2020
Annual Report

We are committed to preserving our historical and cultural heritage for future generations...

Kartonsan

pak group

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.
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A STRONG, LEADING, AND DEEP-ROOTED MEMBER OF TURKEY'S COATED CARDBOARD MANUFACTURING INDUSTRY, KARTONSAN RANKS AMONG EUROPE'S BIGGEST PRODUCERS IN TERMS OF PRODUCTION CAPACITY.

In addition to its contributions to the Turkish economy, Kartonsan distinguishes itself by virtue of the high proportion of waste paper used as manufacturing inputs, its eco-friendly, state-of-the-art production technologies, its lean-management approach, and the employment opportunities that it creates.

Kartonsan was the first privately-owned coated cardboard manufacturer in Turkey. It was originally established as a bold and courageous venture back in the days when the only company that made paper in the country was owned by the state.

AGENDA

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

AGENDA FOR THE 2020 ANNUAL GENERAL ASSEMBLY TO BE HELD ON 30 MARCH 2021

1. Opening and Election of the Presidential Committee,
2. Reading and Discussing the Annual Report of the Board of Directors for 2020 Operations,
3. Reading and Discussing the Independent Auditors' Report on 2020 Operations,
4. Reading, Discussing and Approval of the 2020 Balance Sheet and Income Statement,
5. Releasing the Members of the Board of Directors from their Liabilities for 2020 Operations,
6. Providing Information about Donations Made in 2020 and Setting an Upper Limit on such Donations in 2021,
7. Presentation of the Board of Directors' Proposal Concerning Distribution of 2020 Profit, Discussion of any Changes, Approval or Rejection of the Proposal
8. Determining the Remuneration of the Members of the Board of Directors
9. Election and Approval of the Members of the Board of Directors, at Least Two of Which Are Independent Directors, in Accordance with the Corporate Governance Principles of the Capital Markets Board.
10. Presentation of the Remuneration Principles of the Members of Directors and Senior Executives to the General Assembly
11. Presentation of the Independent Auditors Selected by the Board of Directors to Audit the Company's 2021 Financial Statements and Reports in Accordance with the Capital Markets Law (Statute 6362) and Approval of the Auditors Pursuant to the Turkish Commercial Code (Statute 6102)
12. Presentation of the Authorization of Shareholders, Board of Director Members, Senior Executives, their Spouses and Relatives Related by Blood or Affinity up to the Second Degree and Transactions That May Involve Conflicts of Interest or Compete with the Company or its Subsidiaries Pursuant to Articles 395 and 396 of the Turkish Commercial Code and to Relevant Capital Markets Laws and Regulations and Obtaining the General Assembly's Approval for those Individuals' Involvement in such Dealings,
13. Requests and Comments.

COMPANY OVERVIEW

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

One of the pioneering private-sector ventures in Turkey's industrial landscape, Kartonsan was founded in 1967. With its production might, sound financial structure, and superior quality standards, Kartonsan is a respected corporate citizen, an industrial giant, and an exemplary recycler.

Controlling a 41% share of its home market according to 2020 figures, Kartonsan is Turkey's biggest manufacturer of coated cardboard.

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

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

Turkey's first privately-owned coated cardboard manufacturer originally established as a bold and courageous venture back when the only company that made paper in the country was owned by the state, Kartonsan today is a success story more than half century old.

Kartonsan acts with the sectoral responsibility it assumes; balancing its stakeholders' economic interests with social responsibility and carried forward its pioneering and modeling corporate citizen identity.

A leading European market player

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

Being a dynamic and financially strong company, Kartonsan carried its brand to new markets, integrated the most updated technology into its production cycle, recorded a healthy and continuous growth. With its superior-quality, eco-friendly products, and commitment to long-term customer relationships, the company ranks among the leading players in the international coated cardboard market.

Exports accounted for a 20% share of Kartonsan's total sales in 2020.

Kartonsan products add value to every aspect of people's lives.

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

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

Environmental wellbeing-focused production processes

Kartonsan has environment-friendly production processes. The Company executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment. Kartonsan uses the maximum quantity of waste paper possible in its production process and generating its own energy. According to end-2020 figures, about 92% of the inputs in Kartonsan's coated cardboard manufacturing consist of recovered and recycled waste paper. Besides generating its own electricity and recovering turbine exhaust gases to generate its own steam, the company also makes use of state-of-the-art technologies to reclaim, treat, and reuse the water that goes into its production processes.

A producer which internalized sustainability

Stakeholders' interest and sustainable total performance are corporate priorities that Kartonsan observes in economic and commercial cycle. Furthermore, Kartonsan has adopted ESG (economic, social and governance) sustainability as components of a long-term, healthy and profitable performance and shaped its corporate strategy accordingly.

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

Kartonsan also contributes to society with its social impact projects.

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

Strong and continuous shareholder support

The main shareholder of Kartonsan is Pak Group with a 78.14% share. The Company went public in 1986 and its shares are traded in Borsa İstanbul (BIST) National Market with the ticker "KARTN". Information on performance of Kartonsan stocks in 2020 is presented at the last page of this report.

İzmir - Ephesus Ancient City

STRENGTH THAT ENDURES

THE COVID-19 PANDEMIC AND KARTONSAN'S RESPONSE TO IT

With the onset of the spread of Covid-19, Kartonsan quickly introduced measures to safeguard against the outbreak and to minimize the risk of infection and its transmission.

As the clock ticked over to January 2020, international news agencies were flashing breaking-news coverage about a potential worldwide threat: Covid-19.

On 11 March 2020, the World Health Organization formally declared the outbreak of the virus, a variant of humanly-transmissible SARS-COV2 first reported in 2019 (hence its "Covid-19" name) to be a pandemic. The very same day, the first known case of a Covid-19 infection was also reported in Turkey.

The WHO announcement opened the door to a host of global-level quarantines and restrictions on movement. For a time it seemed that the pandemic threatened to bring economic and social life everywhere to a complete standstill. A global struggle to deal with the outbreak began and as the process unfolded, there were hopeful indications of real progress being made on the vaccine-development and deployment fronts. At the time this report was in preparation, many countries–Turkey numbering among them–had mobilized nationwide vaccination programs.

KARTONSAN'S COVID-19 EMERGENCY ACTION PLAN AND CRISIS-MANAGEMENT APPROACH

With the onset of the spread of Covid-19, Kartonsan quickly introduced measures to safeguard against the outbreak and to minimize the risk of infection and its transmission.

The precautions and actions taken at Kartonsan to manage Covid-19 risks are summarized below.

- The number of employees allowed to be present at the factory was kept to the absolute minimum needed to ensure the continuity of manufacturing and business operations. A schedule of rotating shifts for these essential personnel was drawn up and put into effect.
- Kartonsan employees believed to be in the highest risk group for such reasons as chronic illnesses were identified and allowed to work from home, given leave, etc.
- Masks were distributed to all employees; mask use was made mandatory in all company-owned workplaces and common areas and on company-supplied transportation.
- Disinfectant dispensers were installed in workplaces for use whenever needed.
- Masks conforming to appropriate standards were procured for healthcare staff working at Kartonsan.
- Procurements of masks, disinfectants, and other materials and supplies needed to combat the spread of infection were planned so as to prevent any out-of-stock situations.
- All employees were provided and kept regularly supplied with disinfectant for their personal use.
- In addition to such physical and practical measures as these, employee and workplace visitor pandemic awareness was also reinforced by means of brochures, posters, announcements, and notices.
- As part of efforts to protect against the spread of Covid-19 infection, the practice of allowing employees to use the company as an address for the delivery of personal (non-work-related) packages etc. was ended.
- All meetings and similar gatherings were either postponed or rerouted to no-contact communication channels such as telephone and conference calls, e-meetings, and so on instead.
- Employees who use portable computers in the conduct of their work were requested to take the units with them when they left at the end of the day.
- All company-owned workplaces and vehicles were regularly disinfected once a week.

