kartonsan Quality in Production

Kartonsan maintains its competitive and strong position within the cycle of production-trade and logistics as well as developing its product range in line with market demand and customer expectations.

The factors that define Kartonsan's sustainable growth and its competitive structure are its professional and corporate management structure as well as qualified human resources, its long years of experience in the sector and its production power based on advanced technology.

Annual production capacity:
240,000 tons/year (BM1 and BM2)

Production capacity of electrical energy:
513,600 kWh/day
187,464,000 kWh/year

Maximum grinding roll weight:
15 tons

- high quality standards
- sustainable customer satisfaction
- competitive and strong position in production-trade and logistics cycle.

Kartonsan's product range

Kartonsan's manufacturing operations are carried out at the Company's factory in Kocaeli, while its headquarters are located in Gayrettepe, İstanbul. As of 2014, the plant occupied an area of 438,660 m^2 of which 99,986 m^2 was enclosed where Kartonsan manufactures its main products, consisting of coated cardboard made from recycled paper and generally referred to 'duplex (gd)' and 'triplex (gt)' coated cardboard in the industry. Kartonsan products are used in various sectors such as food, pharmaceuticals, cosmetics, advertising and promotion.

Kartonsan products are certified;

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

Kartonsan raised its total production capacity by 30% in 2014 and has also succeeded in successfully expanding its investment to other areas, contributing to the overall quality.

The Company holds the responsibility of being Europe's 4th largest coated cardboard producer and will continue to develop its production range in accordance with market demand and customer expectations in 2015 and in the coming years.

Kartonsan's product portfolio and Characteristics

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

NORMPRINT

Normprint is a multi-coated cardboard with a blade top coat that provides brilliant printability with substantial ink economy and a high degree of varnish ability. The back section is grey and it is a multi-layered coated cardboard that can successfully be used for a wide range of different packaging applications.

EXPRINT

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

LUXTRIPLEX

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

ULTRATRIPLEX

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

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

Kartonsan and Sustainability

Sustainability plays a very important role in Kartonsan's strategy and corporate targets.

As a corporate entity with a responsibility to the economy, the environment and society; Kartonsan's core and constant targets include;

- maximizing the use of waste paper in producing coated cardboard and
- minimizing the negative effects of its production cycle on the environment.

Sustainability is considered a core value in Kartonsan's strategy and corporate targets.

As a core value in Kartonsan's strategy and corporate targets, sustainability is also considered together with the economic growth and ecological balance.

In the global scope, paper and cardboard producers are now more focused on the use of waste paper for production and on developing sustainable forest projects. Kartonsan contributes to this global effort by maximizing the use of recycled paper in producing coated cardboard.

The Company used a total of 130,139 tons of waste paper according to 2014 figures. The use rate of waste paper at Kartonsan for the year 2014 was 99.6%, which is above the European average.

Kartonsan's practices within the production cycle support the protection and development of forests. Kartonsan has held the FSC-CoC certification since 2011, and acts in line with the requirements to use forestry resources effectively.

Within the scope of its energy efficiency strategy, Kartonsan completed the necessary steps for the establishment of the ISO 500001 Energy Management Standard in 2014. An energy team was established in the Company and documentation and field work was completed in line with the system requirements. Kartonsan was deemed to be eligible for system certification following the audit and supervision carried out by Bureau Veritas in November.

The Expansion and Modernization Project, completed in 2014, also contributed significantly to Kartonsan's energy efficiency and its capacity and efficiency in recycling waste water.

With the completion of the investment, the rate of recycled water at Kartonsan has gradually increased from 30% to 60%.

Within the scope of sustainability, Kartonsan works in cooperation with suppliers, municipalities and waste paper collection organizations.

Kartonsan will continue to reach the maximum recycling rates with systematic work and by decreasing the consumption of natural resources as well as by using recycled materials at the maximum level.

The completion of the Expansion and Modernization Project in 2014, also contributed significantly to energy efficiency and the capacity to recycle waste water.

_ISO 50001

Energy Management System

Kartonsan established an Energy Management Team, and qualified for the ISO 50001 Energy Management System Certificate in 2014.

Kartonsan from Past to Present

Kartonsan, Europe's 4th largest coated cardboard producer, was established in 1967 and started producing coated cardboard in 1970.

Turkey was introduced to domestically produced coated cardboard when Kartonsan commenced its operations.

1970

Kartonsan begins manufacturing coated cardboard for making boxes.

1980

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

1985

Kartonsan's waste treatment plant becomes operational.

1986

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

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

1993

Computer-controlled production lines are installed.

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

1995

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

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

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

1996

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

1997

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

2002

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

2003

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

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

2006

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

2009

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

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

2010

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

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

2011

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

In the 41 years since then, Kartonsan has become one of the leading coated cardboard manufacturers in Europe.

2012

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

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

2013

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

2014

The project for BM2 capacity improvement was finalized in 2014. Kartonsan's production capacity increased by 60% in the BM2 line, with a total capacity increase of 30%.

Within the scope of its expansionary investment, checks on the use of energy and natural resources will be completed and work on decreasing the use of vapor will be carried out.

Within the scope of the regulation on the follow-up of greenhouse gas emissions, a plan has been developed to follow greenhouse gas emissions resulting from Kartonsan's activities, and this plan will be submitted to the Ministry of the Environment and Urban Development in 2014.

An energy team has been established to conduct work on the system requirements; Kartonsan was granted the 50001 Energy Management System certification following the work carried out by Bureau Veritas.

Kartonsan in Figures

Kartonsan reached its operational targets in 2014, primarily in terms of sales and exports. The sustainable growth was also effectively reflected to Kartonsan's financial performance.

Financial Highlights

(TL Thousand)	2013	2014
Total Net Sales	224,216	199,846
Total Exports	67,426	54,434
Total Assets	282,842	332,029
Net Profit	35,795	19,433

Earnings per Share (Consolidated / USD 1 par Value per Share)		
Ordinary Shares	12.61723	6.84996
Preferred (Group A) Shares	12.61723	6.84996

Key Ratios

LIQUIDITY RATIOS	2013	2014
Current Ratio	5.14%	1.31%
Acid Test Ratio	3.55%	0.66%
Cash Ratio	2.15%	0.07%

PROFITABILITY RATIOS	2013	2014
Pre-Tax Profit / Net Sales	20%	0%
Pre-Tax Profit / Shareholders' Equity	14%	7%

FINANCIAL STRUCTURE RATIOS	2013	2014
Total Liabilities / Shareholders' Equity	13%	28%
Short-Term Debt / Shareholders' Equity	11%	26%
Long-Term Debt / Shareholders' Equity	2%	1%

Net Sales

TL 200 million

Kartonsan realized consolidated commercial turnover of TL 200 million in 2014.

Net Profit

TL 19 million

Kartonsan wrote a consolidated net profit of TL 19 million and a gross profit margin of 9%.

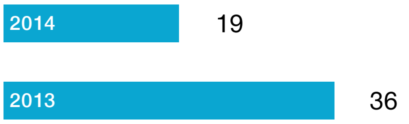
Total International Sales

TL 54 million

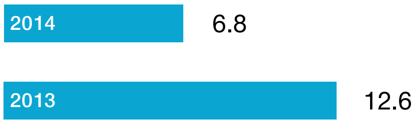
Kartonsan recorded direct exports of 27,000 tons in 2014, with exports accounting for 20-25% of total sales. Kartonsan additionally realized 10,000 tons of export-listed sales.

Total Assets
(TL million)

Net Profit
(TL million)



Earnings Per Share
(TL)

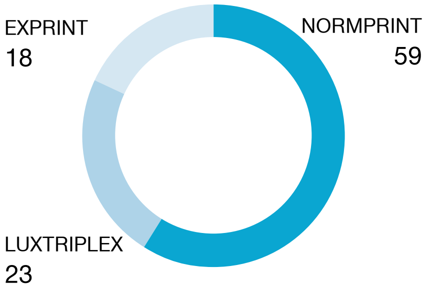


Total Net Sales
(TL million)

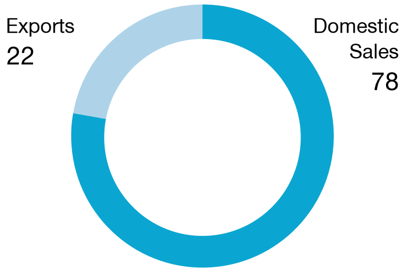
Domestic Sales
(TL million)

Total Exports
(TL million)

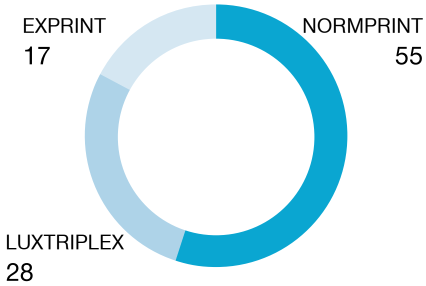
Sales by Product Type
(%)



Sales by Geography
(%)



Domestic Sales by Product Type (%)



Message from the Chairman

We have successfully completed the expansion and modernization work, which we view as a giant leap towards the future.

Esteemed shareholders, customers and employees,

We are focused on growth and the future, together with a new approach to leadership.

We leave behind a year in which we strengthened our position as the leading brand in Turkey's coated cardboard sector, as well as successfully completing an important breakthrough towards the future with the strength we already have as a long-established company.

The most important area of progress during our Company's 44th year was the completion of expansion and modernization work as projected and within the parameters of our investment program. With the completion of this investment, Kartonsan has increased its total capacity to 240,000 tons/year and became the 4th largest company in Europe.

We define this progress as a very important step and believe that it will set a milestone for the growth we projected in the medium-term future.

Investments made for expansion and modernization are extremely difficult and they require a great deal of devotion. The main issue during this process is to provide services and goods to customers without any disruptions during the ongoing work. Balancing these two aspects requires knowledge, a strategic approach, planning and, most importantly, leadership skills. It gives me great pleasure to report that Kartonsan was able to meet its customers' demands in the first 3 quarters of 2014, during the most challenging phase of the work and this has reinforced its unrivaled position for customers.

Our 45.5 million Euro investment project, which was mostly financed through our own funds, confirmed the confidence of our principal stakeholder, Pak Group, in the Kartonsan brand as well as their confidence in the coated cardboard sector and in the Turkish economy. We believe the Turkish economy will really shine in the medium and long term and will rise to one of the top spots in the global league. Although there may be volatility caused by the pressure from the global economy in the short-term, we are confident that the Turkish economy will offer a bounty of employment opportunities that will also enable the private sector to move forward.

Strong and well-known brands like Kartonsan will continue to create value in the future and will continue to grow by facing competition and challenges by being one step ahead. Our core characteristics are being deeply rooted, robustness, high quality, respectability and leadership - and these aspects will furnish us with the driving force and energy to move forward.

I would like to congratulate the management team and all Kartonsan employees who have successfully completed and finalized the expansion and modernization project within the projected budget and timeframe, and would like to thank them all for all their hard work and effort during this challenging period, also on the behalf of the Executive Board. As long as our human resources, who are so devoted to the Kartonsan brand, continue to perform courageously with such determination, our Company will enjoy more success stories and develop further in the global league.

Ongoing change in the global economy

Although it has been six years since the 2008 global financial crisis, which is now considered as a milestone in economic literature, we can still see that the world economy is not on a balanced growth path and the decoupling between different blocks of the economy is increasing.

With the financial crisis behind it, the US Economy continued to improve and grow in 2014. Confidence indices grew stronger, employment significantly increased and it GNP was on the rise.

A strong and long-established brand

Strong and long-established brands like Kartonsan will continue to create value in the future as they do now, as well as facing the challenge of competition ahead of the pack and developing further.

Euro 45.5 million

The total spending on our investment project reached Euro 45.5 million and most of the expenditure was financed by Kartonsan's own funds and resources.

On the other side of the Atlantic, however, it is deflation and recession that are the dominant themes. As we move into 2015, there has been a mounting consensus in the international economics and business world that Europe could be heading for a recession, and these views are now being expressed much more prominently.

Germany's economic growth decelerated towards the end of 2014 with the Eurozone tipped into a triple dip recession, 6 years after first entering recession, according to the statistics. With the recession effect, prices have gone down in eight European countries and average inflation in the Eurozone has decreased to 0.3% - a long way from the European Central Bank's target of 2%.

In order to invigorate the European economy, radical measures need to be taken in addition to the procurement of bonds by the European Central Bank (ECB), and the pressure has increased in recent months. However, Europe's current legislative framework does not allow this. Within the scope of the current legislative regulations, one of the primary areas for discussion has concerned developing of a synchronized policy with the European Investment Bank and initiating a finance mechanism aimed at stimulating infrastructural investment. Another means of stimulating the economy is to define a new budget deficit for European Union which excludes investment spending, and to give some degree of sovereignty to member states.

The President of the ECB, Mario Draghi, and the German Chancellor, Angela Merkel are marked as two individuals that will feel the pressure of the course of events in Europe during 2015. It is of great importance that the ECB and German Government take action towards finding a solution as soon as possible to identify the economic progress and direction of Europe in 2015.

The Turkish economy continues to grow at a slower pace, and is still among the 20 largest economies in the world, looking at the big picture. This is in parallel with what is seen in other developing economies, and an outcome of the pressure caused by global decoupling. At this point, the rigid financial approach adopted by the Turkish Central Bank and the Government will be important and indicative of the market conditions, interest rates and exchange rates in 2015.

The developments in Europe, as the most important region of foreign trade for Turkey, will be of great interest to exporters and could put pressure on the macroeconomic performance in 2015.

The most important progress area in Kartonsan's 44th year of operation was the completion of the expansion and modernization work that was finalized within the scope of the estimated parameters. With the completion of this investment, Kartonsan raised its total capacity to 240,000 tons per/year, securing its 4th place in the European league.

We define this progress that we accomplished as a very important milestone, and we believe it represents a highly important step for our mid-term growth and expansion.

Our confidence in the economy

We believe employment opportunities will grow in the Turkish economy, enabling the private sector to move forward. We foresee a prosperous future for the Turkish economy in the long-term.

According to the data prepared by CEPI, Turkey's coated cardboard usage decreased by 5% YoY in the 3rd quarter of 2014.

Our sector maintains its dynamic structure.

The historic plunge in oil prices had different and synchronized effects on global trade and the economic equilibrium, with the effects primarily felt on global commodity prices, production costs and consumer price index channels, while the competitive and balance within the coated cardboard sector continues to change.

The new production capacity that recently came in stream in China in recent years has been the most important development in our sector and the slowdown in China's economy has caused Chinese-origin coated cardboard producers to look towards foreign markets.

Last year, the coated cardboard market in Turkey experienced conditions similar to those of 2013; the year could be broken into two halves due to the changes in exchange rates that affected the volume of imported products. The significant increase in China-based imports continues whilst the European market is not expanding as expected; this has caused cardboard originating in Europe to enter the market.

The ongoing turmoil in Iraq and Syria have hurt the sector and there has been a significant decline in Turkish exports to this region, even though this region has been the 2nd biggest export market for Turkey.

All these developments have further increased price pressure on domestic manufacturing.

According to the data released by CEPI, there was a 5% YoY decrease in coated cardboard consumption in the 3rd quarter of 2014 in Turkey.

Kartonsan met the competitive conditions with correct and proactive pricing and marketing strategies, thus enabling the Company to maintain its financial and operational performance. Our market share has been balanced and at a rate of 27% in 2014 and our total consolidated cardboard sales were realized at TL 196 million with USD 19 million in exports.

Our esteemed partners, customers and employees,

We are the stakeholders of a brand that was established in a Turkey during a period of difficult economic conditions and we are now one of the leading producers of Europe.

Our Company is an experienced and long-established company, holding a strong position in Eurasia region including Turkey, often remembered as a producer providing high-quality services and products. Even if the conditions change in this sector, Kartonsan's dynamic structure and corporate governance discipline will ensure our constant progress continues. In 2015, we will reap the fruits of the investment we carried out in 2014.

Our employees will remain our most valuable asset, as they always have. Kartonsan will continue to implement the best practices that will set an example for the Turkish industry in terms of health and safety at work, with the approach of investing in people.

On the behalf of the Executive Board, I would like to thank all our stakeholders who have trusted, believed in and supported our brand.

Yours sincerely,

Ünal Bozkurt
Chairman

27%

We have balanced our market share at 27% (in 2014) with the correct and proactive pricing and marketing strategies.

2015

We will observe the fruits of the investments we undertook in 2014 in our performance from 2015.

Kartonsan Board of Directors

Ünal Bozkurt
Chairman

Aslı Balkır
Deputy Chairman

Süleyman Kaya
Deputy Chairman

Mehmet İmregün
Board Member

Hatice Canan Pak İmregün
Board Member

Sinan Ercan Gülçur
Board Member

Babür Gökçek
Board Member

Haluk İber
Board Member

Ali Ersin Güredin
Independent Board Member

Tamer Koçel
Independent Board Member

Message from the CEO

In 2014, a year of investments, we successfully completed our BM2 investment that increased our total capacity by 30%.

Kartonsan realized total cardboard sales of 128,000 tons in 2014 with total consolidated financial turnover of TL 200 million. 2014 was a year of investment for our Company, while the Company ended the year with a consolidated profit margin of 9%. Kartonsan recorded a consolidated net profit of TL 19 million for the year.

We reinforced our leadership in the sector in 2014 and completed the BM2 investment, increasing our total capacity by 30%.

Dear business partners and colleagues,

The economic panorama on a global scale continues to move in line with our estimates. The realizations in the US Economy supported the expectations of growth and the Fed terminated the Quantitative Easing program that it had introduced to support the economy. The improvement in the Eurozone did not materialize and economic data releases published towards the beginning of 2015 indicate that the region is heading to a new a new period of deflation and recession.

In developing economies, including Turkey, the situation has been similar to what was seen in 2013. The slow pace of growth continued and the historic plunge in oil prices took some pressure off the economies of developing countries which are reliant on imported energy and burdened by heavy current deficits. On the other hand, this caused a number of problems, primarily for Russia and for other economies which are mainly based on fossil fuels.

The global cardboard sector followed a broadly similar pattern; growth in the USA resulted in an increase in coated cardboard production, whilst the sector in Europe was relatively stagnant. Far Eastern producers focused on selling more products to the international markets in order to destock, in line with economic growth. Within this context, China, which now stands ahead of the USA in terms of total production capacity, is the most challenging exporter in the global sphere.

The cardboard sector grew in parallel with the Turkish economy, with positive momentum in the first quarter of 2014 and undergoing a seasonal deceleration after that. There was no significant change in exchange rates between the end of 2013 and early 2014, which helped local producers become more competitive. However, as the Turkish Lira gained value again from the 2nd quarter of the year, competitive conditions turned negative direction for local producers.

Gross production was realized at 126,954 tons in 2014 with Kartonsan maintaining its leadership in the Turkish coated cardboard sector with a market share of 27%. The 7 percentage point drop in market share was a natural reflection of the stoppages associated with the investment we undertook, and thus the decrease in production volumes.

Kartonsan realized total consolidated financial turnover of TL 200 million in 2014 with a consolidated profit margin of 9% and consolidated net profit of TL 19 million.

The Company recorded a consolidated return on equity of 7%, a consolidated return on assets of 6% and consolidated earnings of TL 6.84996 per share in 2014. Due to the investment period, with the associated loss of production as production was suspended during the installment process, in addition to the amortization effect on the investment, the income statement prepared in line with the tax legislation indicated a loss of TL 24.9 million.

The Executive Board's suggestions on profit distribution advised against the distribution of a dividend, as there had been net loss according to the Company's legal records, even though the Company's income statement for the 2014 period registered a positive net income figure.

Our Company was able to maintain the balance between the domestic market and foreign market, as well as keeping the balance between production and stock management at an optimal level. Customer satisfaction was always considered during this year of investment. As always, the focus was on efficiency and profitability and 78% of sales volumes were directed to the domestic market.

Even though export markets underwent a challenging and unbalanced period during 2014, Kartonsan was able to maintain

126,954 tons

Our Company realized gross production of 126,954 tons in 2014 with total consolidated financial turnover of TL 200 million.

More than 20 countries

Selling products to more than 20 countries in 3 continents, Kartonsan has coped with the challenges and changes that have faced it in export markets.

2015

In parallel with the increase in our capacity, we are determined to offer our products to a growing range of customers domestically and internationally in 2015.

its consistency and perform accordingly. Selling products to more than 20 countries over 3 continents, our Company was able to manage the negative effects of the political and social turmoil in the Ukraine on demand for imported cardboard. The market in Ukraine almost ground to a halt, but our sales team managed to find substitute markets and customers as a result of their proactive work, and we achieved our export target in terms of volumes and other aspects.

In parallel with the increase in capacity during 2014, we are determined to offer our products to an expanding customer group both in Turkey and in other countries during 2015.

The international marketing model still maintains its validity and our export strategy is based on mutual trust and long-term relationships with cardboard producers and printing houses, to become one of their regular suppliers. Kartonsan closely follows the dynamics of the export markets and global competitive conditions as it strives to balance its sales mix in the most efficient manner.

With the expansion and modernization of the BM2 line, Kartonsan has taken a giant leap forward to prepare for the competitive and demand conditions of the 2020s.

Within the scope of its strategic and sustainable growth plan, Kartonsan took a decision to undertake an investment to increase its total production capacity by 30% in 2012.

The investment in the BM2 production line, which oversaw a 60% increase in capacity, was realized after a long period of preparation and planning.

Kartonsan believes that growth depends on technological innovation, and has selected suppliers that are considered as one of the best in global scale to conduct the Expansion and Modernization Project, with Andritz (Austria) and VOITH Paper (Germany) among these suppliers.

The machine was ordered in May 2013, and most of the engineering work had been finalized by the end of 2013. The auxiliary plants and other projects have been completed. Work on the final and the most extensive phase of the project began in 2014 and most of the work had been successfully completed as planned by the 3rd quarter of the year.

The investment, costing Euro 45.5 million, has boosted Kartonsan's production, enhanced its efficiency and contributed greatly to efficiency from an environment aspect by reducing waste water production and energy consumption.

The sections of the investments that will meet the requirements arising from other operations of the Kartonsan plant were finalized in 2014.

A portion of the investments to meet the requirements of the increased total capacity at the Kartonsan plant was also completed in 2014.

78%

Kartonsan was squarely focused on customer satisfaction in 2014, while it carefully protected the balance between the domestic market and foreign markets, with 78% of its sales volumes directed to the domestic markets.

Kartonsan started using the MBR (Membrane Biological Reactor) system, which allows 60% of wastewater to be reused, and revisions were undertaken accordingly. The Project transformed the Kartonsan treatment plant into one of the most modern treatment facilities in the Turkish paper sector.

Meanwhile, in parallel with the increasing production capacity, an investment has been made in a cooling unit aimed at temperature reduction in the Kartonsan energy plant in order to narrow the energy production gap. With its investment in the cooling unit, Kartonsan has targeted energy savings of about 2 MW.

The propulsion and control systems in the production line have been renewed, and the line capacity for paste preparation has been increased. Low-performance equipment has been replaced with the high-performing equipment and the paste casing has been renewed. The Shoe Press system has been installed to minimize vapor use.

Within the scope of the Kartonsan modernization project, there have been changes on the drying system and a 3-phase drying system has been installed to take the place of tumbling barrels. The web inspection system was installed to the production line, in order to further increase product quality. The system allows minor mistakes to be identified online, with the operator being notified without delay.

The core rationale in Kartonsan's investments in expansion and modernization is to reinforce the Company's leadership in the Turkish market with increasing demand and to prepare for the competitive conditions of the future.

Technological innovation has a very important role to play in today's production sector, helping to improve productivity whilst ensuring the sustainability of quality.

Increased efficiency and effectiveness - a core objective for any sector - forms the basis of the BM2 investment.

After these investments, we will be monitoring progress in 2015 with regard to our efficiency levels, primarily on vapor use per ton and energy use, where the improvements to be achieved will have a positive effect on our competitive nature.

Looking to the future

Innovation, change, foresight and planning are unwavering aspects of Kartonsan's corporate culture and have played a considerable role in the completion of the comprehensive BM2 investment, which is of such great importance for our Company.

Our Company is focused on the continuous development of its production and trade capacity. Ensuring any type of saving, balancing the cost curve at the minimum level and increasing efficiency will be our priorities in the coming period.

In summary, Kartonsan will continue its journey of sustainable growth.

Kartonsan will continue to move forward as a reputable and strong player in the sector as long as it follows the principles of transparency, accountability, fairness, reliability and taking responsibility for the environment and society.

I would like to thank the Kartonsan family and all the customers who have chosen Kartonsan products and who have accompanied us in our journey, and I would like to take this opportunity to pay my respects to our partners and the Executive Board.

Haluk İber
Member of Executive Board and General Manager

2 MW in electricity savings

With its investment in the cooling unit, Kartonsan has targeted about 2 MW in annual electricity savings.

Production and trading power

As a reputable organization in the industry with a focus on production and trading power, Kartonsan will continue to progress globally.

Kartonsan Senior Management

Haluk İber
General Manager

Ümit Özkan
Production Manager

Raşit Kemal Özkırım
Marketing Manager

Yalçın Özel
Production Services Manager, Human Resources & Quality Systems Manager
(ending 26.02.2014)

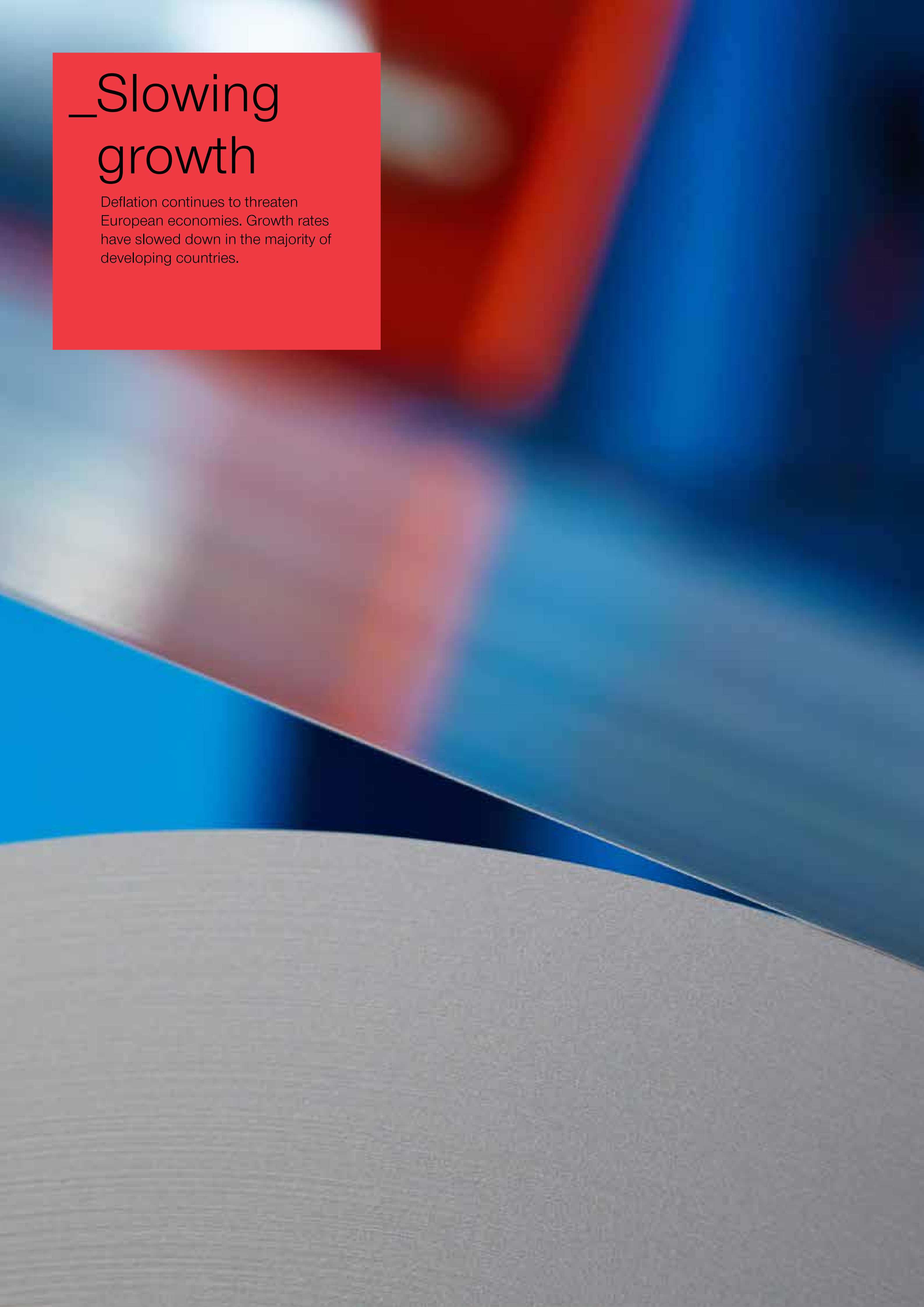
Şadiye Başak Kaya
Human Resources & Quality Systems Manager
(effective after 26.02.2014)

Ümit Dinçol
Production Services Manager
(effective after 26.02.2014)

Atiye Tuğtekin
Procurements Manager

İlker Bodur
Technical Services Manager

Bülent Koru
Financial Affairs Manager



_Slowing growth

Deflation continues to threaten European economies. Growth rates have slowed down in the majority of developing countries.

Outlook for the Global Economy

The sharp decline in oil prices positively affected consumer spending in developed economies; on the other hand, it has increased the risks faced in developing economies.

The global economy is likely to be increasingly and proportionately decoupled. There was a change in the macroeconomic regime in the US, where the Fed terminated its QE3 program in October. The more relaxed monetary policies of recent years once again started to strengthen business as well as supporting the economic cycle, and these positive results were reflected to all economic indicators.

Deflation continues to pose a threat to European economies. A period of slower growth is being witnessed in most developing countries.

The drop in oil prices is paving the way for new dynamics.

As we enter 2015, the changes in the economic regime in the USA are starting to shape the future of the global economy.

Oil producers have suffered from the swift and sharp downward trend in oil prices, which have brought these countries to a critical economic threshold. Oil prices declined from USD 80/bbl in October to USD 70/bbl in the space of just one month. This has had a dramatic impact on the economy of Russia, a major oil supplier. While the Rouble lost value, Russian credit risk premiums increased substantially. The Russian economy is anticipated to enter recession in 2015.

Petrobras from Brazil announced that it would be increasing its debt stock and delaying exploration projects for new sites. Such examples can also be seen in other oil producers and international oil companies.

To conclude, the negative effects of the decline in oil prices on oil supplying economies raises the risk of a domino effect on the global economy.

Advanced economies have welcomed this drop in oil prices. The purchasing power of consumers has increased, providing a driving force in these advanced economies. The decline in oil prices has effectively lowered Consumer Price Indices in Europe. As a natural consequence of this development, the Euro region's monetary policies, such as the ECB's price stability initiatives towards inflation have been long out of phase. In relation to this situation, the ECB may have to reconsider their measures for relaxed monetary policies in early 2015.

The US economy could record its strongest growth of the decade in 2015.

The US economy grew by 3.9% in the 3rd quarter of 2014. Although defence spending is considered to have pushed this figure higher, growth of around 2.5% is expected for the 4th quarter.

Strong and positive expectations for 2015

The negative impact of the strengthening dollar on the US economy is expected to be eliminated by falling oil prices, with the US economy expected to post 3% growth in 2015 - which would be the highest rate of growth in the US economy since 2005.

The Eurozone in 2015: Deflation risk and weak growth

Based on various indicators, the Eurozone is not expected to enjoy a strong recovery for most of 2015.

The Market Purchasing Managers' Index (PMI) signaled a recession with a decrease to 50.1 in November. The lower level of the PMI, based on new orders, also continued to decline and has displayed a contracting trend over the last three periods.

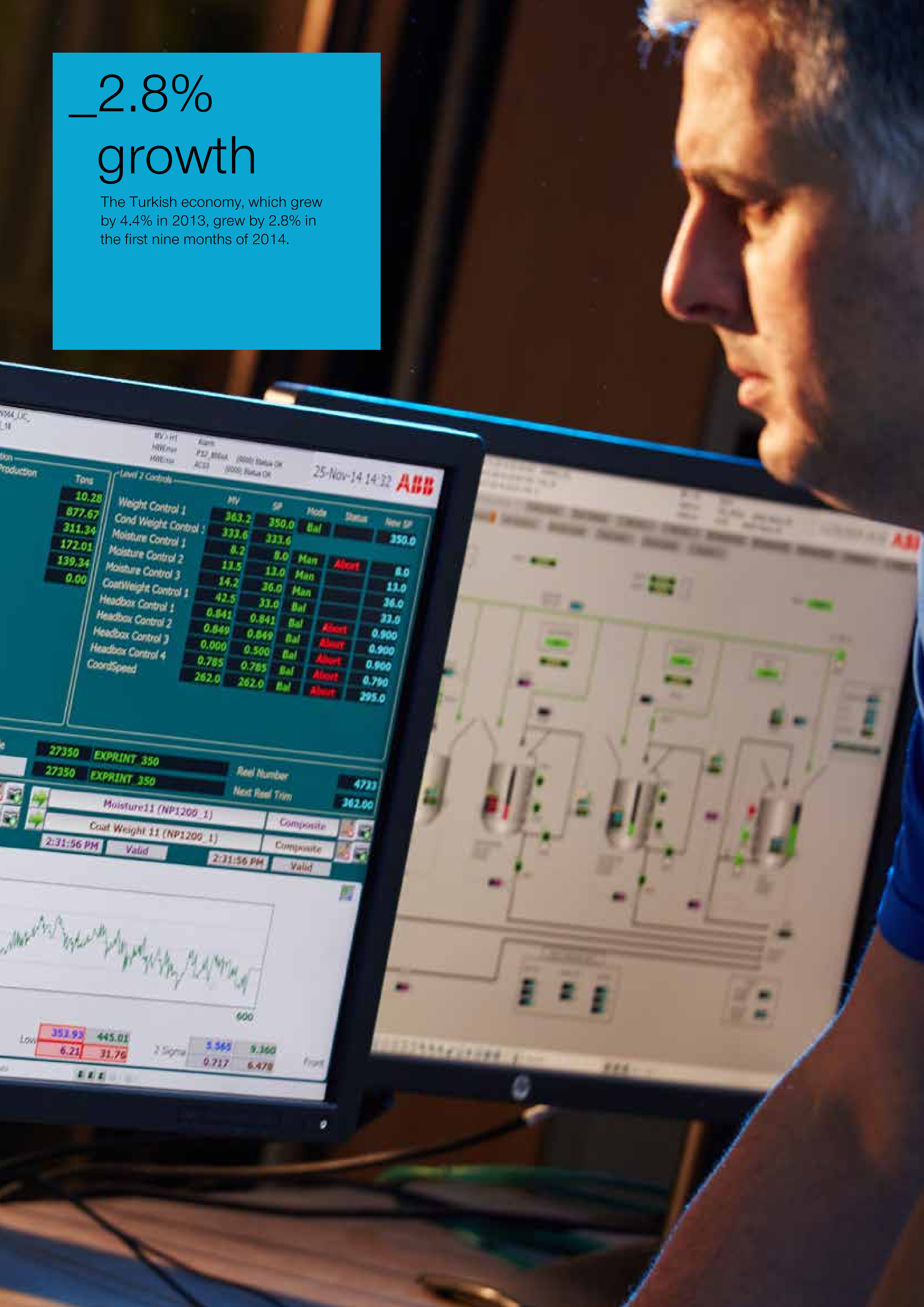
Since mid-June 2014, oil prices have dropped nearly 30% in Euro terms. This will inevitably affect the real economy as well. As this decrease will encourage consumer spending and stimulate employment, households and businesses will stand to benefit.

In the short term, other factors will also have importance. For example, the decline of the Euro against the dollar will create an advantage for suppliers. As the ECB continues to closely audit banks, credit terms are expected to be relatively relaxed throughout 2015. In turn, the high debt ratios of the private sector will continue to exert pressure on European debt markets. Taking all of these factors into account, the Eurozone economy is expected to grow by 0.8% in 2015.

Deflationist pressures on price movements are expected to continue in 2015. Despite the positive impact of falling oil prices on growth, it does signal negativity in relation to inflation expectations. The threat that the inflation expectations will be missed has increased, and may cause the ECB to resort to unconventional measures such as buying government bonds from member states. At this point, political leaders of the Eurozone face a number of important tasks. It becomes ever more crucial that the structural reforms aimed at fixing the damaged economic growth potential are realized. Failure to do so raises the prospect that the Eurozone could slip into a Japan type scenario.

_2.8% growth

The Turkish economy, which grew by 4.4% in 2013, grew by 2.8% in the first nine months of 2014.



Outlook for the Turkish Economy

The Markit's PMI index has maintained its level at above 50 for the last consecutive four months.

Economic growth of 2.8% in the first nine months of the year

The Turkish economy, which grew by 4.4% in 2013, posted growth of 2.8% in the first nine months of 2014. The growth stood at 4.8% in the first quarter, 2.2% in the second quarter and 1.7% in the third quarter, a trend affected by the progress in domestic and foreign markets.

Uncertainty surrounding global monetary policies, geopolitical developments and weak foreign demand were key elements affecting growth.

Situation in industrial production

Industrial production decreased by 1.8% in October 2014 on a month on month basis, when seasonal and calendar effects are excluded. When compared to the previous month, production in the mining and quarrying sector decreased by 2.9%, while the manufacturing industry sector index dropped by 1.7% and production of electricity, gas and steam, as well as air conditioning production and distribution, fell by 2.2%.

On the other hand, industrial production (excluding seasonal and calendar effects) increased by 2.4% YoY in October 2014. An analysis of industrial sub sectors finds a 6.6% YoY decrease in increase in mining and quarrying sector production in October 2014, but a 2.0% increase in production of electricity, gas and steam as well as air conditioning production, and a 2.9% YoY expansion in the distribution sector.

Based on Markit's data, the production PMI index exhibited a 0.7 point increase compared to the previous month, to stand at the highest point in the nine month period, at 52.2. With this result, the index maintained its position of remaining above 50 for four consecutive months.

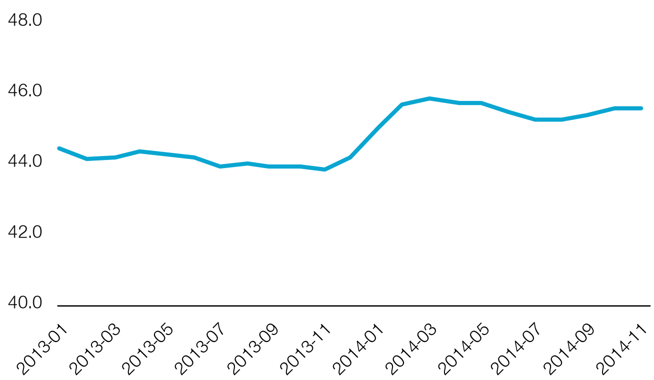
Continued increase in unemployment

Based on household labor statistics, unemployment stood at 10.5% in September 2014. Unemployment among the population aged 15 and over in Turkey stood at 3,064,000 in September 2014, with a youth unemployment rate (for the 15-24 age group) of 19.1%.

The slow trend in economy was the major cause in the increase in unemployment.

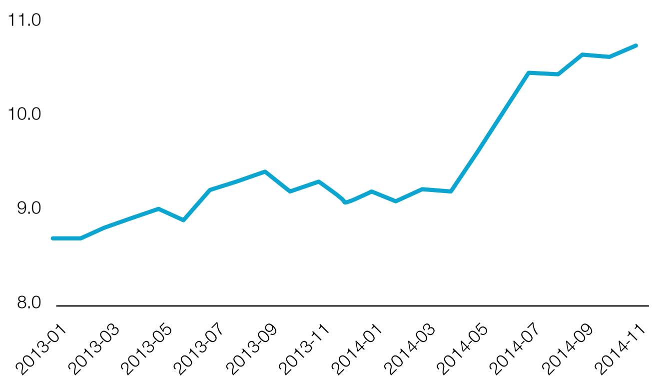
Seasonally Adjusted Rate of Employment

(December 2014 - %)



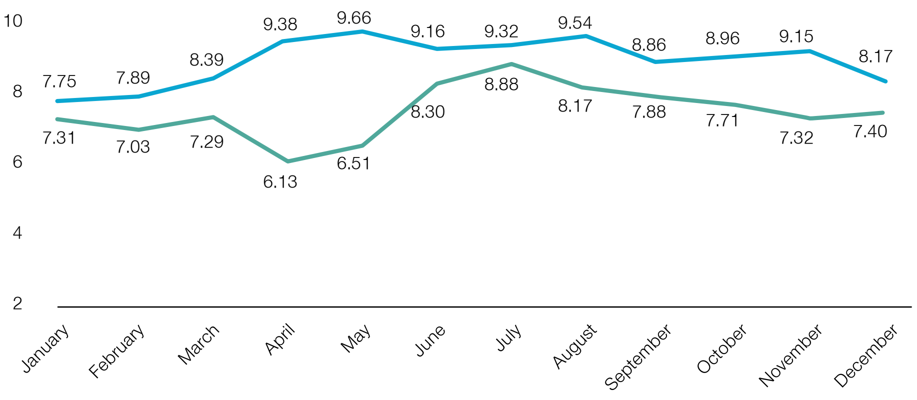
Seasonally Adjusted Rate of Unemployment

(December 2014 - %)



The decline in global oil prices has minimized Turkey's energy bill.

Inflation



Rising price indices

The Consumer Price Index (CPI) increased by 8.17% YoY in 2014.

While exports increased by 7.3%, imports decreased by 1.5% in October.

The foreign trade statistics for October suggest that the Turkish economy remains in a stabilizing process. Despite the issues continuing in Turkey's key export markets, October's exports marked an increase of 7.3% YoY, with exports recording an increase of 5.6% YoY in the first ten months of 2014.

On the other hand, as a result of the stagnant local demand and decrease in oil prices, imports declined by 1.5% YoY in October, while recording a decrease of 3.9% for the first ten months of 2014 as a whole.

Lower oil prices expected to result in lower imports.

Mineral fuels and oils consist of about one quarter of Turkey's imports. The weight of this item in the import index ratio decreased by 3.8% in October when compared to the same month of the previous year.

Based on the increasingly sharp decline in oil prices in global markets, the oil import bill is expected to decrease in the coming months.

Continued contraction in Turkey's exports to Iraq and Russia

The continued economic and political turmoil in Iraq and Russia, among Turkey's largest exporters, caused a sharp drop in exports to these countries in October 2014. Exports to Iraq were down by 18.2% YoY and exports to Russia were down by 20.3% YoY.

Turkey's exports to the European Union increased by 11.7% YoY in the first ten months of the year.

In response to the recovery in Eurozone failing to meet expectations, Turkey's exports to the region increased by 8.1% YoY in October 2014 with an increase of 11.7% YoY in the first ten months of the year.

Based on these results, the share of Turkey's exports going to the European Union increased from 41.4% in 2013 to 43.8% in 2014. Exports to Germany increased by 14% and exports to the UK were up by 15.9% YoY. The 9% YoY increase in exports to the USA was also noteworthy.

Outlook for the Industry

The cardboard packaging industry moved in parallel with the growth in the Turkish economy.

The cardboard packaging industry moved in parallel with the growth in the Turkish economy.

The cardboard industry, which demonstrated similar development to the growth in Turkey's economy, was also affected by the positive developments in the European market. Following a mobilization in the first quarter, the sector entered a seasonal decline as of April.

On the other hand, the internal turmoil in Iraq and Syria negatively affected the sector, and there was a sharp decline in exports to the region. Although there was some stabilization in the region in the third quarter and exports to Russia increased, the regional developments had a negative effect.

Based on data prepared by CEPI, Turkey's coated cardboard usage decreased by 5% in the 3rd quarter of 2014 compared to the same period of 2013. However, a large proportion of the decrease was due to the supply of Chinese imported cardboard, indicating that there was no significant decrease in demand for cardboard.

The increase cardboard imported from China was an important development for the year.

The most important development in the industry during 2014 was the increase in imports from China. It is assumed that Chinese exports of cardboard totaled 55,000 tons during 2014. The flood of Chinese exports put pressure on cardboard prices. Furthermore, the limited growth in European markets resulted in continued imports of cardboard from Europe, putting further pressure on prices.

In terms of volumes, although there was not a substantial increase in the market share of European manufacturers, there was a considerable increase in Chinese exports of coated cardboard, especially in the first half of the year.

Based on industry specific reports, China's chipboard production increased by 3 million tons. Furthermore, the deceleration in China's economy became more apparent in 2014, leading to an increase in cardboard exports.

Continued volatility in exchange rates

The TL fell to an all-time low against foreign currencies at the end of 2013 and into the first part of 2014. In this period, local cardboard producers gained a competitive advantage over imports and demand for locally produced goods was buoyant. However, the strengthening of the Turkish Lira in the second quarter of the year shifted the competitive forces against local manufacturers, especially in the summer months, when imported goods gained a competitive advantage of around 10%, ceteris paribus.