Kartonsan took protective, preventive, and enhanced measures at its headquarters and factory in order to protect company personnel and their families. Adopting, giving maximum attention to, and enforcing the principles of mask-wearing, social-distancing, and strict hygiene at all of its premises, Kartonsan sought to prevent close interpersonal contact in many different ways. Having quickly formulated a pandemic-specific emergency action plan and crisis-management roadmap, the company immediately began implementing the precautions and rules set out in them. A committee was set up to oversee the epidemic-management process, to take whatever decisions might be required, and to coordinate internal and external communication. Monitoring the performance of Kartonsan's response to the pandemic and assessing pandemic-related risks, the committee updated plans and practices as circumstances dictated.

The measures and practices implemented throughout 2020 are still in effect at all Kartonsan-owned and operated workplaces at the time this report is being put together in early 2021.

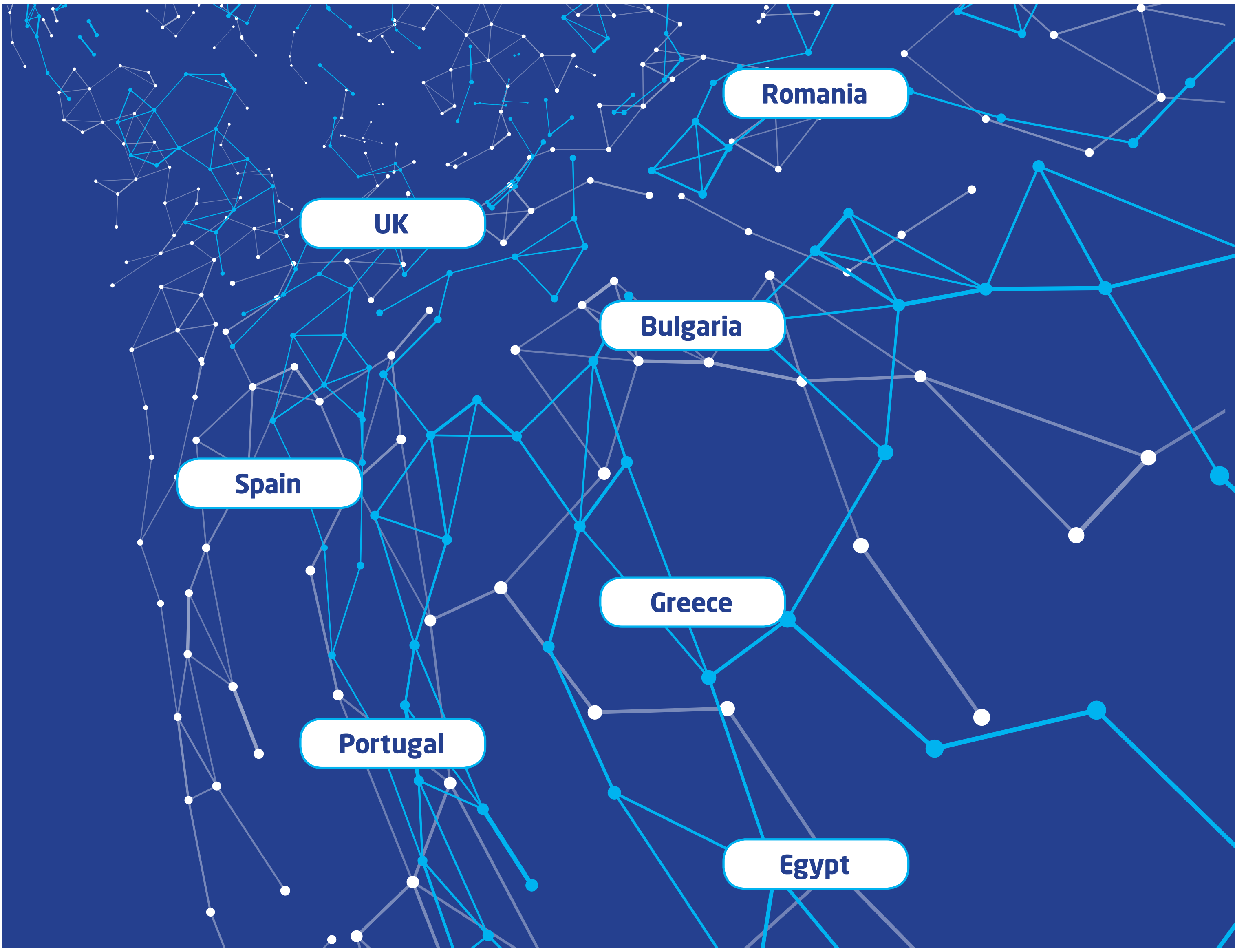
Another objective of Kartonsan's Covid-19 response has been to minimize the adverse impact of this global health crisis on the day-to-day conduct of its production and trade operations.

Kartonsan has completed preparations and prepared action plans to deal with various scenarios that may arise as the pandemic process unfolds in 2021.

As it moved into the new year, Kartonsan's pandemic response remained as vigilant as ever.

Kartonsan's pandemic-response measures, practices, and actions have earned it "COVID-19 Safe Production" certification by the Turkish Standards Institution.

- All Kartonsan-planned internal and external training programs and operations were suspended or postponed. Social-distancing and other pandemic-related rules and measures were adhered to in cases where training etc. was mandated by laws or regulations.
- Seating arrangements on company-supplied transportation were changed to maximize interpersonal distancing, mask-wearing was made compulsory, and stocks of disinfectant and spare masks were kept on hand if needed.
- Table and seating arrangements in dining halls were changed and mealtimes were rescheduled to maximize interpersonal distancing.
- Designated-smoking areas, breakrooms, and cafeterias were rearranged to maximize interpersonal distancing.
- The temperature of every employee was checked at the gate as they entered the company's premises before the start of the workday. Anyone whose temperature was over 37.8 ºC was denied admission and directed to the nearest medical facility.
- A body-temperature-measuring system using a thermal camera was installed at the Kartonsan factory gate on 10 April 2020 and has been in operation since.
- The drivers of vehicles carrying raw materials and other supplies to the Kartonsan factory were subjected to temperature checks at the gate. Only those whose temperature was below 37.8 ºC were admitted to company-owned premises and only on condition of their wearing masks and using disinfectant.
- Kartonsan continues to keep up to date on the latest Covid-19 measures, rules, and requirements mandated by authorities and it immediately takes whatever action is needed to comply with them. Posters and notices containing information about such matters are posted prominently in all workplaces.
- Posters and notices are used to keep employees regularly informed; employees' compliance with instructions is monitored and enforced.
- Kartonsan employees such as security and medical personnel whose jobs require them to come into close contact with many people are provided with protective face shields.
- Cleaning materials containing disinfectants are being used by maintenance personnel in all manufacturing, office, and common areas. Disinfecting floor mats have been installed at entrances.



KARTONSAN PRODUCTS ADD VALUE TO PEOPLE'S LIVES IN MORE THAN 20 COUNTRIES

One of the leading coated cardboard producers in Europe, Kartonsan products are exported to more than 20 countries in 3 continents. Countries having the highest share of Kartonsan's exports have been Bulgaria, Greece, Spain, Portugal, the UK, Romania and Egypt as in the previous years.

For Environmentally Respectful Production

The proportion of waste paper that Kartonsan uses in its production processes is above the European average. In a sense this makes Kartonsan a recycling company as well as a manufacturing concern.