The situation in Europe

According to the 2014 2nd quarter statistics released by CEPI, there was some stable progress in European paper and cardboard production. Production of paper and coated cardboard increased by 1.3%, while production of cleaning paper decreased by 0.5%. In the same period, the tightening trend in graphic paper production continued. Production of newspaper paper and coated mechanical paper took the biggest hit, decreases of 6.2% and 3.5% in production, respectively. Total cellulose production (including integrated markets) declined by 3.3%, market cellulose production dropped by 1.3%.

To conclude, based on Eurostat's data, there had been a decline in prices of cardboard and paper by the New Year. Among different product groups, coated cardboard proved the most stable in terms of pricing.

A significant reduction in waste paper prices was observed at the end of the second quarter in Europe. On the other hand, when compared to the same period of 2013, use of waste paper in Europe increased by 1% in the first five months of 2014.

1.3%

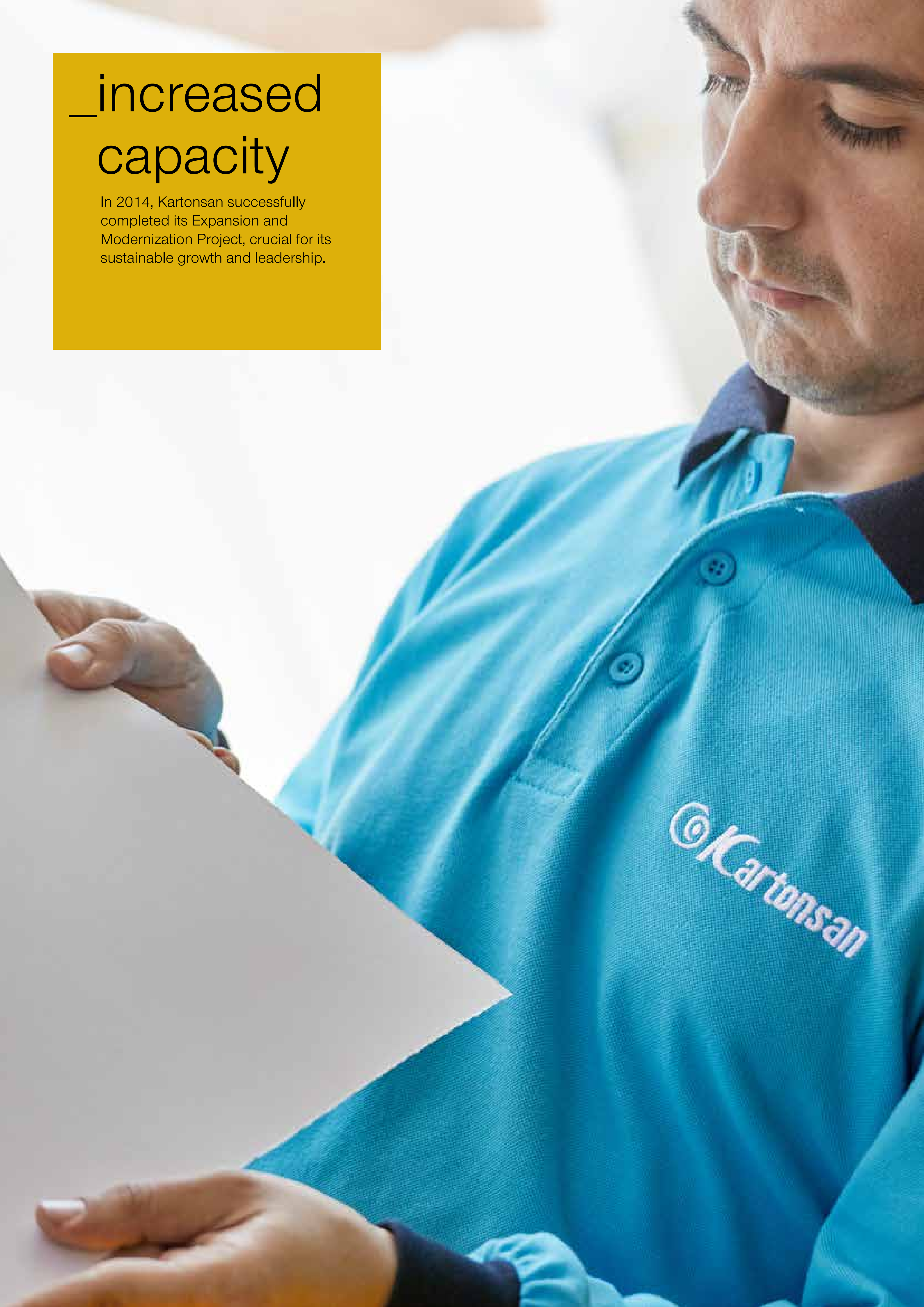
Based on data released by CEPI for the 2nd quarter of 2014, production of paper and cardboard demonstrated a stable trend in 2014, increasing by 1.3%.

1%

Prices of waste paper had demonstrated a significant decrease as of the end of the second quarter, with a 1% increase in waste paper usage.

_increased capacity

In 2014, Kartonsan successfully completed its Expansion and Modernization Project, crucial for its sustainable growth and leadership.



An Evaluation of 2014

Taking Kartonsan to the position of being the "fourth biggest manufacturer" in Europe, the expansion and modernization investment was completed in 2014.

In 2014 Kartonsan focused on serving its customers without interruption, and has achieved success in this area.

When considered from a financial perspective, investment expenses - which reached Euro 45.5 million in 2014 - were predominantly funded by shareholders' equity; a large number of operational goals, especially in sales and exports, were reached.

Highlights of Kartonsan's achievements in 2014 can be summarized as:

- The increase in production capacity: A 30% increase in total capacity has been achieved.
- The increase in production speed: The speed of production on the BM2 line was increased to 450 m/minute.
- The increase in productivity: The investment in expansion and modernization has provided a significant contribution to Kartonsan's total productivity.
- The increase in electricity generation: Kartonsan's electricity generation capacity increased by 2 MW.
- The increase in steam production: Kartonsan's steam production increased by 20 tons per hour.
- The increase in the volume of water being recycled: Kartonsan is now able to recycle 60% of the water it has used.
- The increase in quality: With the CD dilution gram control and the inspection system added to the machine, production quality has been further developed.
- The increase in the rate of recycling of paper: Kartonsan's use of wastepaper has increased by 30%.
- Stronger workplace safety: Kartonsan has further increased the measures taken to improve occupational health and safety.
- Important developments in the efficient use of energy: Kartonsan has received the ISO 50001 Energy Management System Document and developed systematic procedures for the efficient and effective usage of energy.
- Kartonsan products reaching more countries: Thanks to its successful marketing initiatives, Kartonsan products have started to be sold to more countries over three continents.

Furthermore, Kartonsan also maintained its market leader position in 2014.

2014 was a year of investment

2014 was a year where Kartonsan successfully completed its Expansion and Modernization Project, which has played a key role in its sustainable growth and leadership. Initiated In 2012 and with its final and comprehensive section completed in 2014, Kartonsan reached the position of being the 4^{th} largest cardboard producer in Europe in terms of production capacity.

The growth in domestic and foreign demand for Kartonsan products, and the need to respond to this in a proactive manner while reflecting its sustainable growth to the financial performance became key determinants in investment decisions.

In addition to the 30% increase in capacity, the speed of the BM2 line increased from 250 m/minute to 450 m/minute; the line's dehydration, press, drying and coating drying capacities were also increased. In line with the increase in speed, Kartonsan prepared to meet the increase in demand for pulp by raising daily pulp preparation capacity from 400 tons to 605 tons per day.

Bought for use in 1996 and reaching the end of its economic lifespan, the QCS quality system's three frames were replaced new types of frames with the latest technology. With the newly acquired pulp head box, the machine obtained a dilution based control system that determines the width weight profile.

The web monitoring system, which aims to track product quality online, was assembled and has started to be used. The most important benefit the system provides is the instant tracking of product quality and ability to intervene in the process immediately.

In another of its investments, a new roll cutting machine entered operation at Kartonsan in 2014.

Within the investment process, the Kartonsan plant completely suspended production on 2 June 2014 and resumed production once the work was completed on 5 August 2014 for the BM1 line, while production at the BM2 line resumed on 21 September 2014.

Various developmental, renewal and capacity increases in several support units, including the wastewater treatment plant and the power unit, were implemented by Kartonsan in 2014, and have provided important benefits.

Completed in 2014, a total of Euro 45.5 million was allocated to the Expansion and Modernization Project.

An approach in line with protecting and developing customer satisfaction

While in the process of investments, Kartonsan's primary and unwavering objective has been to meet domestic and foreign regular customers' requests completely and on time. In line with this objective, Kartonsan began preparing its stockpile for its two-month long production halt.

In order to prepare the stock before the two-month production halt, careful planning was performed which strictly controlled orders and production. Difficulties which would normally have been associated with the long term planning for the delivery of goods during the production halt alongside existing orders were avoided under an appropriate management strategy, and customer satisfaction was further enhanced.

The financial and operational results for the fiscal year were highly satisfactory.

As the top cardboard producer in our country and the 4th largest in Europe, Kartonsan's corporate objectives include;

- becoming one of the leading suppliers in the export markets around Turkey,
- providing a fast, high quality service to customers,
- increasing productivity in the production processes,
- increasing its capacity through local suppliers and reaching sustainable profitability for its shareholders.

Alongside the successfully completed capacity increase project, Kartonsan has also demonstrated a sound financial and operational performance, proving once again that it has the expertise to produce value added long term results in changing market cycles.

Kartonsan's sales volumes stood at 128,000 tons for 2014, with gross production of 126,954 tons. Kartonsan realized a total consolidated sales revenue of TL 196 million from coated cardboard sales.

The key market trends affecting Kartonsan's performance in 2014 were the increase in natural gas prices, which reached 9%, and the rapid surge in Chinese cardboard imports. The continued high levels recycled paper prices continued to put pressure on Kartonsan's cost curve.

As in previous years, Kartonsan has evaluated domestic and foreign markets under a flexible approach and has shaped its marketing policies in line with periodical market conditions. A total of 78% of Kartonsan's sales were directed to the domestic market in 2014.

27,000 tons of exports in 2014

After having exported 40,000 tons in 2013, Kartonsan's exports declined to 27,000 tons in 2014 as a result of the stoppages associated with the capacity expansion, realizing total export revenues of USD 19 million in the period. The proportion of exports in total sales was unchanged from previous years, maintaining its level of 20-25%.

An important development in the export market in 2014 was the unrest in Ukraine. The political and military problems between Russia and Ukraine had a sharp impact on economic activities in the eastern regions of Ukraine, in particular, precipitating a 50% decrease in Kartonsan's cardboard sales to Ukraine.

In order to compensate for the shrinkage in its Ukrainian market, Kartonsan took initiatives to increase exports to other markets and achieved significant results in a short term.

Kartonsan products are exported to more than 20 countries over three continents. Countries with a significant share in Kartonsan's exports in 2014 were, as in previous years, Bulgaria, Romania, Spain, Portugal, the UK, France, Italy, Egypt, Greece and Azerbaijan.

exports

Kartonsan aimed to ensure the most appropriate freight conditions and has focused on export performance productivity.

Kartonsan's constant objective in the export market is to establish long-term relationships with cardboard packaging suppliers and become a key supplier in the industry. In line with this objective, the Company is focused on providing a high quality and efficient service and constantly developing in order to meet its customers needs. As part of its exporting initiatives, Kartonsan has targeted the most appropriate freight conditions and focused on export productivity.

For 2015 and beyond, Kartonsan will continue to proactively follow trends and competitive forces affecting the global markets, and continue to develop its export performance.

Practices which support customer satisfaction

Kartonsan, which believes that value generated should be shared fairly, while also striving for strong long term customer relations, will maintain its position as a responsible producer by constantly following market conditions.

In 2014, Kartonsan continued its initiatives to increase customer satisfaction.

Using its logistical advantage, Kartonsan continued its shipping-inclusive door-to-door delivery sales. At the same time, Kartonsan has, from time to time, offered single installment and multiple installment payment options by credit card and given its customers more time to pay, depending on market conditions and in a bid to ease the strain in commercial cycles and support its customers.

Another service which has supported customer satisfaction has been to provide mid-weight gram products based on market demand.

Developments and future prospects for product scales

The best-selling coated cardboard in 2014 was again Normprint, which commanded a 59% share in total sales, followed by Luxtriplex (23% share) and Exprint (18% share). As in 2013, Normprint cardboard continued to be the most popular product in 2014. The high demand for Normprint is predominantly driven by fresh fruit and vegetable crate exports, due to its increased usage in such crates.

Kartonsan's objectives for 2015

Efficiently using its annual capacity of 240,000 tons that it reached in 2014, Kartonsan's short and medium termed objectives in its production-trade cycle are;

- To respond to domestic and foreign clients' increasing demand with the correct scale of products,
- To demonstrate a financial and operational performance that supports sustainable corporate growth,
- To produce value, especially for shareholders and investors.

Alongside these basic economic goals, Kartonsan has adopted the following as indispensable targets;

- To protect the environment and create awareness,
- To add value for society and realize permanent social responsibility projects,
- To provide hygienic, safe and humane working environments for its workers, and
- To increase employee satisfaction as much as customer satisfaction.

Kartonsan and the Environment

In 2014, Kartonsan used 130,139 tons of wastepaper for the production of coated cardboard.

Kartonsan prioritizes and values the protection and development of the environment.

As a member of the paper-cardboard production industry, Kartonsan is aware of its heavy responsibility to the environment, and plans and operates all of its activities in this light.

Climate change - one of the biggest threats facing our planet - poses a number of risks for the industry which Kartonsan is active in. Correctly identifying these risks for the short, medium and long term and appropriately incorporating and managing them into workflows is fundamental for success. Only producers able to overcome these challenges will be able to meet constantly changing market demands, remain in line with legal boundaries and carry their competitive power to the future.

Kartonsan considers the environment in every aspect of its production cycle.

In this sense, the Company develops and implements environmental policies and action plans.

Forming the backbone of sustainability, the effective and efficient usage of natural resources and working with recyclable resources is overseen by the Kartonsan Integrated Management System, which was completed in 2014, and the ISO 50001 Energy Management System.

Usage of wastepaper

Kartonsan uses paper and packaging as a main resource. The Company uses 99.6% of wastepaper in its production of coated cardboard and works in harmonious cooperation with its subsidiary, Dönkasan, for the supply and management of wastepaper. Kartonsan also holds an Environmental Permit and License granted by the Ministry of Environment and Urbanization.

In 2014, Kartonsan used 130,139 tons of wastepaper for the production of coated cardboard. The relative decline in tonnage is a result of the production halt during the year. One of the advantages of the Expansion and Modernization Project which was completed in 2014 is Kartonsan's increased use of wastepaper. Kartonsan's use of wastepaper in recycling has increased by 30%.

Kartonsan's usage of cellulose and recovered paper is shown alongside the basic indicators in the table below.

Kartonsan's use of Cellulose and Recovered Paper (tons)

	Total gross production	Total cellulose consumption	Total waste paper consumption
2009	138,773	2,348	145,846
2010	169,633	2,092	180,654
2011	177,003	2,452	175,690
2012	174,573	1,223	172,544
2013	171,243	868	169,175
2014	126,954	500	130,139

Developments in energy generation and productivity

As part of its initiative in place since 1997 to generate electricity and produce steam efficiently through clean natural resources at its cogeneration plant, Kartonsan has undertaken investments for additional cooling and cauldron systems.

As a part of its Expansion and Modernization Project, efforts to gain more control over the consumption of energy and natural resources have been undertaken, and advances to reducing steam consumption have been realized.

In order to meet the expected increased need for energy after the expansion and modernization initiative, Kartonsan plans to add four natural gas turbines to the power plant for the capacity increase.

an environmental approach

Kartonsan considers the environment in every aspect of its production cycle.

30%

Kartonsan's usage of wastepaper in recycling has increased by 30%.

60%

Kartonsan was the first Company to use the MBR system, which allows 60% of the wastewater to be recycled.

In 2014 the capacity increase for two turbines was completed, and the capacity for each turbine was increased from 5.2 MW to 5.5 MW. The investments in the capacity increases of the other two turbines are expected to be completed in 2015 and 2016. The completion of the project is expected to add a total of 1.2 MW in electricity generation capacity at the power plant.

In order to avoid the energy bottlenecks and decreased turbine productivity in the warm months of the summer, a chiller project, which cools air from the turbines, has been completed. With this project, air that enters the turbine is cooled to temperatures of 15°c or below, and hence productivity is increased. This application is expected to increase electricity generation by 2 MW in the summer months.

In order to meet its increasing requirement for steam, in 2014 Kartonsan brought a new 20 tons/hour capacity natural gas cauldron into operation.

Kartonsan increased its wastewater capacity

As part of the investments undertaken in 2014, Kartonsan also increased the capacity of its wastewater treatment facility to 10,000 m^3/day.

Kartonsan was the first in the industry in Turkey to use the MBR system, which allows 60% of the wastewater to be recycled.

Kartonsan Integrated Management System

All of Kartonsan's operations from 2003 onwards have been carried out in the context of the Integrated Management System (ISO 9001 Quality Management System, the ISO 14001 Environmental Management System and the OHSAS 18001 Occupational Health and Safety Management System). Kartonsan's objective is to maintain its production procedures with the highest level of environmental awareness, while minimizing the use of natural resources and pollution.

The certification inspection for the continuation of Kartonsan's Integrated Management System was successfully completed between November 10 and 13, 2014.

ISO 50001 Energy Management System established in Kartonsan.

Considering an important step for its energy efficiency, Kartonsan completed work on the ISO 50001 Energy Management System. The project team completed the necessary documentation and field practices in 2014, and the system was verified and certified following the inspection by Bureau Veritas in November.

In 2014 Kartonsan presented its action plan regarding the regulations surrounding greenhouse gas emissions to the Ministry of Environment and Urbanization.

Paper by Nature and FSC-CoC certification activities

In line with the FSC-CoC certification it has held since 2011, Kartonsan remains dedicated to the efficient and effective use of forestry resources.

FSC-CoC certification is;

- contributing to the correct management of forestry resources in the world,
- defining methods and standards for this,
- ensuring that certified forestry products are again used with certified and properly managed goods and
- an international standard is applied to prevent the use of any uncertified forestry products in any phase of the supply chain.

Integrated Management System

All of Kartonsan's operations have been performed in the context of the Integrated Management System (ISO 9001 Quality Management System, the ISO 14001 Environmental Management System and the OHSAS 18001 Occupational Health and Safety Management System).

Kartonsan and Human Resources

In 2014, Kartonsan provided an average of 17.01 hours of training per employee.

Kartonsan's employees are the architects of the Company's objectives and their achievement in the long run. Success-oriented employees who share the corporate culture have a highly important role to play.

The most important responsibility for Kartonsan's human resources is the observation and protection of equal opportunities.

The spirit of being a Kartonsan employee is an important part of its corporate success. This is only possible by ensuring that human resources remain motivated and respected by colleagues and managers.

In 2014, Kartonsan had 268 employees, of which 8.6% (23 people) were women and 91.4% were men (245 people), and 38% (102 people) were white-collar employees, 58.6% (157 people) were unionized blue collar employees and the 3.4% (9 people) were blue collar contracted employees.

As of the end of 2014 Kartonsan had:

- 14 employees aged 25 or under
- 131 employees aged between 26-35
- 74 employees aged between 36-45
- and 49 employees aged 46 and over.

Training initiatives at Kartonsan

Taking their employees' roles and career progress into account, Kartonsan provides opportunities for training and development programs in necessary areas. With its variety in training programs, Kartonsan aims to,

- provide developmental needs for every initiative which affects business results,
- support a structure which sustainably develops performance.

The joint objective of Kartonsan's training programs is to help employees meet the Company's needs and activities and ensure sustainability in the most inclusive way.

A total of 28 training programs were planned during 2014, and 20 training programs had taken place by the end of the year. Furthermore, 25 non-scheduled training programs and workshops were held throughout the year, totaling to 45 training programs for the year. These training programs have been categorized as general, Occupational Health and Safety and environment and department/technical training.

In 2014, 45 training programs were carried out, with 1,012 people receiving onsite training and 297 receiving offsite training, resulting in 17.01 hours of training for each employee.

Union relations at Kartonsan

Kartonsan is a corporate citizen with a deeply rooted tradition of union relations and approaches the matter with sensitivity.

As of 1 September 2014, the Selüloz-İş Trade Union representing 157 employees had begun their TIS negotiations for the new term; an agreement has not yet been reached.

HR: Basic indicators*	**2013**	**2014**
Total number of employees	429	403
Contractor personnel	163	135
Kartonsan	266	268
Men	242	245
Women	24	23
Average age (years)	36	36.5
HR: Educational background indicators		
Master's degree or doctorate	10	8
Bachelor's degree	39	40
Vocational high school	58	63
High school	138	138
Elementary school	21	19
Competency in one foreign language	56	42
Competency in two or more foreign languages	8	6

* Number of persons unless otherwise stated.

Occupational health and safety at Kartonsan

The Human Resources and Quality Systems department and Production Services Department at Kartonsan are responsible for occupational health and safety matters. Kartonsan's constant goal is to continue the full harmonization in every area of activity in terms of occupational health and safety.

In the context of occupational health and safety, the physical conditions and technical infrastructure of the Kartonsan factory are periodically checked and problematic areas are defined and resolved with the development of warning systems. Kartonsan's Board of Occupational Health and Safety continued its effective activities in 2014 as well. In this sense, activities such as preventative and corrective initiatives aimed at reducing work related accidents and improvement and scanning of employee health were carried out.

IMS Policy at Kartonsan

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

- Continuously improving the effectiveness of its quality, environmental and occupational health and safety management systems through the use of the right human resources, appropriate technology, and essential financial resources;
- Continuously developing its product and service quality in line with customers' wishes and expectations;
- Attaching importance to health and safety in all of its employees' activities in order to prevent work-related accidents and illnesses and to be an organization which is transparent, participates and which learns and develops through constant training;
- Preventing environmental pollution, making effective and productive use of natural resources, using recycled inputs and manufacturing recyclable products;
- Supporting the design for the improvement of energy performance and procurement of appropriate equipment and services to do so;
- 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, ISO 50001 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, suppliers, employees, business partners, and its community.

OHS

Kartonsan's constant aim is to ensure that occupational health and safety criteria are met in every area of work.

Kartonsan and Corporate Social Responsibility

Kartonsan takes part in social responsibility activities for educational and environmental projects, contributing to social development.

Kartonsan continues to take part in social responsibility activities with an approach of creating value in the long-term for the society. Education and the environment are two main fields in which Kartonsan undertakes social responsibility activities. A summary of the activities that took place in these fields is provided below.

Başiskele Primary School Project

In the first quarter of 2012, Kartonsan completed the construction of a primary school in Kocaeli's district of Başiskele where its factory is located. The school, which has 16 classrooms and a capacity for 500 school pupils, is still actively used.

Kartonsan Primary School - Kullar Village, Kocaeli

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

Cooperation with Kocaeli University

Kartonsan continued its cooperation with Kocaeli University in 2014.

Within this scope, Kartonsan's workplace doctor provided 180 hours of applied and theoretical training to 20 students from the School of Medicine at Kocaeli University.

In another program conducted as part of cooperation with the university, 17 students from the Cellulose and Paper Technology Departments of Kocaeli University were given 37.5 hours of applied and theoretical training. In addition, training programs were organized for ISG Expert candidates and employees of contracting company.

Training on Recycling for students of Doğa College Primary School

In the last quarter of 2014, Kartonsan provided awareness training for pupils at the Doğa College Primary School. The school pupils enjoyed learning how to produce cardboard by using waste paper and discovering the importance of recycling.

Support for recycling of packaging waste

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

Donations by Kartonsan (as of 31 December 2014)	
Donations to primary and secondary schools, and universities	TL 4,455
Donations to foundations (educational, sports, and social)	TL 11,350
Donations to foundations (social)	TL 21,600
Donations to other institutions	TL 200
Total	**TL 37,605**

SELKA İÇ VE DIŞ TİCARET A.Ş.

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

SELKA achieved all of its sales targets in 2014 and registered a 17% YoY increase in its sales revenues.

Cooperation between universities and industry

Kartonsan's workplace doctor provided 180 hours of applied and theoretical training to 20 students from the Scholl of Medicine at Kocaeli University.

Independent Auditor's Report on the Board of Directors' Annual Report

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

To the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş.

Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiary (collectively referred to as the "Group") for the period ended 31 December 2014.

Board of Directors' responsibility for the Annual Report

2. The Group's management is responsible for the fair preparation of the annual report and its consistency with the consolidated financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 23 February 2015 and presented fairly.

   Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the consolidated financial statements.

   An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

   We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Cad. No:48 B Blok Kat:9 Akaretler Beşiktaş 34357 İstanbul - Turkey*
www.pwc.com/tr *Telephone: +90 (212) 326 6060, Facsimile: +90 (212) 326 6050*

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş. is consistent with the audited consolidated financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Group to continue its operations for the foreseeable future.

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

Cihan Harman SMMM
Partner

Istanbul, 6 March 2015

Corporate Governance and Financial Information

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş.;

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Kartonsan Karton Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiary (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 31 December 2014 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. The Group's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Turkish Accounting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

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

   An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to error or fraud. In making those risk assessments, the independent 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 independent audit includes also 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 independent audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
BJK Plaza, Süleyman Seba Caddesi No:48 B Blok Kat 9 Akaretler Beşiktaş 34357 İstanbul-Turkey
www.pwc.com/tr Telephone: +90 (212) 326 6060 Facsimile: +90 (212) 326 6050

pwc

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kartonsan Karton Sanayi ve Ticaret A.Ş. and its Subsidiary as at 31 December 2014 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 23 February 2015.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

Cihan Harman, SMMM
Partner

Istanbul, 23 February 2015

Consolidated Financial Statements For the Year 1 January - 31 December 2014

Consolidated Statements of the Financial Position At 31 December 2014 and 2013 (Balance Sheets)

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
ASSETS			
Current assets			
Cash and cash equivalents	6	4.617.633	61.216.664
Trade receivables			
- Due from related parties	7	895.638	779.696
- Other trade receivables	8	24.678.505	33.709.420
Other receivables			
- Other receivables	10	6.226.580	2.569.007
Inventories	11	44.043.802	45.317.018
Prepaid expenses	19	2.327.124	2.909.182
Other current assets	19	6.251.371	19.276
Total current assets		**89.040.653**	**146.520.263**
Non-current assets			
Other receivables			
- Other receivables	10	13.560	5.630
Investments accounted for under equity accounting	4	10.152.612	10.207.664
Investment properties	12	229.270	229.270
Property, plant and equipment	13	211.964.823	67.989.499
Intangible assets			
- Other intangible assets	14	1.774.697	1.216.330
Prepaid expenses	19	854.829	56.673.604
Deferred income tax assets	26	17.998.327	-
Total non-current assets		**242.988.118**	**136.321.997**
Total assets		**332.028.771**	**282.842.260**

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

Consolidated Statements of the Financial Position At 31 December 2014 and 2013 (Balance Sheets)

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

	Notes	Audited 31 December 2014	Audited 31 December 2013
LIABILITIES			
Current liabilities			
Short term financial liabilities	9	20.362.275	382.630
Trade payables			
- Due to related parties	7	16.483.346	10.979.747
- Other trade payables	8	27.473.162	10.755.810
Liabilities for employee benefits		199.876	189.143
Other payables			
- Due to related parties	7	8.333	8.310
- Other payables	10	2.465.307	2.145.491
Current income tax liabilities	26	9.076	2.524.808
Short term provisions			
- Short term provisions for employee benefits	16, 18	417.652	456.705
- Other short term provisions	16	696.273	1.075.169
Total current liabilities		**68.115.300**	**28.517.813**
Non-current liabilities			
Long term provisions			
- Long term provisions for employee benefits	18	3.725.824	3.618.718
Deferred income tax liabilities	26	-	765.175
Total non-current liabilities		**3.725.824**	**4.383.893**
EQUITY			
Equity attributable to owners of the parent		**260.133.258**	**249.884.922**
Paid-in capital	20	2.837.014	2.837.014
Adjustment to paid-in capital	20	93.298.657	93.298.657
Share premiums/discounts		7.529	7.529
Other comprehensive income/expense not to be reclassified to profit or loss			
- Other losses	20	(450.983)	(260.289)
Legal reserves	20	25.788.466	24.897.857
Retained earnings		119.219.148	93.308.885
Net income for the year		19.433.427	35.795.269
Non-controlling interest		**54.389**	**55.632**
Total equity		**260.187.647**	**249.940.554**
TOTAL LIABILITIES AND EQUITY		**332.028.771**	**282.842.260**

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

Consolidated Statements of the Comprehensive Income For the Periods Ended 31 December 2014 and 2013

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

	Notes	1 January - 31 December 2014	1 January 31 December 2013
Sales	21	199.846.452	224.216.211
Cost of sales (-)	21	(182.051.961)	(184.630.530)
Gross profit		**17.794.491**	**39.585.681**
Share of profit/(loss) of investments accounted for under equity method	4	(38.579)	351.840
General administrative expenses (-)	22	(9.440.578)	(7.472.936)
Marketing expenses (-)	22	(9.626.822)	(10.209.122)
Other operating income	24	11.107.777	9.897.541
Other operating expenses (-)	24	(8.844.071)	(3.035.692)
Operating profit		**952.218**	**29.117.312**
Income from investing activities	25	5.557.778	18.573.900
Expenses from investing activities (-)	25	(3.340.855)	(1.541.431)
Operating profit before financial expense		**3.169.141**	**46.149.781**
Financial expenses (-)		(2.202.224)	(1.225.861)
Profit before tax from continued operations		**966.917**	**44.923.920**
Tax expense from continued operations (-)	**26**	**18.473.622**	**(9.118.511)**
- Taxes on income (-)	26	(272.218)	(9.270.866)
- Deferred income tax credit	26	18.745.840	152.355
Profit for the period		**19.440.539**	**35.805.409**
Attributable to:		**19.440.539**	**35.805.409**
- Non-controlling interest		7.112	10.140
- Equity holders of the parent		19.433.427	35.795.269
Earnings per share	**27**	**6.84996**	**12.61723**
- Earnings per share from continued operations		6.84996	12.61723
Other comprehensive income	20	(70.648)	(282.127)
Other comprehensive income of associate accounted for under equity accounting	4, 20	(120.046)	21.838
Total comprehensive income		**19.249.845**	**35.545.120**
Attributable to		**19.249.845**	**35.545.120**
- Non-controlling interest		7.112	10.140
- Equity holders of the parent		19.242.733	35.534.980

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

Consolidated Statements of Changes in Equity
For the Periods Ended 31 December 2014 and 2013

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

						Retained earnings				
Audited	**Paid-in capital**	**Adjustment to share capital**	**Share premiums/ discounts**	**Other losses**	**Legal reserves**	**Retained earnings**	**Net income for the year**	**Attributable to equity holders of the parent**	**Non-controlling interest**	**Total equity**
1 January 2013	2.837.014	93.298.657	7.529	-	24.253.234	73.770.237	27.061.619	221.228.290	46.541	221.274.831
Transfers	-	-	-	-	644.623	26.416.996	(27.061.619)	-	-	-
Total comprehensive income	-	-	-	(260.289)	-	-	35.795.269	35.534.980	10.140	35.545.120
Dividends	-	-	-	-	-	(6.878.348)	-	(6.878.348)	(1.049)	(6.879.397)
Balances as of 31 December 2013	**2.837.014**	**93.298.657**	**7.529**	**(260.289)**	**24.897.857**	**93.308.885**	**35.795.269**	**249.884.922**	**55.632**	**249.940.554**

						Retained earnings				
Audited	**Paid-in capital**	**Adjustment to share capital**	**Share premiums/ discounts**	**Other losses**	**Legal reserves**	**Retained earnings**	**Net income for the year**	**Attributable to equity holders of the parent**	**Non-controlling interest**	**Total equity**
1 January 2014	2.837.014	93.298.657	7.529	(260.289)	24.897.857	93.308.885	35.795.269	249.884.922	55.632	249.940.554
Transfers	-	-	-	-	890.609	34.904.660	(35.795.269)	-	-	-
Total comprehensive income	-	-	-	(190.694)	-	-	19.433.427	19.242.733	7.112	19.249.845
Dividends	-	-	-	-	-	(8.994.397)	-	(8.994.397)	(1.103)	(8.995.500)
Change in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	(7.252)	(7.252)
Balances as of 31 December 2014	**2.837.014**	**93.298.657**	**7.529**	**(450.983)**	**25.788.466**	**119.219.148**	**19.433.427**	**260.133.258**	**54.389**	**260.187.647**

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

Consolidated Statements of the Cash Flows For the Periods Ended 31 December 2014 and 2013

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

	Notes	1 January- 31 December 2014	1 January - 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES		**33.225.300**	**39.596.898**
Net profit for the period		**19.440.539**	**35.805.409**
Adjustments to reconcile net profit:		**(7.707.419)**	**12.562.944**
Adjustments for depreciation and amortization	23	13.444.681	10.034.738
Adjustments for changes in provisions		604.495	(331.184)
Adjustments for interest income and expenses		(3.247.465)	(6.167.518)
Adjustments for tax expenses	26	(18.473.622)	9.118.511
Gains from sales of tangible assets	25	(35.508)	(91.603)
Changes in net working capital:		**22.473.334**	**(3.662.535)**
Decreases/(increase) in inventories		284.456	5.396.695
Increases in trade receivables		5.206.564	(8.574.057)
Increases in trade payables		22.621.618	1.456.009
Decreases in other payables		10.733	9.508
Other increases/decreases in net working capital		(5.650.037)	(1.950.690)
Cash flows from operating activities		**34.206.454**	**44.705.818**
Interest paid		(2.652.811)	(2.480.019)
Interest received		4.459.607	5.317.685
Taxes paid		(2.787.950)	(7.946.586)
CASH FLOWS FROM INVESTING ACTIVITIES		**(100.169.157)**	**(56.378.900)**
Purchases of shares of subsidiary		(7.252)	-
Proceeds from sale of tangible and intangible assets		37.559	99.047
Purchases of tangible and intangible assets		(101.306.819)	(3.234.476)
Advances given		(854.829)	(56.673.604)
Interest received		1.962.819	3.430.133
CASH FLOWS FROM FINANCING ACTIVITIES		**(100.168.522)**	**(6.824.176)**
Interest paid		(432.092)	-
Cash outflows related to borrowings		19.979.645	55.221
Dividends paid		(8.995.500)	(6.879.397)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES		**(56.391.169)**	**(23.606.178)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**6**	**61.008.802**	**84.614.980**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**4.617.633**	**61.008.802**

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

NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s (the "Company" or "Kartonsan") principal activity is the production and trade of coated cardboard. Kartonsan is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE") since 1985. All shares are quoted on ISE. Kartonsan's 24.67% shares are free floating. The Company's ultimate controlling party is PAK Family members through PAK Group Companies (Note 20).

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

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

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

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

As of 31 December 2014, the number of employees of the Group is 281 people (31 December 2013: 281) excluding the subcontracted employees

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2014-04 on 23 February 2015 and signed on its behalf by, Haluk İber, General Manager and Board Member and Süleyman Kaya, Vice Chairman of the Board of Directors.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Applied financial reporting standards

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

The financial statements of the consolidated financial statements of the Group are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations

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

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

2.1.2 Functional and presentation currency

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

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

2.1.3 Comparatives and restatement of prior periods' financial statements

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

2.1.4 Consolidation

Consolidation Principles

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

Subsidiaries

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

The balance sheets and statements of income of the subsidiaries are consolidated by way of full consolidation method on a line-by-line basis and the carrying value of the investment held by the Kartonsan and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Kartonsan and its subsidiaries are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Kartonsan in its subsidiaries are eliminated from equity and income for the period, respectively. Group includes the subsidiaries in the consolidation scope since control on the activities are transferred to Group and the subsidiaries excludes from consolidation scope when control on the activities disappeared. The non-controlling interest shares in the net assets and operating results of subsidiaries are separately classified in the consolidated balance sheets and statements of income as "Non-controlling Interest".

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

	31 December 2014		31 December 2013	
	Selka		Selka	
	Ownership (%)	Registered TL	Ownership (%)	Registered TL
Kartonsan	99,37	1.242.089	99,27	1.240.839
Other	0,63	7.911	0,73	9.161
Total equity	**100,00**	**1.250.000**	**100,00**	**1.250.000**

Joint ventures

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

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

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

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

	31 December 2014		31 December 2013	
	Selka		Selka	
	Ownership (%)	Registered TL	Ownership (%)	Registered TL
Kartonsan	50,00	75.000	50,00	75.000
Other	50,00	75.000	50,00	75.000
Total equity	**100,00**	**150.000**	**100,00**	**150.000**

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of the consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

Deferred income tax assets

Deferred income tax liabilities or assets are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements which are prepared in accordance with TAS. The Group recognised deferred income tax assets over carry forward tax losses and investment incentives to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The Group considered its future profit projections and the maturity dates of the tax losses generated in the current period while recognising deferred income tax assets (Note 26). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Investment incentive

As explained in Note 15, Based on the assessments made and the tax law numbered 5520, article 32/A, the Group recognised deferred income tax asset amounting to TL 19.087.543 for the corporate tax exemption of 15% over the investment amounting to TL 127.250.288 which is covered by incentive certificate (Note 26). Where the final investment amount covered by the incentive certificate is different from the amounts that were initially estimated, such differences will impact the deferred income tax asset.

2.2 New standards, amendments and IFRICs

Group has implemented the new and revised standards and interpretations effective from 1 January 2014 which are related to its main operations:

Standards, Amendments and IFRICs applicable to 31 December 2014 year ends:

- Amendment to TAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to TAS 36, 'Impairment of assets', effective from annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

- Amendment to TAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.
- TFRYK 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- Amendments to TFRS 10, 'Consolidated financial statements', TFRS 12 and TAS 27 for investment entities, effective from annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made TFRS 12 to introduce disclosures that an investment entity needs to make.

New IFRS standards, amendments and IFRICs effective after 1 January 2015:

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:
  - TFRS 2, 'Share-based payment'
  - TFRS 3, 'Business Combinations'
  - TFRS 8, 'Operating segments'
  - TFRS 13, 'Fair value measurement'
  - TAS 16, 'Property, plant and equipment' and TAS 38,'Intangible assets'
  - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
  - TAS 39, Financial instruments - Recognition and measurement'
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011-12-13 cycle of the annual improvements project, that affect 4 standards:
  - TFRS 1, 'First time adoption'
  - TFRS 3, 'Business combinations'
  - TFRS 13, 'Fair value measurement' and
  - TAS 40, 'Investment property'.
- TFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. TFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.
- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendments to TFRS 10, 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in TFRS 10 and those in TAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- Amendments to TAS 16 'Property, plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.
- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, 'Employee benefits' regarding discount rates.
  - TAS 34, 'Interim financial reporting' regarding disclosure of information..

It is expected that the application of the standards and the interpretations above will not have a significant effect on the consolidated financial statements of the Group.

2.3 Changes in accounting policies

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

2.4 Changes in accounting estimates and errors

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

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

The significant estimates used in preparation of interim financial statements of the period between 1 January and 31 December 2014 are consistent with the estimates in preparation of financial statements of the period between 1 January and 31 December 2013. Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements.

2.5 Summary of significant accounting policies

Offsetting

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

Revenue recognition

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

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

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

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

Interest income is recognised on a time-proportion basis using the effective interest rate method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset (Note 25).

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

When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis (Note 21).

Inventories

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

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct 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 (Note 11).

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

Property, plant and equipment

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

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

Type	2014 Rate (%)	2013 Rate (%)
Buildings	2 - 2,5	2 - 2,5
Leasehold Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67- 25	6,67- 25
Furniture and Fixtures	20 - 25	20 - 25
Vehicles	20-25	20-25

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

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. If repairs and maintenance clearly improves an item of property, plant and equipment, they are recognized in the carrying amount of that item (Note 13).

Intangible Assets

The Group’s intangible assets comprise of acquired computer software. Intangible assets are stated at their acquisition costs less accumulated amortization and any impairment losses if exists; acquisition cost being the restated cost to the equivalent purchasing power of 31 December 2004 for the intangible assets acquired prior to 1 January 2005 and the historical cost for intangible assets acquired subsequent to 1 January 2005. Intangible assets are amortized over their estimated useful lives using the straight-line method. The amortization rates are between 33% and 20%. The estimated useful lives and amortization method are reviewed annually for the possible effects of any changes in estimates and changes in estimates are accounted for prospectively (Note 14).

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.

Impairment of Assets

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

Leases

Finance Lease:

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset (Note 9).

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 501.024 (2013: TL 394.800) is accounted for under operating expenses.

Cash and cash equivalents

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

Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 8).

Trade payables

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

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

Foreign currency transactions

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

Earnings per share

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

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 27).

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 (Note 30).

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 (Note 16, 17)

Related parties

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

Government grants and assistance

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in profit or loss over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Income from government grants are accounted for as a reduction to related expenses (Note 15)

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 payable 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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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 income tax asset to be utilised.

Deferred income 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 (Note 26).

Current and deferred income taxes

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

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

Offsetting income tax assets and liabilities

The current income taxes payable are netted off with relating prepaid current income taxes in the balance sheet. Deferred income tax assets and liabilities are also netted off (Note 26).

Retirement and employment termination benefits

In accordance with Turkish Labour Law, employment termination benefits are provided in the financial statements when the termination indemnities become eligible. In accordance with revised TAS 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 (Note 18).

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

Cash flow statement

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

Investment properties

The Group's investment properties comprise of land.

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

Investment properties are eliminated from the balance sheet on disposal or when the investment property is permanently withdrawn from use. Gains or losses arising from disposal of investment properties are recognised in the profit or loss (Note 12)

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. (Note 20)

NOTE 3 - BUSINESS COMBINATIONS

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

NOTE 4 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING

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

	31 December 2014	31 December 2013
Cash and cash equivalents	111.574	118.073
Trade receivables	17.124.568	15.709.613
Other receivables	1.279	-
Inventories	5.453.131	3.956.910
Other current assets	170.449	1.066.544
Current assets	**22.861.001**	**20.851.140**
Short term borrowings	(580.028)	(101.670)
Trade payables	(5.063.262)	(3.007.363)
Other current liabilities	(900.263)	(1.012.779)
Total current liabilities	**(6.543.553)**	**(4.121.812)**
Non-current assets	**5.655.201**	**5.955.453**
Non-current liabilities	**(1.667.426)**	**(2.269.454)**
Net assets	**20.305.223**	**20.415.327**
Investments accounted for under equity accounting (50%)	**10.152.612**	**10.207.664**

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

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

	31 December 2014	31 December 2013
Sales	71.788.825	71.186.557
Cost of sales (-)	(69.955.733)	(69.116.188)
General administrative expenses (-)	(1.964.567)	(1.763.449)
Other operating income - net	331.268	1.155.598
Profit before tax	**199.793**	**1.462.518**
Tax expense	(69.806)	(276.803)
Profit for the period	**129.987**	**1.185.715**
Other comprehensive (expense)/income (after tax)	(240.091)	43.677
Total comprehensive (expense)/income	**(110.104)**	**1.229.392**
Share of (loss)/profit of associates (50%)	**(55.052)**	**614.696**

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

	2014	2013
1 January	**10.207.664**	**9.592.968**
Actuarial gains (Note 20)	(120.046)	21.838
Share of current period profits from the investments valued by the equity method	64.994	592.858
Total comprehensive profits/losses of the investments accounted for under the equity method	(55.052)	614.696
31 December	**10.152.612**	**10.207.664**

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

Share of current period profits/(losses) from the investments valued by the equity method	64.994	592.858
Inventory profit elimination	(103.573)	(241.018)
Share of (loss)/profit from the investments accounted for under equity method	**(38.579)**	**351.840**

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

NOTE 5 - SEGMENT REPORTING

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash in hand	77.149	71.232
Due from banks		
- Demand deposits - TL	546.250	431.457
- Demand deposits - Foreign currency	537.323	651.767
- Time deposits - TL	3.412.210	40.628.823
- Time deposits - Foreign currency	-	18.686.262
Credit card receivables	44.701	747.123
Total	**4.617.633**	**61.216.664**

Average maturity of time deposits is 1 day as of 31 December 2014 (31 December 2013: 22 days).

The annual interest rate of time deposits that are TL denominated and amounted to TL 3.412.210 as of 31 December 2014 ranged 10,00% (31 December 2013: TL 40.628.823) (31 December 2013: between 9,55% to 8,10%).