Kartonsan Factory

Site Area

101,270 m²
Indoor Site Area

337,390 m²
Open Site Area

438,660 m²
Total Area

Production Lines and Annual Production Capacity

BM1: 80,000 tons/year
Annual Production Capacity

BM2: 160,000 tons/year
Annual Production Capacity

Electricity Generation Capacity

528,000 KWh/day
Daily Electricity Generation Capacity

193 million KWh/year
Annual Electricity Generation Capacity

18 million KWh/year
Sellable Electrical Energy

Product Range

Normprint
Normprint-Liner
Exprint
Luxtriplex

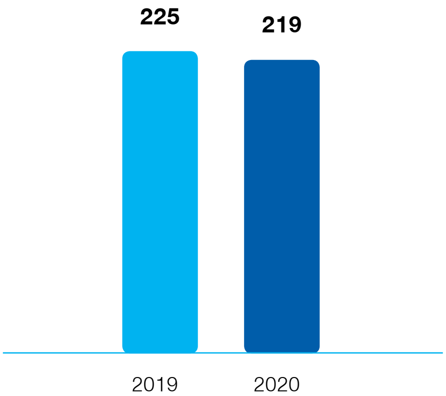
Waste Treatment Plant Installed Capacity

10,000 m³/day

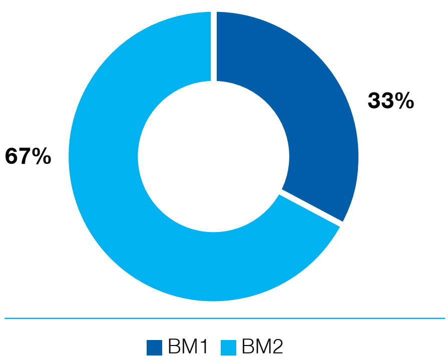
Grinding Capacity

2,650 m²/year
Annual Grinding Capacity

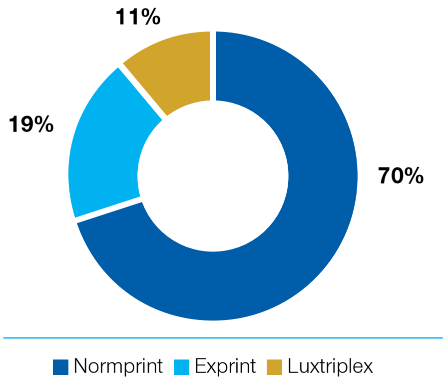
Total Production
(thousand tons - gross)



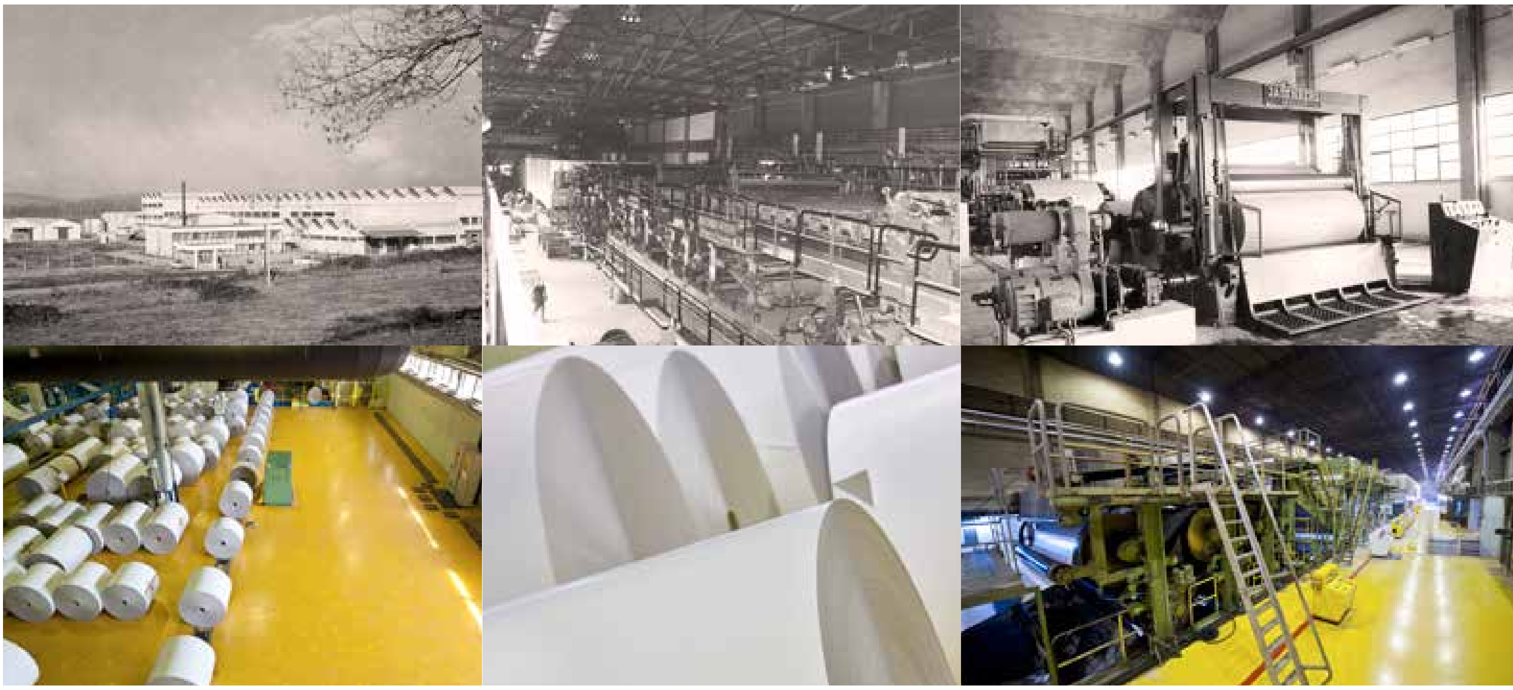
Breakdown of Production
(%)



Breakdown of Production
(%)



SINCE 1967: KARTONSAN



Kartonsan: A private-enterprise success story

Kartonsan's corporate history starts with the groundbreaking of its plant in Başiskele Kocaeli in 1967. Providing the first domestic coated cardboard to Turkish market in 1970, Kartonsan carried its success story beyond turkey's borders and positioned itself as one of the leader producers in Europe.

1970

Kartonsan started its production as the first privately owned coated cardboard factory of Turkey.

1980-1986

Increasing its capacity over years, Kartonsan started to work on the project of its second production line BM2. In 1985, Kartonsan waste treatment facilities have started operations.

With the start of BM2 line's operations in 1986, Kartonsan's production capacity increased by 160%.

In 1986 Kartonsan went public and the Company's stocks have started to be traded on BIST national market.

1993

Computer-controlled production lines are installed. The BM2 line's production capacity is increased to 300 tons/day through additional investments and plant optimization.

1995-1997

In 1995, Kartonsan started generating its own electricity with the three turbines powered by natural gas and fuel oil. Additionally, it started to generate steam through waste heat boilers. In 1997, with the addition of a turbo-generator and waste heat boiler 19.2 MW power has been achieved at the power plant.

2002

The expansion project at Kartonsan treatment facility has been completed.

2003

Kartonsan started 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) was audited and approved by Bureau Veritas.

2006

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

2009

Through a successfully managed project, production capacity of BM1 was increased by 50% and total production capacity of Kartonsan reached 180 thousand tons.






2010

Projects were 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.

2012-2013

A Letter of Intent for Euro 16 million was signed with the Austrian Andritz AG to finance an investment to increase the capacity of BM2 by approximately 50% and the project has continued in 2013.

Projects related with FSC-CoC certification and transition to SAP were completed. The system was launched in 2013.

2014

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

Within the scope of expansionary investment, checks on the use of energy and natural resources were completed and improvements were realized on decreasing the use of steam.

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 was submitted to the Ministry of Environment and Urban Development.

With the MBR system the Company moved up a step higher and fresh water consumption has been significantly decreased.

2015

2015 was a year of optimizing the investment in the expansion and modernization of the Company, and the relevant work has been done.

Energy Management team was formed and activities have started for the requirements of ISO 50001 Energy Management System. After the inspection of Bureau Veritas, the Company was qualified to receive ISO 50001 Energy Management System certificate.

2016

Lean management activities were initiated which would provide important contributions to the various areas from production to customer satisfaction.

2017

At its 50th anniversary, Kartonsan reached the highest sales quantity and turnover of all times.

2018

While rapidly completing its efficiency projects which have key importance for Kartonsan, the Company maintained its leadership and continued its strong existence in export markets.

2019

Kartonsan, which presses ahead with its projects with a focus on increasing efficiency and growth built on its strong foundations, posted a further improvement in its performance in the production-trade cycle thanks to the initiatives it has undertaken and the right decisions it has made.

2020

As a result of the strict Covid-19 measures that Kartonsan put into effect in 2020, the company was able to continue carrying out its manufacturing and trading operations without interruption by successfully countering the potential adverse impact of a global health crisis on its performance. Kartonsan's focus on protecting its human resources from the ravages of the Covid-19 pandemic qualified it for TSE Covid-19 Safe-Production certification.

KARTONSAN QUALITY IN PRODUCTION

Indispensable to everyday life: **Healthy, eco-friendly packaging**

Because of its circular-economy utility, coated cardboard is the material most preferred by the packaging industry.

Kartonsan products are developed and diversified in accordance with market demands and expectations following the trends in global packaging industry.

Kartonsan conducts its production activities with an approach focused on developing and increasing the added value offered to consumers.

Kartonsan's permanent goal is to develop, produce and present healthy and eco-friendly products that contribute to quality of life, reaching millions of people.

Kartonsan products and their areas of use

Kartonsan produces coated cardboard known as duplex (GD) and triplex (GT) in the industry. Producing coated cardboard from recycled paper, Kartonsan responds to the needs of various sectors with a wide range of products. Kartonsan's products reach tens of millions of consumers in more than 20 countries and they are being widely used in different areas of our lives such as food, pharmaceuticals, detergents, matches, cosmetics, textile, stationary, packaging of glass products and small appliances, book and notebook covers and corrugated lamination.

Kartonsan develops its products in accordance with market demands and expectations following the trends in global packaging industry.

Products appropriate for food packaging

Having a customer portfolio of tens of millions of consumers in approximately 30 countries, use of Kartonsan's coated cardboard products in food packaging has been approved by Republic of Turkey Ministry of Food, Agriculture and Livestock. Similarly, the products are certified by a number of reports issued by various international analytical laboratories for compliance with norms put forward by the BfR (the German Federal Institute for Risk Assessment), particularly in regard to their use in packaging which comes in direct contact with dry food.

Because of its focus on operational sustainability, Kartonsan keeps a close watch on current/potential changes in laws and regulations impacting on its products. In August 2020 the European Carton Makers Association reported a draft change in the European Union Consumer Goods Ordinance which will require that mineral-oil residues in food packaging be below specified limits. Kartonsan has accelerated its ongoing R&D work in line with recent developments.

Kartonsan puts customer satisfaction at the center of all its activities and attaches particular importance to establishing long term, sustainable business relationships with its customers. Kartonsan will continue to respond to customer demands proactively and diversify its product range based on current needs.

KARTONSAN'S PRODUCTS AND THEIR SPECIFICATIONS

NORMPRINT

Normprint, a multi-coated cardboard, is a high performance product for packaging. A blade top coat has been applied to the top surface and the back side is grey. This product provides brilliant printability using substantially less ink and a high degree of varnish ability.

NORMPRINT LINER

The Normprint Liner used as lamination on the company's corrugated cardboard is manufactured on the BM2 production line in 180, 200, and 225 gr/m^2 weights. Kartonsan-made Normprint Liner is a high-performance product that is especially useful as packaging for glassware and electronics and as containers for fresh fruits and vegetables. Normprint is a multi-coated cardboard with a blade top coat while the underside has a low Cobb value that makes it suitable for corrugated lamination. This product provides brilliant printability with substantial ink economy and also a high degree of durability.

EXPRINT

Exprint is a multi-coated cardboard which provides high performance in all types of packaging and detailed graphic printing. The product offers brilliant printing quality with substantial ink economy and high varnish ability. It also offers excellent creasing surface due to its structure. The backside is grey and a blade coat has been applied to the top surface.

LUXTRIPLEX

Luxtriplex is preferred for special occasion cards, detailed graphic printing for advertising materials and all kinds of packaging. It provides high creasing capability, brilliant printability with substantial ink economy and high varnish ability. It is a multi-coated cardboard with a white back side and a blade coat has been applied to the top surface.

KARTONSAN'S INTEGRATED MANAGEMENT SYSTEM

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable.

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable.

Kartonsan meets the qualified coated cardboard needs of the Turkish market for 53 years, offering an innovative, high quality and specialized product range and carries out its operations with the aim of providing dependable and sustainable products focusing on efficiency, effectiveness, customer satisfaction and profitability.

Providing a humane and modern working environment, continuity of human resources with high degrees of satisfaction and respect for environment under all circumstances are the other main elements of Kartonsan's sustainability approach.

Four-component management system

All production processes and management activities of Kartonsan are carried out within the scope of the Integrated Management System, which offers a platform that can be defined, measured, monitored, analyzed and developed. Kartonsan continues its projects and investments in a versatile and systematic way to maintain this system up to date and takes appropriate steps in line with global trends.