Cash and cash equivalents include the following for the purposes of the statements of cash flow at the end of 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Cash and cash equivalents	4.617.633	61.216.664
Interest accrual (-)	-	(207.862)
Cash and cash equivalents in the statement of cashflow	**4.617.633**	**61.008.802**

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

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2014	31 December 2013
a) Trade receivables due from related parties		
Mell Macedonian Paper	895.638	779.696
Total	**895.638**	**779.696**
b) Trade payables due to related parties		
Dönkasan	15.236.334	10.907.336
Hüseyin Kalkavan İnşaat A.Ş.	1.067.438	-
Pak Holding A.Ş.	154.842	4.398
Ece Plaza Yönetim Hizmetleri A.Ş.	24.169	60.344
Pak Gıda Üretim ve Paz. A.Ş.	563	7.669
Total	**16.483.346**	**10.979.747**
c) Short-term payables (Note 9)		
Pak Holding A.Ş.	9.292.000	-
Oycan İthalat İhracat ve Ticaret A.Ş.	8.707.000	-
Total	**17.999.000**	**-**
d) Other payables due to related parties		
Shareholders (Dividend)	8.333	8.310
Total	**8.333**	**8.310**
e) Sales of goods and services to related parties		
Mell Macedonian Paper	2.597.439	1.437.133
Dönkasan	1.101.488	1.795.460
Hüseyin Kalkavan İnşaat A.Ş.	13.035	-
Pak Holding A.Ş.	1.473	-
Total	**3.713.435**	**3.232.593**

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

	31 December 2014	31 December 2013
f) Purchases of goods and services from related parties		
Dönkasan	54.018.032	57.557.719
Mell Macedonian Paper	16.088.119	6.661.230
Hüseyin Kalkavan İnşaat A.Ş. (*)	6.799.451	-
Ece Plaza Yönetim Hizmetleri A.Ş. (**)	717.106	144.873
Pak Holding A.Ş. (***)	153.323	20.771
Pak Gıda Üretim ve Paz. A.Ş.	6.775	10.908
Asil Gıda ve Kimya San. ve Tic. A.Ş. ("Asil Gıda")	-	450.283
İntermat Am. A.Ş.	-	26.260
Total	**77.782.806**	**64.872.044**

(*) Comprises of the services provided related to the modernisation project of the cartoon production line numbered 2.
(**) Comprises of dues for Pak İş Merkezi.
(***) Comprises of legal consultancy service.

g) Key management benefits

	31 December 2014	31 December 2013
Key management benefits	1.212.492	1.087.748

Key management benefits between during the reporting period 2014 and 2013 are short term benefits and include wage and salaries, premiums, termination benefits and other payments. Post-employment benefits, share-based payments and other long-term benefits are not available in top management benefits at the reporting period 2014 and 2013.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties	31 December 2014	31 December 2013
Receivables	25.040.455	33.334.308
Note receivables	729.787	1.423.943
Less: unearned finance expense	(239.243)	(276.219)
Less: Provision for doubtful receivables	(852.494)	(772.612)
Total	**24.678.505**	**33.709.420**

Average maturity of trade receivables are 38 days (31 December 2013: 29 days), the effective interest rates are as follows:

	31 December 2014	31 December 2013
TL receivables	10,00%	10,00%

Maximum credit risk value at the balance sheet date is as much as the net book value of receivables groups defined above. Group holds mortgages and other guarantees obtained for trade receivables that are about TL 15.276.713 at the end of reporting period 2014 (31 December 2013: TL 21.080.302).

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

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

	2014	2013
1 January	772.612	755.618
Increase during year	89.218	16.994
Collections	(9.336)	-
31 December	**852.494**	**772.612**

b) Trade payables to third parties	**31 December 2014**	**31 December 2013**
Payables	27.689.449	10.891.269
Less: unearned finance expense	(216.287)	(135.459)
Total	**27.473.162**	**10.755.810**

NOTE 9 - SHORT TERM FINANCIAL LIABILITIES

	31 December 2014	31 December 2013
Short-term borrowings (Note 7)	17.999.000	-
Short-term finance lease liabilities	1.967.784	-
Other financial liabilities	395.491	382.630
Total	**20.362.275**	**382.630**

a) Short-term borrowings (Note 7)

	31 December 2014		31 December 2013	
	TL	Interest rate (%)	TL	Interest rate (%)
USD borrowings	9.292.000	3,00	-	-
TL borrowings	8.707.000	11,00	-	-
Total	**17.999.000**		-	

b) Short-term finance lease liabilities

	31 December 2014			31 December 2013		
	Minimum finance lease payment	Interest	Total Liability	Minimum finance lease payment	Interest	Total Liability
2015	1.994.284	(26.500)	1.967.784	-	-	-
	1.994.284	**(26.500)**	**1.967.784**	-	-	-

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

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

Other short-term receivables of the Group at the end of the reporting periods are as follows:

a) Other short term receivables from third parties	**31 December 2014**	**31 December 2013**
VAT receivables from tax office	6.195.680	2.553.327
Receivables from personnel	30.900	15.680
Total	**6.226.580**	**2.569.007**

Other long-term receivables of the Group at the end of the reporting periods are as follows

b) Other long term receivables from third parties	**31 December 2014**	**31 December 2013**
Deposits and Guarantees Given	13.560	5.630
Total	**13.560**	**5.630**

c) Other payables to third parties	**31 December 2014**	**31 December 2013**
Taxes, dues and fees payable	1.731.644	1.319.553
Order advances received	382.395	499.465
SSI premiums payable	341.607	315.877
Other miscellaneous payables	9.661	10.596
Total	**2.465.307**	**2.145.491**

NOTE 11 - INVENTORIES

	31 December 2014	**31 December 2013**
Raw materials and supplies	21.348.177	16.623.699
Work-in-process	228.637	268.189
Finished goods	19.143.808	25.941.805
Trade goods	4.238.752	2.513.710
Provision for impairment on inventories (-)	(915.572)	(30.385)
Total	**44.043.802**	**45.317.018**

Cost of inventories is about TL 123.047.991 were recognised within cost of sales at the reporting period between 1 January - 31 December 2014 (1 January - 31 December 2013: TL 135.053.824) (Note 21 and 23).

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

Movements in provision for impairment on inventories:

	2014	2013
1 January	**(30.385)**	**(67.946)**
Realized due to sale of inventory	30.385	67.946
Current period provisions (-)	(915.572)	(30.385)
31 December	**(915.572)**	**(30.385)**

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

	31 December 2014	31 December 2013
Cost	(3.879.978)	(855.055)
Net realizable value	2.964.406	824.670
Provision	**(915.572)**	**(30.385)**

There are no inventories pledged as security for the liabilities.

The cost of inventories recognized as expense within the period is disclosed in Note 21.

NOTE 12 - INVESTMENT PROPERTIES

Carrying amount	1 January 2014	Additions	Disposals	31 December 2014
Land	229.270	-	-	229.270
Total	**229.270**	**-**	**-**	**229.270**

Carrying amount	1 January 2013	Additions	Disposals	31 December 2013
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.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2014	Additions	Disposals	Transfers (*)	31 December 2014
Cost:					
Land	4.435.502	122.595	-	-	4.558.097
Land improvements	5.438.013	542.694	-	4.661	5.985.368
Buildings	43.304.985	33.827	-	852.920	44.191.732
Plant, machinery and equipment	333.761.009	2.535.935	(97.511)	151.662.765	487.862.198
Vehicles	706.787	96.532	(32.801)	-	770.518
Furniture and fixtures	10.987.982	1.214.002	(6.000)	-	12.195.984
Leasehold improvements	302.939	-	-	-	302.939
Other tangible assets	9.285	-	-	-	9.285
Construction in progress	1.783.058	152.710.532	-	(152.520.346)	1.973.244
	400.729.560	**157.256.117**	**(136.312)**	**-**	**557.849.365**
Accumulated depreciation:					
Land improvements	(4.294.806)	(151.242)	-	-	(4.446.048)
Buildings	(20.948.513)	(934.093)	-	-	(21.882.606)
Plant, machinery and equipment	(297.438.141)	(11.597.998)	97.511	-	(308.938.628)
Vehicles	(590.856)	(83.854)	30.750	-	(643.960)
Furniture and fixtures	(9.241.759)	(480.884)	6.000	-	(9.716.643)
Leasehold improvements	(216.701)	(30.671)	-	-	(247.372)
Other tangible assets	(9.285)	-	-	-	(9.285)
	(332.740.061)	**(13.278.742)**	**134.261**	**-**	**(345.884.542)**
Net book value	**67.989.499**				**211.964.823**

Notes to the Consolidated Financial Statements As at 31 December 2014

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

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

(*) TL 148.575.917 of the transfer from construction in progress comprises the capitalisation of the investments related to the renewal and modernisation project of cartoon production line 2 of the Group.

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

TL 12.368.893 of depreciation expense was included in cost of sales (1 January - 31 December 2013: TL 9.629.000), TL 248.083 of depreciation expense was included in marketing expense (1 January - 31 December 2013: TL 245.169), TL 661.766 of depreciation expense was included in general administrative expense (1 January - 31 December 2013: TL 117.890)

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

NOTE 14 - INTANGIBLE ASSETS

	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights and computer software	2.337.313	724.306	-	3.061.619
	2.337.313	**724.306**	**-**	**3.061.619**
Accumulated amortization:				
Rights and computer software	(1.120.983)	(165.939)	-	(1.286.922)
	(1.120.983)	**(165.939)**	**-**	**(1.286.922)**
Net book value	**1.216.330**			**1.774.697**

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

All of the amortization expense amounted to TL 165.939 was included in cost of sales (1 January - 31 December 2013: TL 42.679)

NOTE 15 - GOVERNMENT GRANTS AND ASSISTANCE

The law numbered 5838, proposed to reduce the negative impacts of the global financial crisis was enacted as of 28 February 2009 through publishing at the official gazette. According to the related law article about encouraging investment incentive it is decided to lower income tax rates. The profits gained by the investment activities associated to the incentive certificate by the Turkish Treasury will be subject to the reduced tax rates. Accordingly, the reduced tax rate will be effective as of the accounting period, when the investments are partially or fully activated, till the attainment of the "contribution amount'. Contribution amount refers to the amount given up for collection with the application of reduced tax rate. The cabinet, with the decision dated 16 July 2009 and numbered 2009/15199, has identified the conditions and aspects of the law numbered 5838 and enacted the arrangement.

Although the initial investment in the context of the investment certificate was TL 97.179.000, it has been revised as USD 39.411.225 imported machine and TL 38.041.550 domestic machine by Ministry of Economy as a result of the Group's application in 2014. As a result of revision, the total amount of investment covered by incentive certificate has increased to TL 135.431.000.

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

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

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

Based on the assessments made and the tax law numbered 5520, article 32/A, the Group recognised deferred income tax asset amounting to TL 19.087.543 for the corporate tax exemption of 15% over the investment amounting to TL 127.250.288 which is covered by incentive certificate (Note 26).

Investment is funded by equity and as of 31 December 2014 and 2013, the expenditure covered by incentive certificate and the advances given are shown below:

		31 December 2014		31 December 2013	
Expenditure	**Currency type**	**Original amount**	**TL equivalent**	**Original amount**	**TL equivalent**
Investment (*)	TRY	-	127.250.288	-	-
Advances given	USD	5.339	12.381	-	-
Advances given	EUR	60.380	170.313	19.009.850	45.351.313
Total			**127.432.982**		**45.351.313**

(*) As of 31 December 2014, the total of the expenditure regarding the investment for cartoon production line numbered 2 is TL 148.575.917 and TL 127.250.288 of the expenditures is covered by incentive certificate.

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

i) Short term provisions for employee benefits

	31 December 2014	31 December 2013
Provision for personnel unused vacations	312.611	344.450
Provision for personnel premiums	105.041	112.255
Total	**417.652**	**456.705**

ii) Other short term provisions	31 December 2014	31 December 2013
Provision for commissions	275.508	395.730
Provision for tax and penalty	-	109.708
Provision for litigations	-	56.727
Provisions for other payables and debts	420.765	513.004
Total	**696.273**	**1.075.169**

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

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

	2014	2013
1 January	**56.727**	**-**
Payments and released provisions	(56.727)	-
Additional provisions	-	56.727
31 December	**-**	**56.727**

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

	2014	2013
1 January	**1.018.442**	**928.872**
Payments and released provisions	(1.018.442)	(928.872)
Additional provisions	696.273	1.018.442
31 December	**696.273**	**1.018.442**

b) Contingent assets and liabilities

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favour of the Group as of 31 December 2014 are as follows:

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

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

3. The Group filed a lawsuit against Istanbul Metropolitan Municipality on Istanbul 5th Administrative Court with file number 2013/2369 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis, the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/1000 dated 19 May 2013. The file has been submitted to 4. Administrative Court of Istanbul with a number 2014/1127. The lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

4. The Governorship of Kocaeli filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2010/419 E, with the claim of TL 2.500.000 as rehabilitation compensation. In accordance with the Group's objections, the lawsuit was dismissed on the ground that the Governorship of Kocaeli is not eligible to file a lawsuit relating to village pasture on 1 February 2011. However, Turkish Treasury filed a lawsuit on Kocaeli 4th Civil Court of First Instance with file number 2011/13 E. with the claim of TL 2.500.000 as rehabilitation compensation. In January 2013, the court has decided on partial acceptance and partial rejection of the case. According to the decision, TL 56.727 compensation has been accepted and TL 2.443.273 has been rejected. The Case was upheld by the Supreme Court. Prosecutor side has made another application before the Supreme Court. The process has been finalised in favour of the Group and the file has been closed with the payment made in the current year (Note 16).

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

5. The Group filed a lawsuit on Istanbul 1st Tax Court with file numbers 2010/4108 E. for the cancellation of the payment orders amounting to TL 549.826 notified by Boğaziçi Kurumlar Tax Office relating to the VAT periods 3, 5, 6, 7,8 and 11th in 2006. The court with file number 2010/2187 E. was concluded in favour of the Group and since the defendant appealed the decision, the case is currently at Supreme Court.

6. As a result of the tax inspection by Ministry of Finance related to 1 January-31 December 2007 fiscal period, tax and penalty assessments in the total amount of TL 14,928,436, which comprises of original corporate income tax amounting to TL 4,165,805 and tax penalty amounting to TL 10,762,631 was notified to the Group. The subject of this tax and ax penalty is the accounting applications relating the merger of Kartonsan and its subsidiary Selka Holding A.Ş. in the related year.

   Group Management is in the opinion that accounting applications that were criticized in Tax Inspection Reports are compliant with the legal arrangements and communiqué, circular and tax ruling of Ministry of Finance. Nonetheless, the Group plans to use its legal rights against the claims in the Tax Inspection Report. The Group did not provide provision in the consolidated financial statements since no reliable estimation could be made related to the cash outflows from the Group with respect to these tax inspections at the current stage. The Group has applied to Ministry of Finance for a settlement in January 2013 and the Ministry of Finance has set the date as

   30 October 2014. As a result of the settlement discussions, the Ministry has decided to postpone the meeting. The Ministry is expected to set a new date.

7. The group requested conciliation before assessment with respect to investigation that conducted by Ministry of Finance. As a result of the conciliations, payment of TL 79.478 was accepted under the title of corporate tax, loss of tax penalty and special irregularity penalty. Due date of the related tax and tax penalties was announced as 28 February 2014. With delay penalty of the related payment, a provision in the amount of TL 109.708 has been provided in consolidated financial statements as of 31 December 2013. The payment has been made in the current year (Note 16).

8. The union, the workers in the Group's factory are registered with and which is authorised to make collective labour agreements is the Türkiye Selüloz Kağıt, Ağaç ve Mamülleri İşçileri union (Selüloz-İş). Collective labour agreements, which are valid for two-year periods, are made with the authorised labour union. The collective labour agreement that was valid for the 1 September 2012 - 31 August 2014 period expired on 13 August 2014. The parties started negotiating an agreement for another two-year period on 24 September 2014. As of 29 January 2015, the negotiations were at the Official Mediator phase and had resulted in conflict. No provisions were allocated in the consolidated financial statements, since a trustworthy estimation could not be made regarding the cash outflows from the Group.

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

The details of collaterals, pledges and mortgages received ("CPM") of the Group at 31 December 2014 and 2013 are as follows

		31 December 2014		31 December 2013	
	Original Currency	**Original Amount**	**TL Equivalent**	**Original Amount**	**TL Equivalent**
CPM Received	EUR	9.685.000	27.318.480	12.330.000	36.207.045
	TL	15.661.070	15.511.070	17.308.927	17.308.927
	USD	975.000	2.260.927	2.226.320	4.751.635
Total			**45.090.477**		**58.267.607**

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

The details of collaterals, pledges and mortgages given ("CPM") of the Group at 31 December 2014 and 2013 are as follows:

		31 December 2014		31 December 2013	
	Original Currency	Original Amount	TL Equivalent	Original Amount	TL Equivalent
A. CPM given on behalf of the Company's legal personality					
Total amount	TL	8.658.679	8.658.679	9.139.268	9.139.268
	USD		-	-	-
	EUR		-	-	-
B. CPM given for continuation of ordinary economic activities on behalf of third parties		-	-	-	-
C. Total amount of other CPM given Total amount					
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		-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of B		-	-	-	-
Total			**8.658.679**		**9.139.268**

The ratio of other CPMS given by the Group to equity of the Group is 3,41% as of 31 December 2014 (2013: 3,66%).

NOTE 17 - COMMITMENTS

The Group's Commitments at 31 December 2014 and 2013 are as follows.

a) Raw materials purchase agreements

	31 December 2014	31 December 2013
In one year	2.782.408	1.340.142
Total	**2.782.408**	**1.340.142**

b) Machinery and equipment purchase agreements

	31 December 2014	31 December 2013
In one year	6.756.061	24.151.449
Total	**6.756.061**	**24.151.449**

c) Service purchase agreements

	31 December 2014	31 December 2013
In one year	1.501.170	512.311
Total	**1.501.170**	**512.311**

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

NOTE 18 - EMPLOYEE BENEFITS

Short term provisions for employee benefits

	31 December 2014	31 December 2013
Provision for personnel unused vacations	312.611	344.450
Provision for personnel premiums	105.041	112.255
Total	**417.652**	**456.705**

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

	2014	2013
1 January	**456.705**	**225.850**
Provision expense	417.652	456.705
Payments	(456.705)	(225.850)
31 December	**417.652**	**456.705**

Long term provisions for employee benefits	31 December 2014	31 December 2013
Provisions of termination benefits	3.725.824	3.618.718
Total	**3.725.824**	**3.618.718**

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

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). After the changes in legislation made on 23 May 2002, certain transitional clauses relating to the length of the service prior to the retirement have been removed.

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (31 December 2013: TL 3.438.22) for each period of service at 31 December 2014. The liability is not funded, as there is no funding requirement.

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

	31 December 2014	31 December 2013
Discount rate (%)	3,29	3,82
Rate used to estimate the probability of retirement (%)	97,25	97,20

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TL 3.541.37 for each period of service as of 1 January 2015 (1 January 2014: 3.438.22).The maximum liability is revised semi-annually.

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

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

	2014	2013
1 January	**3.618.718**	**3.601.990**
Service cost	531.186	393.020
Interest Cost	138.145	90.050
Actuarial Loss (Note 20)	88.310	352.659
Payments	(650.535)	(819.001)
31 December	**3.725.824**	**3.618.718**

Movements of actuarial losses accounted under equity are as follows.

	2014	2013
1 January	**282.127**	**-**
Actuarial gain/loss	88.310	352.659
Actuarial gain/loss - tax effect	(17.662)	(70.532)
31 December	**352.775**	**282.127**

NOTE 19 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short term prepaid expenses	31 December 2014	31 December 2013
Advances given	1.815.696	2.572.111
Prepaid expenses	511.428	337.071
Total	**2.327.124**	**2.909.182**

b) Long term prepaid expenses	31 December 2014	31 December 2013
Advances given for Property, plant and equipment (*)	854.829	56.673.604
Total	**854.829**	**56.673.604**

(*) As of 31 December 2013, it represents advances given by Group related to renewal and modernization investment of cartoon production line 2.

c) Other current assets	31 December 2014	31 December 2013
VAT receivable	6.250.728	10.133
Other	643	9.143
Total	**6.251.371**	**19.276**

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

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

Kartonsan's shareholders and their respective shareholding ratios at 31 December 2014 and 2013 are as follows:

	31 December 2014	Ratio (%)	31 December 2013	Ratio (%)
Pak Holding A.Ş.	975.590	34,39	975.590	34,39
Pak Gıda Üretim ve Pazarlama A.Ş.	564.903	19,91	564.903	19,91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	561.741	19,80	561.741	19,80
Oycan İthalat İhracat ve Ticaret A.Ş.	35.000	1,23	35.000	1,23
Other shareholders (Publicly traded portion)	699.780	24,67	699.780	24,67
Paid-in capital	**2.837.014**	**100,00**	**2.837.014**	**100,00**
Adjustment to paid-in capital	93.298.657		93.298.657	
Total	**96.135.671**		**96.135.671**	

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

In Accordance with the Company's Articles of Association

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

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

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

b) Restricted reserves

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

The reserves mentioned above must be classified in "Restrictive Reserves" in compliance with CMB Financial Reporting Standards. The details of restricted reserves as of 31 December 2014 and 31 December 2013 are as follows

	31 December 2014	31 December 2013
Legal Reserves	23.473.123	22.582.514
Profit on Sale of Participation Shares and Real Estate Sale Exemptions to be Added to Capital	2.315.343	2.315.343
Total	**25.788.466**	**24.897.857**

c) Profit distribution

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

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

Total amount of the Group's net distributable profit and other liabilities may be subject to profit distribution as of 31 December 2014 is TL 125.039.137 (31 December 2013: TL 121.632.567). Total amount of the Group's other liabilities may be subject to profit distribution is limited to total amount of the Group's statutory statements. In the current year, the Group realised a loss of TL 24.194.139. Total amount of the Group's other liabilities may be subject to profit distribution in statutory statements as of 31 December 2014 is TL 78.259.988 (31 December 2013: TL 113.024.159) 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.