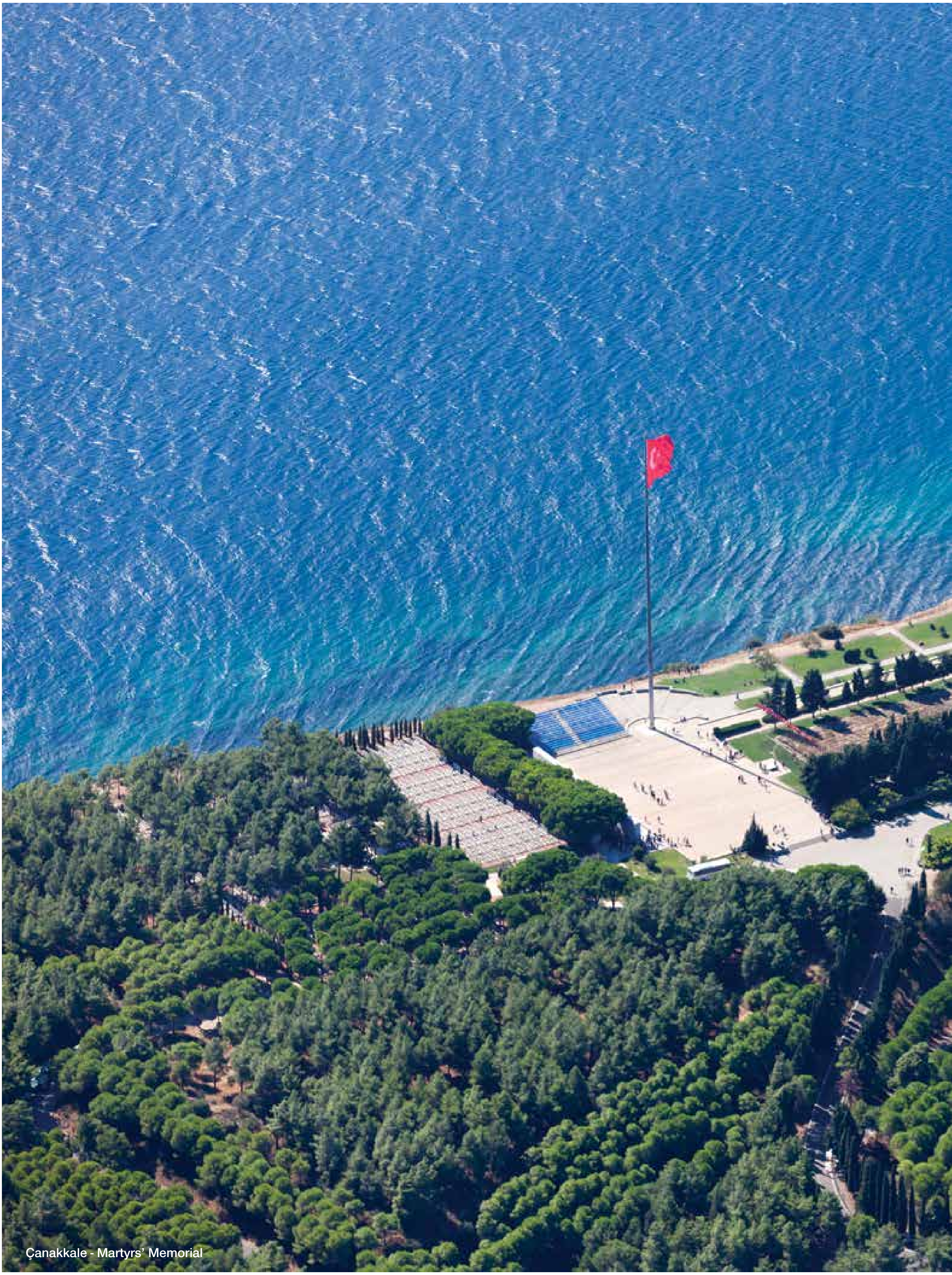
Kartonsan's Integrated Management System consists of four management systems.

- ISO 9001 Quality Management System,
- ISO 14001 Environment Management System,
- ISO 45001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System

In 2019, Kartonsan continued its systematic audits and applications of its Integrated Management System.

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

In 2020 Kartonsan continued to have its Integrated Management System and associated practices audited. As a result of a Bureau Veritas audit during the year, the company successfully completed its transition to the 2018 version of the ISO 50001 Energy Management System standard. In November Bureau Veritas completed its audits of Kartonsan's compliance with the ISO 45001 occupational health and safety standard (which replaces OHSAS 18001) and of the ISO 9001 and ISO 14001 standards.



Çanakkale - Martyrs' Memorial

STRONG FOUNDATIONS

KARTONSAN AND SUSTAINABILITY

Academic and scientific circles are calling for meaningfully effective steps to be taken in 2021 to help reverse current trends in climate change while social activism demanding that urgent action be taken is on the rise everywhere.

Kartonsan conducts its operations in a responsible manner at all aspects of sustainability, maintaining its pioneering and leading producer identity.

Kartonsan is a recycling company which produces cardboard using 92% waste paper.

With the awareness of being the "first" and the "leader" of the coated cardboard industry, Kartonsan is a manufacturer who manages its business in a responsible manner in all aspects of sustainability keeping its pioneer and leader identity.

Kartonsan's respect for nature begins with its recovering & recycling-based plant operations and is achieved through its:

- In-house awareness-enhancement training
- A focus on separating and collecting waste where and when it is generated
- Analysis of sources of emissions and monitoring of greenhouse gas emissions
- Recovery, treatment, and reuse of discharged water in production processes
- Efforts and investments to improve treatment productivity.

Kartonsan's waste-recovery & recycling efforts earned the company Ministry of Environment and Urbanization Zero-Waste certification in 2020.

GLOBAL WARMING AND THE CLIMATE CRISIS: WILL THE POST-PANDEMIC PERIOD BE A ONE OF NEW ACTION?

Global warming is recognized as one of the most serious problems threatening the future of humanity and the planet. Scientists agree that the world is getting warmer and they are projecting that the average global temperature, which is currently around 15 °C, will increase between 1.5 °C and 5.0 °C over the remainder of the 21st century.

The disastrous climate events that occurred in 2020 caused huge damage and affected the lives of millions of people. Hurricanes, floods, immense forest fires, and similar natural disasters affected different parts of the world all year long. Researchers say that all these events are being caused by an increase of a little over 1 °C in the average global temperature since 1880, with two-thirds of that rise having occurred since 1975. On the other hand, there is a growing consensus that human-caused damage to our planet's natural environment played a role in the Covid-19 outbreak and ensuing pandemic and that the recurrence of similar globally-threatening epidemics is an increasingly greater threat in the future.

The 2020 edition of Emissions Gap Report[1] published by the United Nations Environment Program (UNEP) on 9 December 2020 stresses that a much greater effort needs to be made to combat climate change. The report estimates that, despite a brief dip in carbon dioxide emissions caused by the Covid-19 pandemic, the world is still heading for a temperature rise of more than 3 °C this century.

The UNEP report also notes that in order to help keep the average global temperature rise to below 2 ºC by the end of this century, the international community needs to prioritize "a green recovery" with a focus on low-carbon energy, forest expansion, and awareness of ecological limits in the post-pandemic recovery period. It says that such a recovery could reduce the greenhouse gas emissions which we would otherwise expect to see by 2030 by up to 25% and that this would even make limiting the average rise to below 1.5 ºC by the end of the current century an achievable target.

According to various published studies, it appears that there were record-breaking reductions in CO_2 emissions during the early stages of the Covid-19 pandemic but that in the course of time emissions returned to their former levels. According to a Global Carbon Project study for example, there was a 17% reduction in daily global CO_2 emissions in April 2020, which corresponds to the period when pandemic-restrictions were the most stringently enforced. Notwithstanding that achievement, it is estimated that the effect of the ensuing–and still ongoing–economic recovery will keep the overall average rate of reduction in emissions during all of 2020 to just 4-9% below their 2019 level.

UN Secretary General Guterres voiced the need to make combating climate change central to the fulfillment of the 17 interlinked Sustainable Development Goals saying "2021 must be the year of a great leap towards carbon neutrality. Every country, city, financial institution, and company should adopt plans for transitioning to net zero emissions by 2050."

Academic and scientific circles are calling for meaningfully effective steps to be taken in 2021 to help reverse current trends in climate change while social activism demanding that urgent action be taken is on the rise everywhere. When combined with a post-pandemic recovery based on green investments, such efforts create tremendous opportunities for a more climate-secure future.

[1] UNEP's Emissions Gap Report is an annually-published review and assessment of the difference between anticipated emissions and levels consistent with the Paris Agreement goals of limiting global warming this century to well below 2 °C and pursuing 1.5 °C.

Sustainable Development Goals (SDG)

SDG is a new widely accepted action set which has been built on Millennium Development Goals committed to be achieved by 2015 by the member countries of United Nations.

Millennium Development Goals that were adopted in 2000 involved many topics to be solved such as poverty, hunger, social gender inequality, access to water and healthy conditions. At the Rio+ 20 meeting in 2012, decision was taken to develop a new set of goals with the participation of a wide range of stakeholders and activities have started in that direction. In 2015, 17 Sustainable Development Goals were announced which have been developed with a high level of contribution of global private sector.

The objective of the goals is to find solutions to fundamental causes of poverty and to provide development as a universal need for everyone. Global consensus around SDG pointed out a milestone to direct our globe to a more inclusive and sustainable growth track.

Today, tens of thousands of global companies and not-for-profit organizations experience new and exciting processes towards the targets defined within the scope of SDG. Classical business manners are being reshaped and handled in the light of the universal criteria for sustainability.