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

d) Other comprehensive income/expense not to be reclassified to profit or loss

The movement of the actuarial losses that are accounted for under equity is as follows:

	2014	2013
1 January	**(260.289)**	**-**
Actuarial losses (Note 18)	(88.310)	(352.659)
Actuarial losses- tax effect (Note 26)	17.662	70.532
Actuarial losses-net	(70.648)	(282.127)
The share of the subsidiaries accounted for under equity method (Note 4)	(120.046)	21.838
Net change	**(190.694)**	**(260.289)**
31 December	**(450.983)**	**(260.289)**

NOTE 21 - SALES AND COST OF SALES

	1 January - 31 December 2014	1 January- 31 December 2013
Sales:		
Domestic Sales	154.802.744	163.254.937
Foreign Sales	54.433.699	67.426.077
Other Sales	3.591.398	4.049.812
Sales Returns (-)	(1.208.482)	(296.041)
Sales Discounts (-)	(9.192.681)	(8.487.235)
Other Discounts (-)	(2.580.226)	(1.731.339)
Sales, net	**199.846.452**	**224.216.211**
Cost of sales:		
Raw materials and supplies expenses	(123.047.991)	(135.053.824)
Employee benefits	(17.848.039)	(20.455.613)
General production overhead expenses	(24.330.734)	(17.851.290)
Depreciation and amortisation	(12.534.832)	(9.671.679)
Change in work-in process and finished goods	12.408.345	7.588.122
Cost of trade goods sold	(13.778.783)	(5.726.394)
Cost of other sales	(2.919.927)	(3.459.852)
Cost of sales	**(182.051.961)**	**(184.630.530)**
Gross profit	**17.794.491**	**39.585.681**

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

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

a) General administrative expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Employee benefits	(4.788.445)	(4.302.453)
Outsourced benefits and services	(1.264.891)	(1.121.833)
Provisions of termination benefits	(937.414)	(439.981)
Taxes, duties and charges	(669.331)	(483.070)
Depreciation and amortisation	(661.766)	(117.890)
Donation and aid expenses	(15.775)	(14.742)
Other	(1.102.956)	(992.967)
Total	**(9.440.578)**	**(7.472.936)**

b) Marketing expenses

	1 January - 31 December 2014	1 January - 31 December 2013
Transportation expenses	(6.074.950)	(7.358.055)
Employee benefits	(1.408.271)	(1.107.956)
Export expenses	(458.892)	(467.854)
Depreciation and amortization expenses	(248.083)	(245.169)
Other expenses	(1.436.626)	(1.030.088)
Total	**(9.626.822)**	**(10.209.122)**

NOTE 23 - EXPENSES BY NATURE

	1 January - 31 December 2014	1 January - 31 December 2013
Raw materials and supplies expenses	(123.047.991)	(135.053.824)
Outsourced benefits and services	(25.595.625)	(18.973.123)
Employee benefits	(24.044.755)	(25.866.022)
Cost of trade goods sold	(13.778.783)	(5.726.394)
Depreciation and amortisation	(13.444.681)	(10.034.738)
Transportation expenses	(6.074.950)	(7.358.055)
Cost of other sales	(2.919.927)	(3.459.852)
Taxes, duties and charges	(937.414)	(439.981)
Provisions of termination benefits	(669.331)	(483.070)
Export expenses	(458.892)	(467.854)
Donation and aid expenses	(15.775)	(14.742)
Change in work-in process and finished goods	12.408.345	7.588.122
Other expenses	(2.539.582)	(2.023.055)
Total	**(201.119.361)**	**(202.312.588)**

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

NOTE 24 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Foreign exchange gain (Trade receivables and payables)	4.582.436	3.290.803
Interest eliminated from sales	4.171.197	4.805.419
Profit on sales of property, plant and equipment	805.219	262.909
Late interest income	325.386	447.432
Other	1.223.539	1.090.978
Total	**11.107.777**	**9.897.541**

Other expenses from operating activities	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Foreign exchange gain (Trade receivables and payables)	(6.406.516)	(1.194.284)
Provision for impairment on inventories	(915.572)	(30.385)
Interest eliminated from purchases	(801.851)	(1.290.296)
Other	(720.132)	(520.727)
Total	**(8.844.071)**	**(3.035.692)**

NOTE 25 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Foreign exchange gain (Trade receivables and payables)	3.767.313	15.051.473
Interest income	1.754.957	3.430.824
Profit on sales of property, plant and equipment	35.508	91.603
Total	**5.557.778**	**18.573.900**

Expenses from investing activities	**1 January - 31 December 2014**	**1 January - 31 December 2013**
Foreign exchange loss (Trade receivables and payables)	(3.430.855)	(1.541.431)
Total	**(3.430.855)**	**(1.541.431)**

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

NOTE 26 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Current income tax liabilities at the balance sheet as of 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Current Income Tax Payable	272.218	9.270.866
Less: Prepaid taxes and funds	(263.142)	(6.746.058)
Current income tax liability	**9.076**	**2.524.808**

Tax expenses at the comprehensive income statement as of 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current income tax expense (-)	(272.218)	(9.270.866)
Deferred tax Income	18.745.840	152.355
Total tax expense	**18.473.622**	**(9.118.511)**

a) Corporate Income Tax

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

13 June 2006 and most clauses has come into effect from 1 January 2006. In Turkey, the corporation income tax rate of the fiscal year 2014 is 20% (31 December 2013: 20%).

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

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

A tax charge of 19.8% applies to investment incentives that were utilized via investment incentive certificates that were obtained before 24 April 2003. After this date, 40% of investment expenses incurred without an incentive certificate can be deducted from taxable revenue. There is no tax charge for capital expenditures qualifying for government incentive.

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

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

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

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

Corporations are required to pay advance corporation income tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government..

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

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

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

Expected and actual tax expense reconciliations for the period between 1 January and 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Profit before tax	966.917	44.923.920
Tax expense of the Group	(193.383)	(8.984.784)
Investment incentive	19.087.543	-
Expenses not deductible for tax purposes	(707.582)	(133.727)
Income not subject to tax	287.044	-
Total tax expense (income)	**18.473.622**	**(9.118.511)**

b) Deferred income taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates as of 31 December 2014 and 31 December 2013 are as follows.

	Cumulative Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Investment incentive	(127.250.288)	-	19.087.543	-
Carry forward tax losses	(21.821.044)	-	4.364.209	-
Inventories	(4.388.217)	1.723.752	877.643	(344.751)
Provision for employee benefits	(3.725.824)	(3.618.718)	745.165	723.744
Provision for doubtful receivables	(93.032)	(70.489)	18.607	14.098
Unearned financial income	(16.382)	(116.234)	3.277	23.247
Provisions for litigations	-	(56.727)	-	11.345
Tangible and intangible assets	35.212.560	6.360.887	(7.042.512)	(1.272.177)
Other, net	278.029	(396.594)	(55.605)	79.319
Deferred Income Tax Liability, Net			**17.998.327**	**(765.175)**

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

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

	2014	2013
1 January	**(765.175)**	**(988.062)**
Related with income statement	18.745.840	152.355
Actuarial losses that accounted for under equity (Note 18)	17.662	70.532
31 December	**17.998.327**	**(765.175)**

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2013	1 January - 31 December 2013
Net Income for the Period	19.433.427	35.795.269
Weighted average number of shares	2.837.014	2.837.014
Earnings per share	**6.84996**	**12,61723**

NOTE 28 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	31 December 2014	31 December 2013
Borrowings and receivables		
Cash and cash equivalents	4.617.633	61.216.664
Trade receivables	25.574.143	34.489.116
Total	**30.191.776**	**95.705.780**
Financial liabilities valued by effective interest rate		
Trade payables	43.956.508	21.735.557
Borrowings	2.363.275	382.630
Total	**46.319.783**	**22.118.187**

b) Fair value of financial instruments

Company has not fair value of financial asset and liability as of 31 December 2014 and 31 December 2013.

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

29.1 Financial Risk Factors

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

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

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

a) Market Risk

aa) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from foreign currency mainly USD and EUR. Foreign exchange risk arises from recorded assets and liabilities. The management analyzes the group's foreign currency position and takes necessary precautions when needed.

Foreign currency position tables at the end of reporting period 2014 and 2013 are as follows:

31 December 2014

	TL Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	9.094.219	884.450	2.468.638	22.241
2a. Monetary Financial Assets	545.604	44.898	156.491	-
2b. Non-Monetary Financial Assets				-
3. Other	1.389.807	87.360	420.898	-
4. Total Current Assets (1+2+3)	**11.029.630**	**1.016.708**	**3.046.027**	**22.241**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	686.309	268.430	22.635	-
8. Total Non-Current Assets (5+6+7)	**686.309**	**268.430**	**22.635**	-
9. Total Asset (4+8)	**11.715.939**	**1.285.138**	**3.068.662**	**22.241**
10. Trade Payables	15.565.917	4.261.382	2.003.306	1.600
11. Financial Liabilities	11.259.783	4.062.400	645.066	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	**26.825.700**	**8.323.782**	**2.648.372**	**1.600**
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)	**26.825.700**	**8.323.782**	**2.648.372**	**1.600**
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)	**(15.109.761)**	**(7.038.644)**	**420.290**	**20.641**
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(15.109.761)**	**(7.038.644)**	**420.290**	**20.641**
22. Fair value of financial derivate used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	42.827.795	4.497.492	10.400.638	1.052.527
26. Imports	89.734.973	3.278.531	28.514.717	-

Notes to the Consolidated Financial Statements As at 31 December 2014

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

31 December 2013

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

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

Foreign currency sensitivity analysis tables at the end of reporting period 2014 and 2013 are as follows:

	31 December 2013			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%:				
1. Net Asset/Liability in USD	(1.635.596)	1.635.596	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	**(1.635.596)**	**1.635.596**	-	**-**
If EUR appreciated/(depreciated) against TL by 10%:				
4. Net Asset/(Liability) in EUR	117.200	(117.200)	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	**117.200**	**(117.200)**	-	**-**
If other foreign currencies appreciated/ (Depreciated) against TL by 10%				
7. Net Asset/(Liability) in other foreign currencies	7.420	(7.420)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	**7.420**	**(7.420)**	-	**-**
Total (3+6+9)	**(1.510.976)**	**1.510.976**	**-**	**-**

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

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

ab) Interest rate risk

As of 31 December 2014 and 2013, the Group does not expose to interest rate risk as it does not have any financial assets and liabilities with variable interest rate.

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

b) Credit risk

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

	Trade Receivables		Other Receivables			
31 December 2014	**Related Parties**	**Other**	**Related Parties**	**Other**	**Deposits at Bank**	**Total**
Maximum credit risk exposure at the reporting date (A+B+C+D) (*)	**895.638**	**24.678.505**	**-**	**6.226.580**	**4.495.783**	**36.296.506**
- Secured portion of the maximum risk by guarantees	***-***	***15.276.713***	***-***	***-***	***-***	***15.276.713***
A. Net book value of financial assets not due not impaired	895.638	16.660.928	-	6.226.580	4.495.783	28.278.929
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	2.185.099	-	-	-	2.185.099
C. Net book value of impaired assets	-	5.832.478	-	-	-	5.832.478
- Past due (gross book value)	-	*6.684.972*				*6.684.972*
- Impairment (-)	-	*(852.494)*	-	-	-	*(852.494)*
- Portion of the net value with guarantees	-	*5.832.478*	-	-	-	*5.832.478*
- Not Due (gross book value)						
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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

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

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

Trade receivables amounted to TL 2.185.099 is overdue but not impaired as of 31 December 2014 (31 December 2013: TL 3.938.720). Trade receivables consists of independent receivables pays their past debts without delay. The maturity analysis of the assets which are past due but not impaired is as follows:

	31 December 2014	**31 December 2013**
Past due by 1-30 Days	706.304	1.741.178
Past due by 1-3 Months	983.330	2.086.028
Past due by 3-12 Months	495.465	111.514
Past due by 1-5 Years	-	-
Past due by over 5 Years	-	-
Total	**2.185.099**	**3.938.720**

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

c) Liquidity risk

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

Analysis that shows the due dates of the non-derivative financial liabilities at the balance sheet as of 31 December 2014 and 2013 are as follows:

31 December 2014	**Book Value**	**Total Contractual Cash Outflow (I+II+III+IV)**	**Less than 3 Months (I)**	**3-12 Months (II)**	**1-5 year Years (III)**	**Over 5 Years (IV)**
Non-derivative financial liabilities:						
Bank loans	395.491	395.491	395.491	-	-	-
Finance lease liabilities	1.967.784	1.967.784	-	1.967.784	-	-
Borrowings	17.999.000	17.999.000	-	17.999.000		
Trade payables	43.956.508	44.172.795	44.172.795	-	-	-
Payables for employee benefits	199.876	199.876	199.876	-	-	-
Other payables	2.473.640	2.473.640	2.473.640	-	-	-
Total	**66.992.299**	**67.208.586**	**47.241.802**	**19.966.784**	**-**	**-**

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

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

29.2 Capital risk management

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

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

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

As of 31 December 2014 and 2013 net debt/total capital ratio is as follows:

	31 December 2014	31 December 2013
Total liabilities	71.841.124	32.901.706
Less: Cash and cash equivalents (Note 6)	(4.617.633)	(61.216.664)
Total liabilities	67.223.491	(28.314.958)
Total shareholders' equity	260.187.647	249.940.554
Total capital	327.411.138	221.625.596
Net debt/total capital ratio	**20,53%**	**-**

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

NOTE 30 - EVENTS AFTER BALANCE SHEET DATE

As stated in material disclosures dated 30 January 2015 and 10 February 2015, with Board of Directors decision No. YK/2015-02 dated 30 January 2015, a possible spin-off of Dönkasan, a joint venture of the Company, was negotiated. The company has signed an initial agreement with Olmuksan International Paper Ambalaj Sanayi ve Ticaret Anonim Şirket, the other Dönkasan shareholder which holds 50% of the shares, regarding a possible full or partial spin-off. The Board of Directors of Dönkasan agreed that a report will be requested from Certified Public Accountants or Sworn Financial Advisors regarding the determination of the value of the assets which are subject to the spin-off, and this report will be submitted to the Istanbul Trade Registry. In addition, the Board of Directors of Dönkasan decided that: as per Articles 166 and 167 of the TCC, a spin off plan should be prepared and sent for the approval of the General Assembly; as per Article 169 of the TCC, a spin off plan should be prepared ; and, according to Articles 174 and 175 of the TCC, a notification calling for the declaration of company receivables and requesting that a guarantee be given should be published in the Turkish Trade Registry Gazette three times, with seven days between each publication.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

2014 Profit Distribution Table

Based on the statements provided in the Article No: 25 of the Company's Articles of Association, the profit distribution proposal is presented at the table below for your examination and approval.

1- Paid-in/Issued Capital	2.837.014,21
2. General Legal Reserves (According to Legal Records)	2.593.834,25
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation	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 Records (LR)
3.	Profit for the Period	966.917,00	-24.914.138,99
4.	Taxes (-)	-18.473.622,00	
	Non-controlling Shares	7.112,00	
5.	Net Profit for the Period [1]	19.433.427,00	-24.914.138,99
6.	Losses in Prior Years (-)		
7.	General Legal Reserves (-)		
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	19.433.427,00	-24.914.138,99
9.	Donations during the Year (+)	39.855,00	
10.	Net Distributable Profit for the Period Including Donations	19.473.282,00	
11.	First Dividend to Shareholders		
	Cash		
	Bonus Shares		
	Total		
12.	Dividends Distributed to Owners of Privileged Shares		
13.	Other Dividends Distributed		
	Members of the Board of Directors		
	Employees		
	Non-Shareholder Individuals		
14.	Dividends Distributed to Owners of Redeemed Shares		
15.	Second Dividend to Shareholders		
	Cash		
	Bonus Shares		
	Total		
16.	General Legal Reserves		
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	19.433.427,00	-24.914.138,99
20.	Other Resources to be Distributed		
	Prior Years' Profits		
	Extraordinary Reserves		
	Other Distributable Reserves According to Law and the Articles of Association		

[1] Net period profit is TL 19.440.539 (966.917+18.473.622) of which amount TL 7.112 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 19.433.427, is taken into consideration.

RATIO OF DIVIDENDS TABLE

		TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
	GROUP	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
	A	0,00	0,00	0,00000	0,0000000	0.000,00%
NET	B	0,00	0,00	0,00000	0,0000000	0,00%
	TOTAL	0,00	0,00		0,00	

Other Disclosures Required by the Regulations

1) GENERAL INFORMATION

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

Head Office:

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

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

Factory:

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

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

Sales Office:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İstanbul

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

Tax Office: Large Taxpayers

Tax Registration No: 5260057491

Trade Registration No: 95869/41270

Central Registration System No: 0526005749100010

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

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

Shares Representing Company's Paid-in Capital:

A-Type Shares: 200 Shares

B-Type Shares: 283,701,221 Shares

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

Other Disclosures Required by the Regulations

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

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

Title of Shareholder	31.12.2014 Number of Shares	31.12.2014 Stake (%)	31.12.2013 Number of Shares	31.12.2013 Stake (%)
Pak Holding A.Ş.	975,590	34.39	975,590	34.39
Pak Gıda Üretim ve Pazarlama A.Ş.	564,903	19.91	564,903	19.91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	561,741	19.80	561,741	19.80
Oycan İthalat İhracat ve Ticaret A.Ş.	35,000	1.23	35,000	1.23
Other Shareholders (Free Float)	699,780	24.67	699,780	24.67
Capital at Historical Cost	2,837,014	100.00	2,837,014	100.00

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

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

Board of Directors

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

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

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

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

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

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

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

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

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

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

Article: 9/A- Cancelled

Other Disclosures Required by the Regulations

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

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

Meetings of the Board of Directors'

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

Financial Rights of Board Members

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

Payment plans that are based on company's performance or equity options are not used for the compensation of independent board members. The level of compensation for Independent Board members will be at a level that will ensure their independency.

Auditors

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

Compensation of Auditors

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

The Company's Annual General Meeting relating to the 2013 fiscal year activities was held on 27 March 2014. In the Annual General Meeting, each of the individuals that were appointed to serve for one year as Members of the Board of Directors and Independent Auditors are listed below

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

BOARD OF DIRECTORS

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Ünal Bozkurt	Chairman of the Board of Directors	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Aslı Balkır	Vice Chairman of the Board of Directors	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Süleyman Kaya	Vice Chairman of the Board of Directors	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Sinan Ercan Gülçur	Board Member				1 YEAR
Babür Gökçek	Board Member	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Mehmet İmregün	Board Member	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Hatice Canan Pak İmregün	Board Member	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Ali Ersin Güredin	Independent Board Member	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Tamer Koçel	Independent Board Member	29.03.2013	27.03.2014	27.03.2014	1 YEAR
Haluk İber	Board Member and General Manager	29.03.2013	27.03.2014	27.03.2014	1 YEAR

Other Disclosures Required by the Regulations

The Board of Directors held 26 meetings in the year ending 31.12.2014. All decisions taken during the year were put in force.

INDEPENDENT AUDITOR ACCORDING TO THE TURKISH CODE OF COMMERCE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Başaran Nas Bağımsız Denetim SMMM A.Ş.	Independent Auditor	29.03.2013	27.03.2014	27.03.2014	1 YEAR

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

AUDIT COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Ali Ersin Güredin	President of the Audit Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Tamer Koçel	Member of the Audit Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Tamer Koçel	President of the Corporate Governance Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Aslı Balkır	Member of the Corporate Governance Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Süleyman Kaya	Member of the Corporate Governance Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Bülent Yılmaz	Member of the Corporate Governance Committee*			28.03.2014	1 YEAR

*Head of Section for Investment Relations, not a member of Corporate Governance Committee.

THE EARLY DETECTION OF RISK COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Ali Ersin Güredin	President of the Risk Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Mehmet İmregün	Member of the Risk Committee	09.04.2013	28.03.2014	28.03.2014	1 YEAR
Sinan Ercan Gülçur	Member of the Risk Committee			28.03.2014	1 YEAR
Ünal Bozkurt	Member of the Risk Committee	09.04.2013	28.03.2014		

c) Information on Affiliates and Subsidiaries:

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

Selka İç ve Dış Ticaret A.Ş.

SHAREHOLDER NAME/TITLE	NUMBER OF SHARES STAKE (%)	NUMBER OF SHARES STAKE (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,242,088.75	99.37
Other Natural and Legal Partners	7,911.25	0.63
TOTAL	1,250,000.00	100

Other Disclosures Required by the Regulations

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

SHAREHOLDER NAME/TITLE	NUMBER OF SHARES STAKE (%)	NUMBER OF SHARES STAKE (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	75,000	50
Olmuksan International Paper Amb. San. ve Tic. A.Ş.	75,000	50
TOTAL	150,000	100

2) MARKET PROFILE, OPERATIONS AND EXPECTATIONS

a) Market Profile and Implemented Sales Policies:

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

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

b) Investment and Dividend Policies

Most of the Company's investment plans are concerned with the maintenance of the existing plant. However, a quality improvement and capacity increase investment has been completed for the second cardboard production line (KM 2) within 2014. As a result of the investment, it was aimed to increase the production capacity of the 2nd production facility by 60% and the total production capacity by 30%. The aforementioned 2nd production facility started its operations within September 2014 and the required modification work in ongoing for the increase of production capacity.

Kartonsan has the aim to decrease the environmental effects of its production and operation and this is being done through an integrated strategy. The investment made for the expansion will also increase the resource efficiency as well as Kartonsan's energy efficiency. In addition to this, when the expansion work is finalized the water recycle ratio will gradually increase to 60 to 80% from 30% in Kartonsan.

The dividend policy of the company has been revised in 2014 and it has been announced in general assembly meeting on the 27 March 2014. The dividend policy can be reviewed from company's website (www.kartonsan.com.tr/yatırımcı ilişkileri/Şirket Kâr Dağıtım Politikası\2014) or through KAP.

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

Capital Market Board has removed the obligation for the minimum distribution of profits, within the scope of corporate governance principles.

The profits will still be distributed among the shareholders, by considering a balance between the expectations and growth strategies, unless otherwise decided in the General Assembly.

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

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

Other Disclosures Required by the Regulations

The dividend distribution takes place within the legal term.

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

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

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

Dividend Policy

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

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

Principles Regarding Calculation, Payment Method and Distribution of Dividend

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

a) The dividend is distributed to all shareholders equally with respect to their shares as of dividend distribution date without considering issue and acquisition dates (Rights related to A group shares' privileges mentioned in the Company's articles of association are reserved).
b) It is a policy to distribute the dividend in cash with one instalment depending on the decision taken in the Annual General Meeting in which dividend distribution is determined. However, the decision to carry out the payment through instalments or bonus shares may be taken in the general meeting in line with the proposal of the Board of Directors on the condition that it is in line with Capital Market Legislation, the Turkish Commercial Code, the Capital Market Board's principles for dividend distribution and the principles of capital increases.
c) The dividend is calculated in accordance with article 25 of the company's articles of association. The dividend is distributed by the end of the fiscal period in which general meeting is held and the dividend distribution decision is taken.

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

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

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

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

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

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

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

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

Clause (c) of 2nd Paragraph of article 446 in Turkish Commercial Code is reserved.

Other Disclosures Required by the Regulations

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

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

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

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

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

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

3) FINANCIAL RESOURCES AND RISK MANAGEMENT POLICIES

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

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

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

4) FORECASTS REGARDING THE DEVELOPMENT OF OPERATIONS

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

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

The Company operates in the coated cardboard sector. Recycled paper is main raw material in production, with small amounts of cellulose and other coated chemicals are also used. Most of the cardboard is used as packing materials in the food, pharmacy, cosmetics and detergent sectors.

With its annual production volume, Kartonsan is Turkey's largest and Europe's 4th largest coated cardboard manufacturer. Kartonsan products reach a customer base over a wide geographic area in Euro Asia. Even though changing over the years, our company sells 60-80% of its production in domestic market, thus the domestic market share is around 30-45%. Import volumes of coated cardboard sector extremely depend on foreign exchange rates and foreign cardboard manufacturers' pricing policies. Imported cardboard incoming quantities to the sector change periodically in accordance with exchange rates.