For detailed information on SDG

SUSTAINABILITY PRINCIPLES COMPLIANCE FRAMEWORK

Pursuant to a 2 October 2020 amendment in CMB Sustainability Principles Compliance Framework, companies are asked to provide information about the following matters in their annual reports:

- Whether or not they adhere to basic principles set forth in the CMB framework;
- If they do not, why not;
- What impact any non-compliance with any of these principles has on the reporting company's environmental and social risk management.

Although compliance with these principles is voluntary, companies are required, in keeping with the "Comply or Explain" approach, to report their compliance or non-compliance.

Kartonsan is a company whose goal is to achieve full compliance with the principles set forth in CMB Sustainability Principles Compliance Framework.

Seeking to create short, medium, and long-term value, Kartonsan has set itself the goal of integrating internationally-accepted environmental, social, and corporate governance (ESG) reporting metrics into its corporate structure and strategic goals.

In the period ahead, the company will accelerate its efforts to create the necessary structures, to determine strategies, and to formulate policies in order to fully comply with CMB principles.

Kartonsan will also accelerate its efforts to achieve full compliance with the principles set forth in sections A ("General principles") and B ("Environment principles") of the CMB communique. The results of such efforts at Kartonsan are presented in appropriate sections of this report.

Detailed information about Kartonsan's human resources practices and corporate governance activities is provided in the "Management and corporate governance practices" section of the company's annual reports.

Having internalized ESG reporting metrics, Kartonsan will continue to publicly disclose the results of their systematic measurement in CMB-approved formats in reports which it plans to publish henceforth.

In the conduct of its ESG reporting, Kartonsan will also take a holistic approach in line with its sustainable business model attitudes when considering and expanding upon generally-accepted international norms.

KARTONSAN AND SUSTAINABILITY

The Zero Waste Project is expected to be launched gradually all across Turkey until 2023.

For detailed information about Zero Waste: http://zerowaste.gov.tr/

Zero Waste Project

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

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

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

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

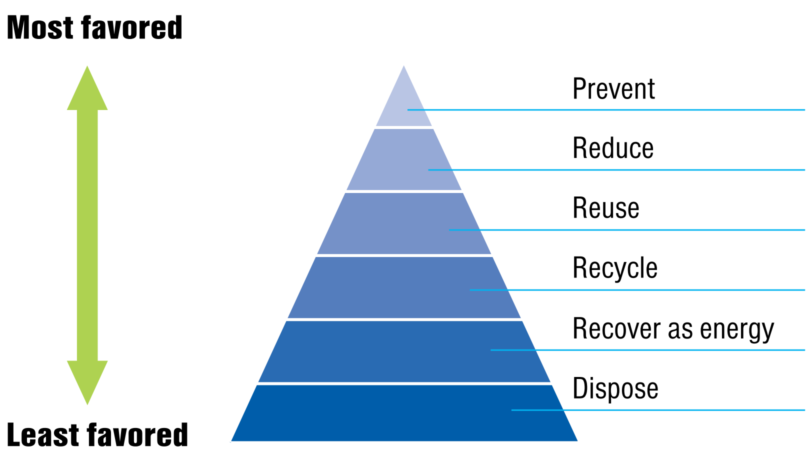
Zero Waste is a set of principles focused on making the most efficient use of resources, on preventing or minimizing the creation of waste, and, if waste is created, on collecting, sorting, and reusing it where it is created. Another aspect of the Zero Waste approach is that all waste arising in the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

WHAT IS THE ZERO WASTE APPROACH?

The Zero Waste approach calls for:

- Reusing products
- Extending products' useful lifetimes
- Avoiding or reducing the use of hazardous materials in product manufacturing processes
- Making products that can be recycled.

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



As a responsible manufacturer, Kartonsan proves its respect for the nature by using the maximum quantity of wastepaper in its production.

Sustainable improvement and development is a fundamental element of Kartonsan's strategy.

Kartonsan sees sustainability as not only the key to short, medium and long term profitability but also the main tool to create value for its stakeholders.

Creating permanent and continuous value to Turkish economy for half a century, most important factors having impact on Kartonsan's long term growth road map are technology, production power supported by expertise and experience, strong corporate competencies and skilled human resources.

Kartonsan is aware of its economic, environmental and social responsibilities at its operational cycle and carries out various sustainability projects and practices in cooperation with its stakeholders.

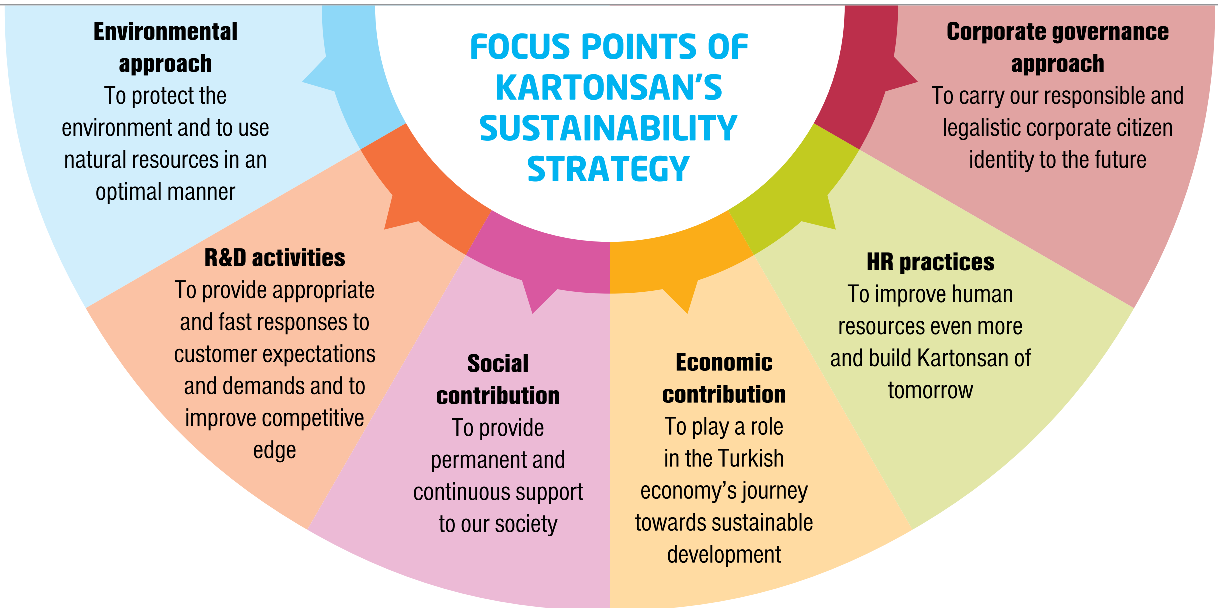
Kartonsan is a corporate citizen, respectful and sensitive to the environment.

Paper and cardboard producers who operate in countries which are distinguished in developed and global competition pay special attention to use waste paper. Similarly, innovative and responsible projects are being executed such as sustainable forests. Protecting and respecting the environment are the two key concepts in Kartonsan's economic and operational cycles.

As a responsible manufacturer, Kartonsan proves its respect for the nature by using the maximum quantity of wastepaper in its production. With a waste paper use more than the European average, Kartonsan also acts as a recycling company. Kartonsan will continue its efforts without interruption to minimize its negative impacts to the environment and press on with its investments in this area.