Information concerning the sector and our company's position in the sector are set out in detail in the previous sections of the annual report.

Other Disclosures Required by the Regulations

6) DEVELOPMENTS ON INVESTMENTS AND INCENTIVE UTILIZATION

Most of the investments planned by the Company are related to the maintenance of the existing plant. However, quality improvement and capacity increasing investment has been administered for the No: 2 cardboard production line (KM 2) within the year 2014.

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

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

The investment is financed from equity; expenditures made and advance payments given within the scope of incentive as of 31 December 2013 and 31 December 2014 are shown below:

		31 December 2014		31 December 2013	
Expenditure Type	**Currency**	**Amount of Currency**	**TL equivalent**	**Amount of Currency**	**TL equivalent**
Completed Investments (*)	TL	-	127,250,288	-	-
Advance	USD	5,339	12,381	-	-
Advance	EUR	60,380	170,313	19,009,850	45,351,313
Total			**127,432,982**		**45,351,313**

(*) As of 31 December 2014, total expenditure regarding No. 2 cardboard manufacturing line is TL 148,575,917 and TL 127,250,288 of which is within the scope of incentive.

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

The Company produces coated cardboard at its factory in Kullar, Kocaeli and generates the electricity required by the plant under an auto producer license. The Company's theoretical annual coated cardboard production capacity is calculated to be approximately 180,000 tons (31.12.2012: 180,000 tons per annum). Production and sales volumes for 2013 and 2014 are presented below. As of 31.12.2014, the net capacity utilization ratio stood at approximately 51% (31.12.2013: 90%).

Both the sales and manufacturing quantities of the investment made in 2014 declined due to installation stop. Consequently, capacity utilization rate also fell.

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

	31 December 2014	31 December 2013
Production Volume		
Coated Cardboard (Tons)	91,701	161,802
Electricity Production (x1,000 Kwh)	102,231	132,135

8) INFORMATION RELATED TO SALES

A comparison of the Company's consolidated sales volumes for the years 2013 and 2014 is set out below.

	31 December 2014	31 December 2013
Sales Volume		
Coated Cardboard (Tons)	137,292	172,054
Electricity Sales (x1,000 Kwh)	18,308	23,487

Consolidated net sales figure of the Company amounted to TL 224,216,211 in 2013 compared to TL 199,846,452 in 2014.

Other Disclosures Required by the Regulations

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RATIOS		31.12.2014	31.12.2013
Current Ratio	Current Assets / Short Term Liabilities	1.31	5.14
Acid Test Ratio	(Current Assets - Inventories) / Short Term Liabilities	0.66	3.55
Inventories / Current Assets	Inventories / Current Assets	0.49	0.31
Working Capital	Current Assets (excluding Cash and Liquid) - Short Term Liabilities (Excluding Financial Loans)	36,669,995	57,168,416
Cash Ratio	(Cash and Liquid Assets) / Short Term Liabilities	0.07	2.15
FINANCIAL STRUCTURE RATIOS			
Financial Leverage	(Short Term + Long Term Liabilities) / Total Assets	0.22	0.12
Total Liabilities / Shareholders' Equity		0.28	0.13
Short Term Liabilities / Shareholders' Equity		0.26	0.11
Long Term Liabilities / Shareholders' Equity		0.01	0.02
Fixed Assets / Shareholders' Equity		0.93	0.55
Financial Borrowing / Shareholders' Equity		0	0
PROFITABILITY RATIOS			
Asset Turnover Ratio	Net Sales/Total Assets	0.6	0.54
Gross Profit Margin	Gross Profit/Net Sales	0.09	0.15
Return on Assets	Net Profit/Total Assets	0.06	0.13
Net Profit / Net Sales		0.10	0.05
Profit Before Tax / Net Sales		0.00	0.07
Return on Equity		0.07	0.03
Operating Profit / Sales Revenues		-0.01	0.05
Earnings per Share		6.85	2.93
Cash Assets		4,617,633	61,216,664
Financial Liabilities		20,362,275	382,630
Net Financial Position		-15,744,642	60,834,034
Trade Receivables		25,574,143	34,489,116
Other Receivables		6,240,140	2,574,637
Inventories		44,043,802	45,317,018
Trade Payables		43,956,508	21,735,557
Other Payables		2,673,516	2,342,944

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

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

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

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

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

Other Disclosures Required by the Regulations

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

The Company employed 281 individuals, except for personnel of contractor firms, as of 31 December 2014 (31 December 2013: 281 individuals).

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

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

The duration of collective bargaining agreement expired on 31.08.2014. The parties commenced talks on 24.09.2014 to sign a new agreement for a period of 2 years. As of this report's publication date, an agreement could not be reached yet.

12) INFORMATION ON DONATIONS DURING THE YEAR:

The Company undertakes contributions to foundations, associations and schools active in the fields of sport, education and culture. In the Annual General Meeting held in 2014, the upper limit for donations was set at TL 750,000. (2013: TL 500,000)

Details of the donations and assistance provided by the Company in 2014 are as follows:

Donations (TL)	31.12.2014	31.12.2013
Donations to Universities, High Schools and Primary Schools	4,455	9,870
Donations to Foundations and Associations (In the field of education, sport and culture)	35,200	162,000
Other Donations	200	4,872
Total	**39,855**	**176,742**

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

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and the Company's policies. The Early Detection of Risk Committee was formed in 2013 and started to operate. The Committee held 6 meetings within the year and presented the report which it had prepared. Explanations concerning financial risks are provided in the footnotes to the financial statements. Early identification of risk committee presented the report regarding 2014 that they prepared to the board of directors.

14) INFORMATION CONCERNING RESEARCH AND DEVELOPMENT ACTIVITIES:

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

Other Disclosures Required by the Regulations

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

Our company did not make any main contract amendments in the current period.

16) RELATED PARTY TRANSACTIONS

Related party transactions were mentioned in detail in the previous sections of annual reports, specifically in FOOTNOTE 7 of the Notes on the Financial Tables. The affiliated Company Report which was prepared in accordance with Article 199 of the Turkish Commercial Code's is presented in the following sections.

17) DISCLOSURE POLICY

The Company decided to revise its disclosure policy in 2014 to comply with Capital Market Legislation.

The disclosure policy was revised in 2014 and announced to the public to comply with changes in Capital Market Legislation within the scope of Capital Market Board's Communiqué numbered II-15.1.

The disclosure Policy for 2014 and ensuing Years is presented below.

THE COMPANY DISCLOSURE POLICY

Objective

The Company's objective is to provide timely, accurate, complete, understandable and easy to access information on financial and other matters (except for confidential data and trade secrets), as required by legislation, and information on the company's past performance and its expectations for the future without either affecting the value of the capital market instruments issued, or damaging the equality of opportunity among shareholders.

I- DISCLOSURE POLICY METHODS AND INSTRUMENTS

The main disclosure instruments and methods that are used by the Company in line with Capital Market

Legislation and TCC provisions are listed below:

a. Material disclosures to the Public Disclosure Platform ("KAP"),
b. Financial reports sent to the Public Disclosure Platform ("KAP") periodically,
c. Announcements and disclosures made via Turkish Trade Registry Gazette, Daily Newspapers and Magazines that are nationally distributed,
d. Press releases and interviews made via written and visual media,
e. Information via meetings, calls and other means of communication utilized to reach stakeholders.
f. Corporate Website, Annual Reports, General Assembly Information Document, General Meetings, Phone, electronic mail, fax, SMS, mobile phone and suchlike means of communication.

Other Disclosures Required by the Regulations

II- PRINCIPLES REGARDING MATERIAL EVENT DISCLOSURES TO THE PUBLIC

For material event disclosures the Company complies with the rules determined by Capital Market.

Material Event Disclosures are made via Public Disclosure Platform (“KAP”) in line with rules determined by legislation and reserving exceptions to provide stakeholders with accurate, direct, understandable information avoiding exaggerated and misguiding statements in a way which will not damage equality of opportunity when the event occurs.

Insider information and changes in publicly known points of this information are disclosed to the public when they occur. The Company may postpone the public disclosure of insider information within the scope of capital market legislation in order to prevent damage the Company’s legitimate interests, to prevent the misleading of investors or to cause losses to them, and to ensure confidentiality of insider information. Written approval of following items from the Board of Directors or, if Board of Directors gives authorization, an authorized person, is necessary in case the Company decides to postpone the release of insider information: details of the postponed information, the impact of the postponement on the protection of legal rights and ensuring there no risk regarding of misleading investors, measures taken to keep insider information secret.

The Company informed the Central Securities Depository of Turkey concerning people who work in connection to the Company with labor contracts or in other ways, and people who have access to insider information. If there is a change in their information, the Company will conduct necessary updates within 2 days at the latest. A list of these people will be announced to the public via the company’s corporate webpage.

Material event disclosures are announced to the public after at least 2 managers who have electronic signatures and who are authorized by the Board of Directors sign them. These disclosures are published in our Company’s corporate website in the workday following the announcement at the very latest. Material event disclosures are kept in the website for a period of at least 5 years to present them to stakeholders.

Developments and changes in previous material event disclosures are constantly updated and announced to the public. If there are no developments in a previous material event disclosure, this situation will be explained to the public, with its reasons, over 60-day periods.

It is a principle that disclosures are submitted immediately when they are realized or discovered to ensure their privacy until their announcement to the public. Together with this, precautions to prevent individuals who are not listed from accessing insider information are taken. To ensure privacy, access to this information and documents is limited and they are encrypted. Individuals who have access to insider information are informed of their responsibilities written in laws and legislations, and the sanctions in case they misuse the information to gain unfair advantage.

III- PRINCIPLES REGARDING CONFIRMING EXTRAORDINARY PRICE AND VOLUME MOVEMENTS, NEWS AND RUMOURS CONCERNING ISSUED CAPITAL MARKET INSTRUMENTS

In the event of changes in pricing and volume of capital market instruments which cannot be explained by ordinary market conditions, the Company issues a Material Event Disclosure mentioning if there are material events which are not yet disclosed yet, upon the request of Borsa İstanbul A.Ş. Within the context of Capital Market Board Legislation, any material events which are not disclosed to the public are announced.

The Company issues announcements concerning issued capital market instruments within the context of Capital Market Board Legislation in the following cases; the existence of news or rumours which may affect the value, price and investors’ decisions regarding these instruments and which differ from information announced to the public for the first time or was announced previously through media and other means of communication, in the event that the Company has heard about such news and rumours on whether the measures are correct and sufficient. Comments, analysis, evaluations and expectations regarding the Company which are based on information which has not been publicly announced are not considered in this sense.

In connection with news and rumours concerning the Company in the media and on the internet, the Company’s investor relations unit evaluates such news and rumours according to their level of significance which is mentioned in the legislation, starting from the time the unit heard such news or rumours. If the unit decides on a material event disclosure as a result of its evaluations, the company management is informed and the Material Event Disclosure is carried out publicly.

Other Disclosures Required by the Regulations

IV- PRINCIPLES REGARDING THE DISCLOSURE OF FUTURE EXPECTATIONS

Announcements regarding expectations concerning the future are made to the public in accordance with the decision of the Board of Directors or in the event of any transfer of authorization by the Board of Directors, or the written approval of authorized person.

Evaluations regarding the company's future are disclosed to the public, at most 4 times each year, by the company management. These announcements can be made in annual reports which are disclosed within the context of Capital Market Board's regulations regarding financial tables or in presentations undertaken with the purpose of informing investors, on the condition that they should be announced in the Public Disclosure Platform (KAP). Additional explanations are provided within the context of Capital Market Legislation if there is an important change in evaluations concerning the future, or there is important deviation from the realizations or previously announced points. This additional explanation also includes any reasons for these changes. Annual reports and announcements prepared within the scope of this article are announced on the Company's website on the first business day following the date of the announcement.

If issues which are subject to material event disclosures, including evaluations regarding the future, are announced to the public through the media and other means of communication, an explanation is submitted to the Public Disclosure Platform (KAP) simultaneously or ahead of the announcement. If these points are announced by mistake in a meeting which is open to the general public, an explanation on the issue is made immediately to the Public Disclosure Platform (KAP).

In line with Capital Market Board's regulations, Board Members, the General Manager and Vice General Managers may, in their own right, issue statements and participate in interviews in newspapers and magazines to inform the public.

V- INDIVIDUALS WITH ADMINISTRATIVE RESPONSIBILITY AND THEIR RIGHTS

Individuals with administrative responsibility, according to Capital Market Legislation, are listed below:

a) Board Members,

b) Individuals who may regularly access insider information directly or indirectly, and who hold authority to take decisions that will affect the company's development and commercial targets in the future, even if they are not board members,

c) Individuals who are closely related to a person who holds administrative responsibility,

- c1) The wife and children of individuals who hold administrative responsibility, and those who reside in the same home as individuals who hold administrative responsibility,
- c2) Individuals who hold administrative responsibility or individuals whose administrative responsibilities are undertaken by individuals mentioned in section c1, or legal entities, corporations, institutions and/or partnerships which are controlled by these individuals directly or indirectly; or entities, corporations, institutions or and partnerships that are established for the benefit of these individuals or entities, corporations, institutions and/or partnerships whose economic interest are the same as those of these individuals,
- c3) Board Members of affiliated companies which comprise 10% or more of the Company's total assets as set out in the latest annual financial statements that are prepared according to Capital Market Legislation and individuals who have regular access to insider information, either directly or indirectly, and who hold authority to take administrative decisions which affect the Company's development in the future and its commercial goals, even if they are not Board Members.

Individuals who hold responsibility regarding capital market instruments that our Company issues are determined according to the aforementioned principles.

If the total of all transactions carried out within the context of Capital Market regulations by individuals who hold administrative responsibility, by individuals who have close relations with them and the parent company related to shares that represent the capital and other capital market instruments based on these shares and transactions made on behalf of each person who holds administrative responsibility, reaches the amount determined by the Capital Market Board communiqués within a calendar year, an announcement is made to the public by the party who has carried out the transaction. The total amount of transactions is calculated by taking the sum of all transactions carried out by the individuals who have administrative responsibility and the individuals who have close relations with them.

All transactions that exceed the limit set by Capital Market Board communiqués and which are carried out by individuals who hold administrative responsibility and individuals who have close relations with those who hold administrative responsibility, related to shares that represent the capital by the issuer's parent company and other capital market instruments based on these shares are announced to the public one working day prior to each transaction, without mentioning the sales amount. The announcement is separate to the announcement which will be made following such sales.

Other Disclosures Required by the Regulations

VI- ISSUES REGARDING THE GENERAL MEETING AND DISCLOSURE OF CAPITAL MARKET INSTRUMENT ISSUANCES

The Company, in disclosures concerning General Meetings and issuances of Capital Market instruments, complies with the requirements on the announcement durations and minimum information, which is determined in the Company's articles of association, the Company's General Meeting Internal Directive, the Commercial Code and Capital Market Legislation. This information and the documents are announced in the Company's website separately.

VII- MEETINGS TO INFORM INVESTORS AND OTHER ISSUES

It is an important principle for our Company to announce information, provided it does not contain trade secrets, and disclose information to the public, except that which is determined by legislation, in an accurate, timely, understandable, interpretable, easy to access, low cost and equal manner to all of our shareholders and individuals and entities which will utilize this information.

Periodic financial tables and explanations are prepared in line with the current legal legislation in a manner that indicates the Company's real financial position. Financial statements are subject to independent audit in the periods mentioned in the legislation.

Annual reports are prepared in a manner which includes the minimum information mentioned in the legislation and such that the public may access all types of information concerning the company's activities. These reports are made available to the public through the Public Disclosure Platform and the company's website.

Our annual report is prepared by our General Manager and Manager who is responsible for preparing the financial statements and reports. Annual reports are approved by the Board of Directors. Annual reports include a statement that financial statements accurately reflect the company's financial stance.

Any requests from stakeholders for information, the release of which would damage equality of opportunity, or which includes information which has not been announced to the public, are refused. Otherwise, details concerning publicly known issues are shared with our shareholders through all forms of communication.

The Company's website features up-to-date figures and information concerning the Company, and information and documents concerning investors are published under the menu 'Investor Relations'. The Investor Relations Unit was established to uphold the relationship between the Company and its stakeholders. Stakeholders are informed through this unit. Requests for informative meetings which are received by the unit are communicated to the company management and evaluated after determining the meeting calendar.

Informative meetings, general meetings, annual reports, declarations by the company management in newspapers and magazines, material event disclosures, presentations and reports announced to the public, the Company's articles of association for public access and the Company General Meeting Internal Directive are available in the Company's website separately in addition to methods mentioned in the Commercial Code and Capital Market Legislation.

18) CORPORATE GOVERNANCE

REPORT ON THE PRINCIPLES OF CORPORATE GOVERNANCE COMPLIANCE

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Our Company is making efforts to implement the notions laid out in Corporate Governance Principles within the framework of existing market and partnership structures.

The Company considers the Corporate Governance Principles to be highly beneficial, both to the Company itself and its stakeholders. It is believed that adopting the Corporate Governance Principles will create a number of major opportunities for the Company, such as lower capital costs, the expansion of liquidity and means of financing, the improvement of the Company's image and increased interest from the Company's domestic and international investors. The shareholders will benefit from a more transparent management structure, allowing them to exercise their rights more easily and access more information about the Company. These steps will motivate shareholders to uphold the Corporate Governance Principles.

Other Disclosures Required by the Regulations

The Company achieved complete compliance with the obligatory principles in line with Capital Markets Legislation. Our Company ensured complete compliance to the principles that are obligatory to be implemented according to Capital Market Legislation. There is no principle that is obligatory to be implemented but not having been implemented. There is no principle to be exempted from within the scope of article 6 of II-17.1 numbered Corporate Governance Communiqué.

In addition to these, among the non-obligatory corporate governance principles, the Company adopted regulations that would not have a negative impact on competitive strength, business confidentiality, and provide information to prevent inequalities between shareholders. Every year compliance studies are carried out by Corporate Governance Committee and the principles are reviewed.

SECTION II - SHAREHOLDERS

2.1. Investor Relations Unit

The Company's relations with shareholders were initially managed by the Finance Department prior to 2009, when an Investor Relations Unit was established within the Finance Department. Contact details of the mentioned unit are presented below.

The Investor Relations Unit consists of 2 staff, 1 manager and 1 employee and they carry out their duties under Corporate Governance Committee. The Investor Relations Unit manager is also serving as a member of Corporate Governance Committee as of 28.03.2014.

Name - Surname	Title	Telephone & Fax	E-mail	Address
Bülent YILMAZ	Investor Relations Unit Manager	Tel: 0-212-2732000 (ext 302) Fax: 0-212-273 21 64	byilmaz@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Pak İş Merk. No: 5 K: 3 Gayrettepe/ Beşiktaş/İstanbul
Meltem UZUN	Investor Relations Unit Employee	Tel: 0-212-2732000 (ext 309) Fax: 0-212-273 21 64	meltem@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Pak İş Merk. No: 5 K: 3 Gayrettepe/ Beşiktaş/İstanbul

The Investor Relations Unit manager Bülent YILMAZ has Capital Market Advanced Level Licence (Licence No: 205478) and Corporate Governance Rating Expertise Licence (Licence No: 700657).

In 2014, The Investor Relations Unit undertook activities to inform shareholders, assisting in the exercise of shareholders' rights, organizing the Annual General Meeting and issuing statements in accordance with the Public Disclosure Principles.

In 2014, The Investor Relations Unit continued to carry out activities regarding the activities to inform shareholders, facilitation of shareholders' use of rights, realization of General Assembly meeting and the statements made in relation to public disclosure principles. The Investor Relations Unit Report prepared in relation to the activities carried out in 2013 was presented to Board of Directors on 12.05.2014 and The Investor Relations Unit Report prepared in relation to the activities carried out in 2014 was presented to Board of Directors on 22.02.2015.

In accordance with the Company's Information Policy, the Investor Relations Unit is responsible for providing accurate and complete information on financial and other matters (except for confidential data and trade secrets) as required by legislation, without affecting the value of the capital market instruments issued by the Company, or damaging the equality of opportunity among the shareholders in accordance with the Principles of Corporate Governance.

To this end, the contact details of the Investor Relations Unit were shared with the public through the Company's website, Annual Reports and Borsa Istanbul in order to allow shareholders obtain information concerning the Company in related matters.

To deal with information requests from the shareholders, telephone, e-mail and fax communication channels have been established.

The Investor Relations Unit received 67 enquiries from investors during 2014 by e-mail and telephone. Responses to enquiries were given through e-mail and verbal communication.

Other Disclosures Required by the Regulations

The breakdown of inquiries in terms of content is as follows:

INFORMATION REQUESTS	Total	% Share
Information concerning the Capital Increase	35	52%
Reasons behind Increase and Decreases in the Share Price	19	28%
Information concerning the Financial Statements	6	9%
General Assembly Information Demands	4	6%
Other Issues*	3	4%
	67	

In 2014, a total of 67 inquiries were made by shareholders addressing the Company, a significant proportion of which concerned net earnings, share price performance, the increase in the registered capital ceiling and the increase in capital. The remaining questions concerned financial statements and dividend distribution. In accordance with the Capital Markets Board legislation, such requests cannot be answered when the relevant information has yet to be made public. Information disclosed to the public, on the other hand, is made accessible to shareholders.

Material Disclosure to the Public Disclosure Platform (KAP) is used as a general disclosure method. Material disclosures were included simultaneously on our website and the e-company platform of the Central Securities Depository of Turkey. In 2014, in total 17 Special Case Statements were carried out.

2.2. Exercise of Shareholders' Right to Information

In accordance with the Capital Markets Board's Communiqué Series: VIII No: 54 e and the guidelines issued as an annex to the aforementioned communiqué, the Company ensured that shareholders, stakeholders and the public would be informed through material disclosures sent to Public Disclosure Platform (KAP) without compromising the equality of opportunity principle. These are also published on the Company's website (www.http://kartonsan.com.tr/tr/icerik.php?bolum=yatirimci&sira=18) on the same day.

In accordance with the essence of Corporate Governance Principles the Company aims to provide accurate and complete information to the shareholders about the company's past performance and its future expectations related knowledge and the developments, and regarding fair, timely, accurate, complete, understandable, analyzable and easily accessible financial and non- financial information without spoiling the equality of opportunity among the shareholders, in addition to the disclosure and providing information, which are required by the legislation and non-confidential and/or not within the trade secret concept, without affecting the value of the capital market instruments issued by the Company and without creating inequality of opportunity among the shareholders.