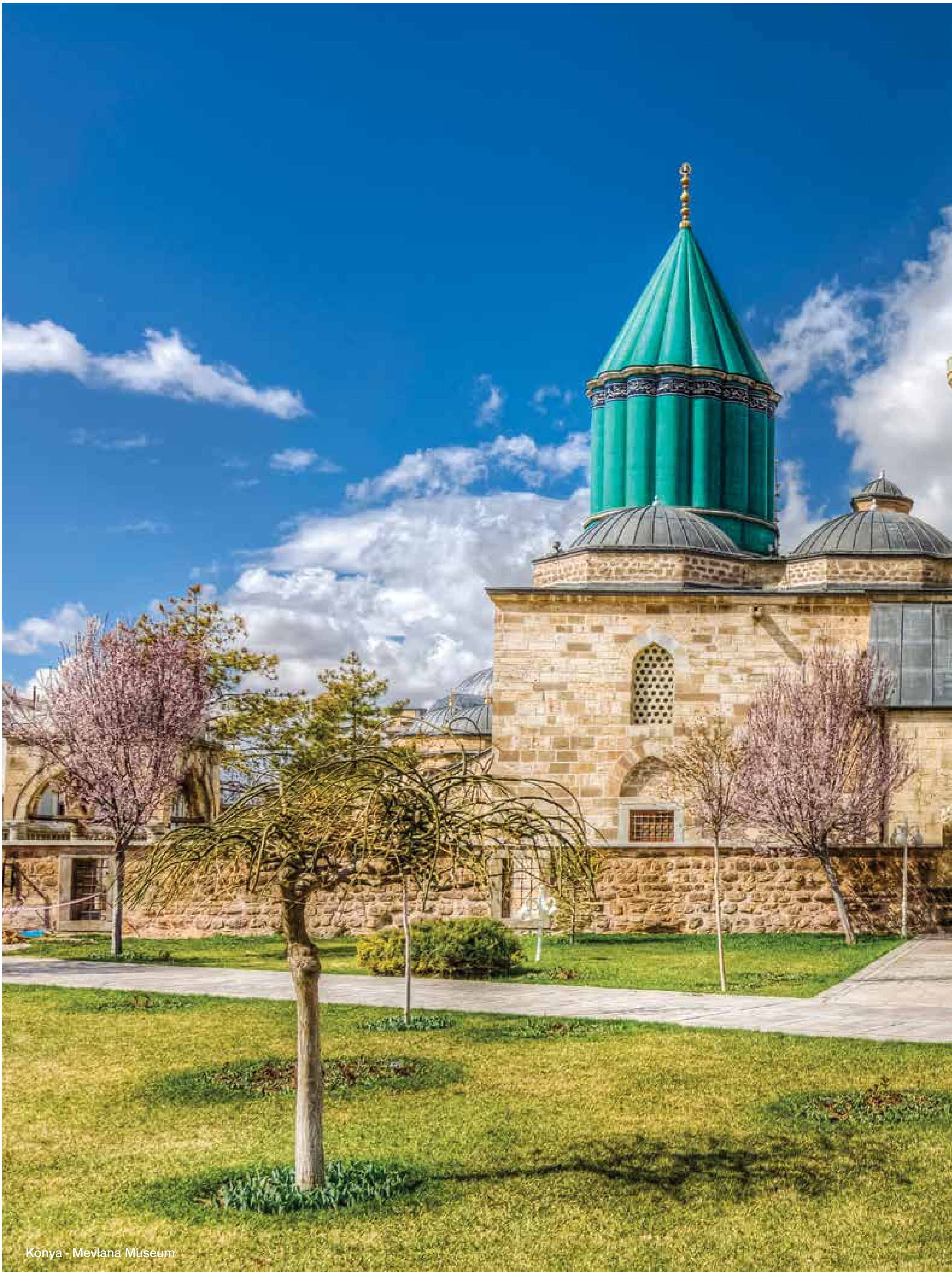
Importance of cooperation with the stakeholders

As a company which cooperates with its stakeholders on sustainability matters, Kartonsan is in close contact with suppliers, municipalities, wastepaper collection organizations and other institutions. Kartonsan's recent gains under the sustainability topic are summarized in Kartonsan and the Environment section of the report.



CONTRIBUTING TO THE CONSTRUCTION OF A SUSTAINABLE FUTURE THROUGH A LONG-TERM PERSPECTIVE

Kartonsan executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment.



Konya - Mevlana Museum

STRONG VALUES

KEY FINANCIAL INDICATORS AND RATIOS

Notwithstanding the extraordinary strains and difficulties that the Covid-19 pandemic imposed on markets and business activities in general, Kartonsan's flexible and agile marketing, production, and sales operations succeeded in creating sustainable and sharable value even in 2020.

Financial Indicators

(TL Thousand)	2019	2020
Net Sales	737,166	898,903
Total Exports	140,783	156,968
Total Assets	548,931	698,591
Net Profit	81,345	137,265

Earnings per Share (Consolidated/per TL 1 par value share)	2019	2020
Ordinary Shares	1.08460	1.83019

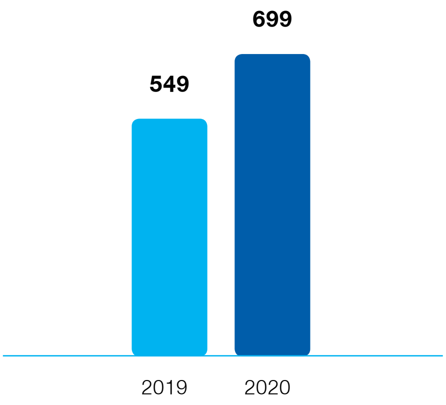
Key Ratios

Liquidity Ratios	2019 (%)	2020 (%)
Current Ratio	4.02	4.14
Acid Test Ratio	2.26	2.87
Cash Ratio	1.19	1.82

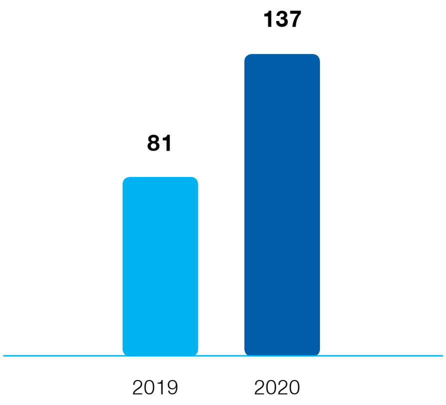
Profitability Ratios	2019 (%)	2020 (%)
Pre-Tax Profit/Net Sales	11.6	19.2
Net Profit/Shareholders' Equity	17.8	23.9

Financial Structure Ratios	2019 (%)	2020 (%)
Total Liabilities/Shareholders' Equity	20.3	21.7
Short-Term Debt/Shareholders' Equity	16.5	17.7
Long-Term Debt/Shareholders' Equity	3.8	4.0

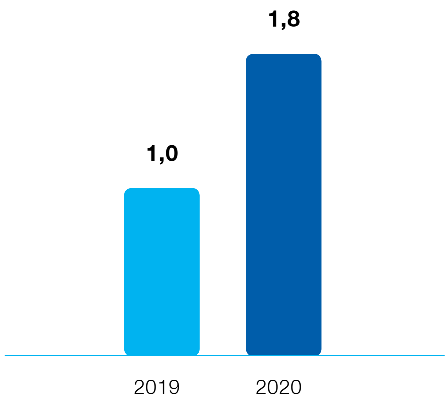
Total Assets
(TL million)



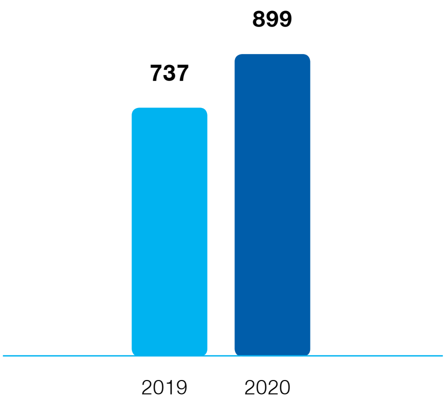
Net Profit
(TL million)