In accordance with the Corporate Governance Principles, the Company's objective is to provide accurate and complete information on financial and other matters (except for confidential data and trade secrets) as required by legislation without affecting the value of the capital market instruments issued by the Company, or affecting the equality of opportunity among the shareholders in accordance with the Principles of Corporate Governance.

Requests for information concerning issues which have not yet been publicly disclosed and which could compromise the equality of opportunity among shareholders are refused; however, all details of any information on the publicly shared matters are provided to those shareholders who request it.

The Company's website features up-to-date figures and information concerning the Company, and information and documents concerning investors are published under the 'Investor Relations' menu. The Company undertook every effort to simultaneously publish the declarations and disclosures on the corporate website. Shareholders Relations Unit was established to ensure relation among the shareholders regarding the Company. The Shareholders are informed through this Unit. Information demanding meeting requests that reach to the aforementioned Unit are conveyed to the Company's management and the meetings are carried out following the assignment of appropriate meeting calendar.

Informative meetings, general assembly meetings, annual reports, statements made by the company's management in newspapers and magazines, special case statements, presentations and reports disclosed to the public, the Company's main contract for public access, the Company General Assembly Internal Instruction are also announced in the Company's corporate internet web site, in addition to the methods stipulated by Trade Law and Capital Market Legislation.

Other Disclosures Required by the Regulations

In the Company, each shareholder is entitled to obtain information and carry out reviews. These rights are neither removed nor restricted via the Company's Articles of Association or by the decision of any company department. In line with the right to obtain information, and as required by Capital Markets Legislation, all requests for information from shareholders are responded to, except for matters which are yet to be made public that could compromise the equality of opportunities among shareholders. The Company's Investor Relations Unit is responsible for such informing activities. Decisions which might affect the utilization of shareholder rights are declared on the corporate website in a timely manner.

The Company's Articles of Association does not respond to requests for the appointment of special auditors to examine certain incidents or requesting this from the General Assembly as an individual right. Matters not covered by the Articles of Association are regulated according to the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. Each year, the Company is subject to the independent audit in accordance with Capital Markets Legislation and is also audited in accordance with the Tax Laws. There is no Company decision or provision in the Company's Articles of Association that would prohibit shareholders from exercising their right to information (rights which do not contravene the legislation and which would not compromise the equality of opportunity). To this end, the exercise of requesting a special auditor right does not appear to be necessary, considering the targeted benefit and its costs to the Company. However, in the event that a majority of the shareholders submit a written application to the Company, it is always possible to form an agenda item for the General Assembly, and to exercise the right to a special audit, on the condition that it is approved of in the General Assembly.

2.3. Annual General Meetings

The Annual General Meeting for the 2013 fiscal year was held physically and electronically on 27 March, 2014. Media was not involved in the meeting. Partners, stakeholders and shareholders also attended the meeting. In the Annual General Meeting, 218.833.998 shares out of a total of 283,701,421 (77.1% of all shares) were represented. Since the Company's Articles of Association do not provide for a special meeting quorum for the Annual General Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitation to the meeting was issued to Turkish Trade Registry Gazette dated 05.03.2014 and No 8450, Public Disclosure Platform (KAP) and also published in two national newspapers. Since the Company does not have registered shares, there was no special invitation form concerning any such shareholders.

The invitation declarations described the location, date and hour of the Annual General Meeting, sample letters of attorney for attorneys that were to participate in the Annual General Meeting, required points for attending the meeting, financial statements for the year 2013, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors and Controllers. Furthermore, general assembly documents together with the other documents prepared in accordance with the corporate governance principles were declared for the attention of investors in a special section on the corporate website. Such documents were presented to the examination of the shareholders 15 days prior to the Annual General Meeting. The shareholders expressed their opinions and requests. Shareholders' questions were responded to by the Head of the Presiding Committee. The shareholders did not submit any questions during the meeting. Therefore, any written response was not issued by Investor Relations department.

During the Annual General Meeting, information was shared on the donations that were made during the year. A separate agenda item was set for the donations. The General Assembly decided that the maximum amount of donations that would be made within the period was pursuant to Capital Market Legislation.

Shareholders did not request special auditor within the period.

The shareholders did not suggest an agenda during the related general assembly meeting.

During the general assembly meeting, information was provided regarding the donations made within the period. A separate agenda item was created regarding the aforementioned donations. Maximum amount was specified by the General Assembly regarding the donations that will be made during the period as required by the Capital Market Legislation.

Another agenda item was created regarding the matters of informing the General Assembly and permitting the below mentioned deeds as per the Capital Market Legislation and Turkish Trade Law 395 and 396 numbered items in relation to the issues for the shareholders who hold the Management Power in their hands, members of board, executive managers, their spouses and up to Second degree blood and relatives by marriage to be able to carry out deeds that may create conflict of interest and to compete with The Company or its subsidiaries. It was ensured that the aforementioned permit was given by the General Assembly.

Other Disclosures Required by the Regulations

Participants and minutes of general meetings are available at the company's website (www.kartonsan.com.tr), the Central Securities Depository of Turkey's e-company application and the Public Disclosure Platform (KAP). They are open for the examination of shareholders.

2.4. Voting Rights and Minority Rights

According to the Company's Articles of Association, there are no regulations providing privileged voting rights. Practices that cause difficulties concerning the exercise of voting rights in Annual General Meetings of the company are avoided. In this context, each share holds a voting right through which the shareholders vote freely in Annual General Meetings. The Company has no shares which do not hold voting rights. As a matter of principle for the company, each shareholder, including the shareholders located abroad, is provided with the opportunity to vote as easily and conveniently as possible. The company did not receive any applications from shareholders to participate or vote in the Annual General Meeting in this sense.

The Company does not have an affiliate with which it has a reciprocal participation relationship that involves sovereignty or subsidiary. In case that a reciprocal partnership relation arises in the future, for the affiliate, for which there is a reciprocal participation relationship, or the subsidiary not to exercise their right of voting in the general assembly, and to disclose this situation to the public in compliance with the relevant legislation stipulations are accepted in principle, unless obligatory situations arise such as constituting a quorum.

There is no regulation in the Company's Articles of Association concerning the exercise of minority rights. Matters not covered by the Articles of Association are regulated in accordance with the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. The Company accepts that the related regulations concerning the use of minority rights are sufficient.

2.5. Dividend Rights

According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation of privileged dividends are set out in detail in the Articles of Association.

Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted and 5% of the remainder is distributed to A-Type shareholders. Furthermore, in the event that a first dividend is distributed, a certain amount determined by the General Assembly is distributed to the Board members as dividends.

The decision was taken to distribute cash net dividend in the general assembly meeting held on 27.03.2014 and dividend distribution was carried out.

The Company has a clearly defined and consistent dividend policy, which was submitted for the information and approval of shareholders in 2009 during the 2008 fiscal year Annual General Meeting. The dividend policy is featured in the annual report and also made public on the corporate website. Within the framework of Capital Market Committee Corporate Governance Principles Communiqué arrangements, the dividend policy was revised and publicly disclosed in 2014. It was presented to the shareholders' information in 2013 Annual Report and it was submitted for information and approval to the general assembly held on 27.03.2014. The dividend policy can be accessed via the Company's web site (www.kartonsan.com.tr), through the e-company application of Central Securities Depository and through the Public Disclosure Platform (KAP) Platform.

2.6. Transfer of Shares

All the equity shares of the Company comprise bearer shares and the Articles of Association of the Company does not provide for any restrictive provisions on the transfer of shares.

Other Disclosures Required by the Regulations

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company Website and Its Content

The Company actively uses its website to issue public disclosures and to inform its shareholders. The Company is committed to keeping its website up-to-date to provide updated information in its website. Announcements as required by regulatory provisions are included in the website in the same form. The Company website is featured on all printed documents of the company, like bills, dispatch notes and letterheads.

The Company's website is accessible at www.kartonsan.com.tr. The website includes an Investor Relations section to ensure that shareholders may access the information they need in a practical manner. Alongside information which is required to be disclosed in accordance with legislation, the Company website also includes trade registry information, current shareholding structure and management, detailed information on the privileged shares, the final version of the Company's Articles of Association, material disclosures, financial and activity reports, registration statements and public offering circulars (if any), agendas of Annual General Meetings, lists of participants and minutes of the meetings, document for voting by proxy, necessary documents in case of stock and proxy collection by tender calling, the Company's dividend policy and disclosure policies. The existing information and documents featured on the Company website is considered to be sufficient. The Company website completely features all the documents and announcements as required by the Capital Markets Board.

The Company website only features the shareholding structure. The Company does not declare information concerning the stake of the ultimate controlling individuals after netting off indirect and mutual affiliate relations. According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation for privileged dividend rights are mentioned in detail in the Articles of Association. In addition, it is the Company's preference that it does not announce such information, given that the Company does not hold information on the final individual holding of the shares, and the difficulty in keeping such information up-to-date.

The English version of the Company website is also available. However, information concerning the Investor Relations is only available in Turkish. English versions of the Company's activity reports are also accessible on the Company website as well.

3.2. Annual Report

Each year, the detailed annual report is prepared and presented by the Board of Directors of the Company to ensure that stakeholders of the Company kept informed prior to the Annual General Meetings. The annual report is also featured in the corporate website. Furthermore, activity reports are also prepared and announced to the public on a quarterly basis in accordance with the Communiqué Series: XI No: 29.

The Company pays maximum attention to ensure that activity reports do contain detailed information concerning the Company's operations, and the Company takes every effort to ensure that the information provided is consistent with the Company's financials and activity results.

The activity reports prepared by the Company also provide information on the activities of Board members and managers outside the Company and declarations of the Board members concerning their independence.

Information on the structure and members of committees formed among Board members are presented in the activity reports. In addition, information concerning the frequency of meetings, activities and working principles of the committees and comments of the Board of Directors on the effectiveness of the committees are not included in the activity reports, since the Company believes that such information is of immaterial importance for shareholders.

Other Disclosures Required by the Regulations

Information on the number of Board of Directors meetings within in each year is included in the activity reports. However, information on the list of participants in such meetings is excluded. According to the Company's Articles of Association, the Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by a majority of the Board members present at the meeting. In this context, information concerning the list of participants to the meetings is considered to be of immaterial importance for shareholders.

Since the foundation of the Company, none of the Board members have been sentenced to any penal procedure or a sanction at a material level. In case of such a situation in the future, it is (within the framework of its importance) accepted that it should be announced publicly as a matter of principle.

Information concerning any significant legal action filed against the Company and possible outcomes are expressed in the footnotes of the financial statements prepared by the Company. These footnotes are also included in the annual reports.

Since its foundation, there have been no instances of conflicts of interest between the Company and any institutions which have provided investment consultancy and rating services to the Company. It is accepted as a principle that in the event of such a situation arising in the future, public disclosures will be issued, provided that such disclosures do not affect the competitiveness of the Company or include any trade secrets of the Company (within the framework of its importance).

Footnotes to the financial statements of the Company include information concerning the Company, its affiliates and subsidiaries. Furthermore, these footnotes are also provided in the Company's annual reports.

The Company's annual reports provide information concerning employee and social benefits, vocational training, any operations undertaken by the Company that may result in social or environmental impacts, and the Company's corporate social responsibility activities.

Every year during the Annual General Meetings, the Company provides information concerning the issues listed in section 1.3.6 of the Corporate Governance Principles of the Company. Therefore, the Company deems the inclusion of such information in the annual report to be unnecessary.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

The Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise their rights, as determined within the framework of legislation, and mutual contracts at the transactions and activities of the Company in a complete and fair manner. In the event that stakeholder rights are not protected by legislation and mutual contracts, it is accepted as a principle that their benefits will be protected by goodwill and fairness within the capabilities of the Company.

The Company does not have a procedure in cases where stakeholder rights that are protected by legislation and mutual contracts are violated by the activities. Through a fair approach, the Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise all of their rights that are derived from the laws and agreements, in a complete manner. The Company has no compensation policy for its employees.

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company policies and procedures are fundamental principles for the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and public is carried out within the framework of Company disclosure policy. The company's disclosure policy can be reached via the website (www.kartonsan.com.tr), through the e-company application of Central Securities Depository (https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916) and through KAP Platform.

Communication channels of the Company are accessible for all stakeholders and contact information is available on the Company website. Stakeholders are entitled to communicate with the Corporate Governance Committee and the Audit Committee without any interference from the Company. Stakeholders are also entitled to reach these committees through all communication channels.

Our company's target is to protect the rights of each and every stakeholder independently in the event of possible conflicts of interest between stakeholders.

Other Disclosures Required by the Regulations

4.2. Stakeholders' Participation in the Management

In order to ensure that personnel at different levels of the organization participate in the management, monthly Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management, and various issues are discussed in these meetings. During the aforementioned meetings, requests and expectations of personnel, customers and suppliers are collected and delivered to the top management. The departments implement the decisions taken. Personnel are informed of all activities and processes of the Company linked to procedures that are established according to the ISO 9001 Quality Management Systems. There is no pronouncement in the Company's Articles of Association concerning the participation of personnel in the management.

4.3. Human Resources Policy

The Company's recruitment policy aims to ensure that the right individuals are appointed to the right positions, in view of employee's objectives and personnel competencies, while paying due regard to ensure equal opportunity among employees in same position.

In case of a situation where changes in the management are expected to give rise to administrative disruption; succession and possible scenario projections are utilized in the determination of new manager appointments.

The criteria for the recruitment of personnel are stated in written form and all recruitment decisions comply with these criteria.

The Company plans and implements various training programs to enrich employee's know-how and skills, and support their personnel development. Training sessions for each year are planned in the previous year. Fairness is accepted and implemented as a principle in all rights provided to employees.

The Company's financial reports are provided both on the Company's website and in its annual activity reports. The Company has ensured that it is possible for all stakeholders to access these reports easily and freely. The Company periodically informs its employees of issues concerning pay, career, training and health. Employees of the Company are informed of all decisions or developments concerning them through e-mail, announcements on the bulletin boards or through informing union representatives. The senior management also takes account of the union's views of such decisions.

The job definitions of Company employees are stated in written form in compliance with ISO 9001 Quality Management Systems. Employee salaries and other benefits are determined on the basis of performance and efficiency. The Company has no plans to oblige its employees to hold shares in the Company.

The Company takes all precautions to prevent any racial, religious, language or gender discrimination as well as attitudes towards employees that could physically, mentally or emotionally affect employees.

The Company recognizes that the foundation of associations and collective bargaining rights are provided by law. There is an active labour union in the Company's plant through which the Company and the union negotiate on labour contracts.

The relations with employees are managed through Human Resources Department. Besides, there are union representatives for the staff who are members of labour unions.

4.4. Code of Ethics and Social Responsibility

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

The Company is committed to regulations and ethical codes concerning issues related to the environment, consumer and public health.

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

Other Disclosures Required by the Regulations

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

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

Every year, noise levels both by night and by day, in and around the factory, are measured; all efforts are taken to ensure the noise level is maintained within the legal limits.

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

The Company also undertakes social donations to sport clubs, municipalities, public agencies, associations and foundations in the region where its production plant is located.

The Company formed an internal audit system to tackle all forms of fraud including commission and bribery, and utilizes it effectively.

The Company accepts supports and respects all human rights, which have international validity.

19) AFFILIATED COMPANY REPORT PREPARED WITHIN THE CONTEXT OF ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors is obliged to prepare a report concerning relations with the company's holding company and affiliated companies of the holding company in the first three months of financial year in line with article 199 of the Turkish Commercial Code number 6102, which has been in force since 1 July, 2012. The Board of Directors is also obliged to involve the result of this report in the annual report.

In the 27 February, 2015 dated report which was prepared by Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors, it was stated that;

"Gıda ve Kimya San ve Tic A.Ş. (Holding Company) which is a holding company of Kartonsan Karton Sanayi ve Ticaret A.Ş. (Affiliated Company), Pak Holding A.Ş. and directly or indirectly affiliated companies of these two companies provided appropriate counter performance in each legal activity according to terms and conditions within our knowledge in dates which transactions were made. The Company has no loss and no measures were taken or avoided.

The Company evaluated legal activities for the benefit of the holding company or its subsidiaries, and all precautions that were taken or avoided to be taken for the benefit of the holding company or its affiliated companies in 2014 under the holding company's guidance according to the terms and condition within our knowledge in all transaction made between our company, the holding company and its subsidiaries in the period between 01.01.2014 - 31.12.2014. We declare that our Company recorded no losses and did not hold an advantage and did not balance the holding company's advantages or losses in connection to any transactions which occurred according to known terms and conditions in 2014."

Other Disclosures Required by the Regulations

20) COMPENSATION PROVIDED TO THE BOARD MEMBERS

Members of board and executive managers who serve in Kartonsan obtain the following earnings as explained below.

Compensation Provided to the Board Members

- Attendance Fee

The amount is decided by the General Assembly.

(The Payment of the Attendance Fee)

According to Article 61/4 of the Income Tax Law, the attendance fee paid or benefits provided to the Chairman and the members of the Board of Directors are characterized as wages. As is the case for wages paid to employees, attendance fee payments made to the Chairman and the members of the Board are also subject to tax through withholding deductions.

- Dividend Payment

The dividend payment is decided each year by the General Assembly at the Annual General Meeting in accordance of Article No: 25 of the Company's Articles of Association.

Compensation Provided to the Senior Managers

The General Manager and Assistant General Managers, who are also the members of the Board, are entitled to the compensation set out below in addition to compensation connected to their membership of the Board;

- Monthly Salary (Decided annually)
- Bonus at the amount of the monthly salary (paid four times a year)
- Performance Premium (paid once a year at the end of the year)
- Employment Termination Benefits (and amount between 1 and 2.5 times the salary, paid after the 5th, 10th, 15th, 20th and 25th year of service)
- Individual Accident and Health Insurance
- Vehicles and Office Stocks allocated for their Duties.

Benefits (salary and attendance fees excluding dividend payments to Board of Directors) provided to Senior Managers and Board Members are listed below.

	31.12.2014	31.12.2013
Benefits Provided to Senior Managers	1,015,580	906,796
Benefits Provided to Board Members	197,933	180,952

21) OTHER ISSUES

a) The Company has no own shares which it acquires.

b) Explanation regarding charges filed against the Company which may affect financials and regarding their potential results are made in footnotes of financial tables (Footnote 15).

c) All of the Company's capital exists and there is no instance of the capital remaining uncovered or deeply in debt.

d) There was no important issue after the activity period.

e) In 2014, routine inspections were continued to be carried out at the company's factory by Kocaeli Metropolitan Municipality, Başiskele Municipality and Environment and Urbanization Provincial Directorate regarding waste and pollution that are generated as a result of our manufacturing activities. No inspections were carried out at our premises by any other public institutions, except for the public institutions mentioned above.

f) No administrative or legal penalty was imposed on the company and members of the management organ due to the practices that conflict the legislation stipulations.

g) No Extraordinary General Assembly meeting was held in 2014.

Information to Shareholders

Stock Market

Shares in Kartonsan A.Ş. are listed on the Borsa Istanbul A.Ş. (BIST)'s National Market under the KARTN ticker. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies. Kartonsan's annual reports and other information may be obtained from the address below, as well as the website which can be accessed through www. kartonsan.com.tr

Kartonsan Investor Relations

Prof. Dr. Bülent Tarcan Caddesi No: 5
Pak İş Merkezi Kat: 3 Gayrettepe 34349 İstanbul

Annual Ordinary

General Meeting Kartonsan A.Ş.'s Annual General Meeting will be held on Monday, 30 March 2015 at 10:30 in POINT HOTEL BARBAROS Esentepe Yıldız Posta Caddesi No: 29 Şişli/İstanbul.

Independent Auditor

Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş.
Süleyman Seba Cad. BJK Plaza No: 48 B/Blok Kat: 9 34357 Beşiktaş-İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

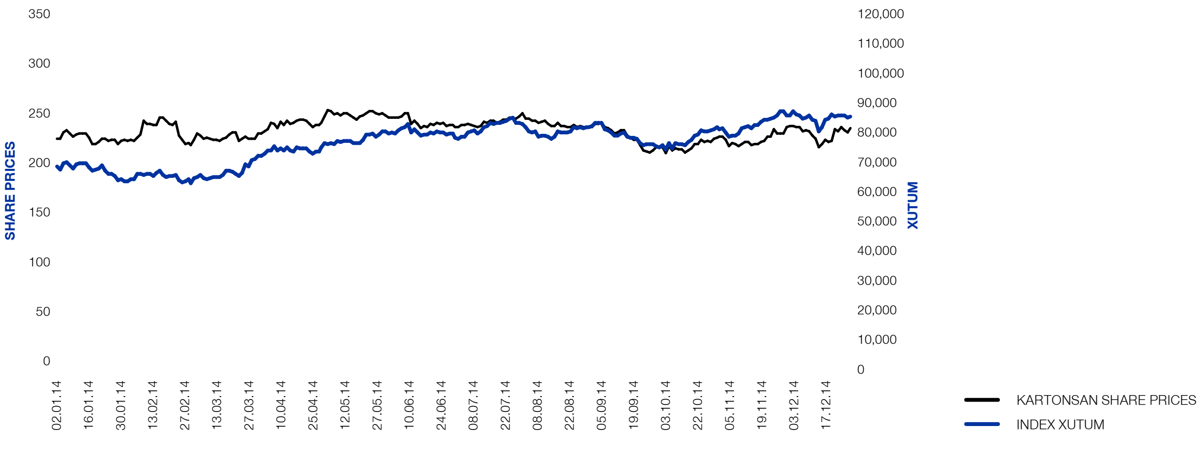
Tax Affirmation

Başaran Nas Yeminli Mali Müşavirlik A.Ş.
Süleyman Seba Caddesi BJK Plaza No: 48 B/Blok K: 12 34357 Beşiktaş-İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

Performance of Kartonsan shares in 2014

Kartonsan's paid in capital was TL 2,837,014.21 as of year-end balance sheet date. The Company's capital is divided into 283,701,421 shares, 200 of which are A and 283,701,221 of which are B shares.

PERFORMANCE OF KARTONSAN SHARES IN 2014 (COMPARISON WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 209 and the highest share price was TL 252.50. The average price in 2014 was TL 231.90. The lowest and highest prices of the shares are presented in the following table.

Period	Lowest TL	Highest TL
02.01.2014 - 31.03.2014	217.00	245.50
01.04.2014 - 30.06.2014	228.50	252.50
01.07.2014 - 30.09.2014	210.00	250.00
01.10.2014 - 31.12.2014	209.00	236.50

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Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

www.kartonsan.com.tr

Prof. Dr. Bülent Tarcan Caddesi
No: 5 Pak İş Merkezi, Kat: 3
Gayrettepe 34349, İstanbul, Turkey
Tel: (+90 212) 273 20 00 (pbx)
Fax: (+90 212) 273 21 70