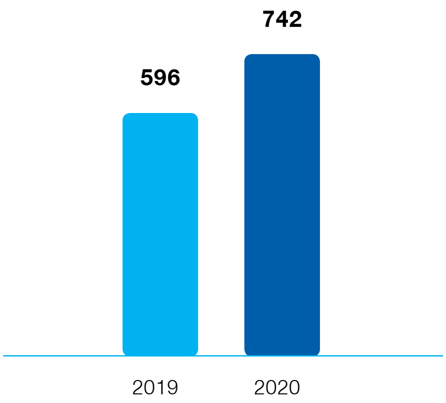
Earnings Per Share
(TL)



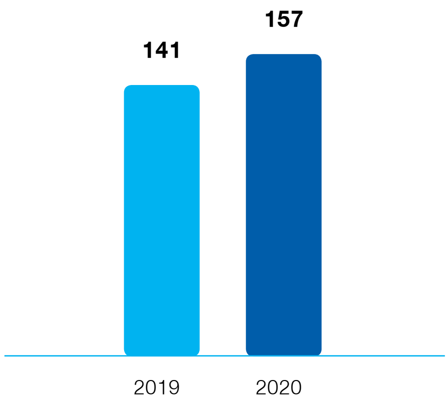
Total Net Sales
(TL million)



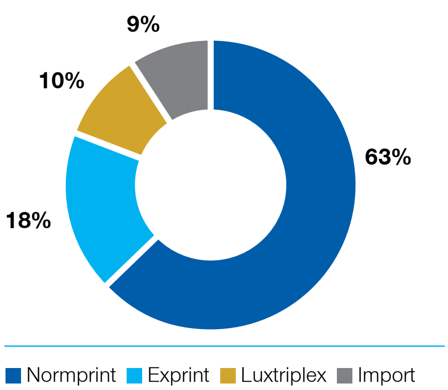
Domestic Sales
(TL million)



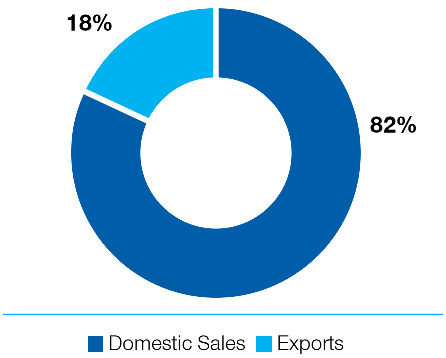
Total Exports
(TL million)



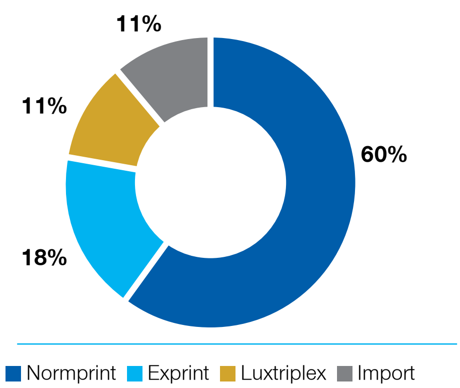
Sales by Product Type
(%)



Sales by Geography
(%)



Domestic Sales by Product Type
(%)



CHAIRMAN'S MESSAGE

Although 2020 is now behind us, the global epidemic or pandemic that once looked like it might shut global economy down continues to affect our own country as well as the rest of the world.

Esteemed stakeholders,

Having emerged from a most extraordinary year...

In the wake of the global economic slowdown experienced in 2019, the world looked forward to 2020 with expectant hopes. The hopes however did not last for long, for they were dashed in the early days of 2020 by international news agency reports of events taking place in the Chinese city of Wuhan. The reports were about outbreaks of a highly-infectious novel coronavirus, which came to be known as Covid-19 and quickly spread throughout the entire globe. On 11 March 2020, the World Health Organization formally declared the epidemic a global pandemic and on the same day, the first known case of a Covid-19 infection was reported in Turkey.

Although 2020 is now behind us, the global epidemic or pandemic that once looked like it might shut global economy down continues to affect our own country as well as the rest of the world. Besides impacting on every aspect of our everyday lives, the isolation and quarantine measures made necessary by the pandemic inevitably also affect production, trade, and service processes and cause disruptions and delays in global trade and supply chains.

The Covid-19 global pandemic is likely to go on record as having caused more damage and led to consequences more serious in the medium and long terms than even the 2008 global financial crisis. We are already witnessing surging unemployment rates and rising economic injustice in most parts of the world.

... we are grateful to our healthcare workers.

In the face of the unprecedented conditions that prevailed in 2020, authorities in Turkey adopted a prudent and proactive approach to their management, giving priority first of all to public health and simultaneously to expansionist fiscal and monetary policies and measures that helped keep the wheels of the national economy turning.

As in many other countries, recourse was had in Turkey to interest rate cuts and to other expansionist monetary policies. Sectors adversely affected by the pandemic were propped up by means of asset purchases, liquidity support, and low-cost credit while cash payments were made to households.

Looking at the matter from the critically important standpoint of public health, Turkey appears to be coping with the pandemic and will likely ultimately emerge from it with less damage than many–if not most–other countries thanks to the timely and decisive action taken by its government.

Of course the true heroes of this success are our healthcare workers. The health ministry and its team spread out through the country and put their hearts and souls into the struggle from the very first moment: their extensive testing and filiation efforts played a huge role in keeping cases and deaths at relatively low levels.

Our healthcare professionals are among everyone's most important and valuable social stakeholders. As the Kartonsan family, we extend to them our utmost gratitude and appreciation.

Focusing on correctly evaluating business opportunities, our industry remained vigorous and vital.

At both the global and national levels, Turkey's cardboard and packaging industries were also affected by the pandemic, the effects of which impacted on them in different ways and at different times in the course of the year. While markets remained vigorous during the first quarter, the lockdown measures that started going into effect at the end of March did create some problems for coated cardboard manufacturers who ship their goods by truck or who export them to Europe. However solutions to these problems were found and the challenges were quickly overcome.

Indeed as the isolation and shutdown measures took hold, they had a positive impact on the demand side: in response to stay-at-home orders, households spent relatively more on food and consumer goods, the packaging of which significantly nourished demand for coated cardboard.

Another way in which pandemic-related measures had an impact was on the supply side: curfews and restrictions on movement meant much less refuse could be collected, which in turn drove up the price of recoverable and recyclable paper.

The process of reopening seized-up economies that began with the arrival of summer had a relatively favorable impact on economic activity.

To sum up then, the exceptional conditions that prevailed in 2020 not only led to strong demand for our industry's products but also powered the packaging industry, which is one of our most important economic stakeholders.

In the years ahead, Kartonsan will continue to add to its domestic and international market strength through new undertakings while also increasing the contributions that it makes to the Turkish economy.

As one of the leading actors in the circular economy...

Backed by more than 50 years of knowledge and experience, Kartonsan didn't just create value for all of its stakeholders in 2020: it also once again demonstrated that its standing as a recycling advocate makes it one of the most important champions of global-level sustainability.

Kartonsan regards constantly increasing shareholder value that it generates as one of its foremost priorities. As a participant in the circular economy, the company also recognizes that being an efficient manufacturer and conserving the natural resources that it uses are two critically essential goals.

Kartonsan distinguishes itself by virtue of its strong insightfulness, solid financial structure, ability to internalize change, and professionally competent human resources. The company fulfills its responsibilities through strong, healthy, and sustainable growth that is consistent with its core objectives.

The two most valuable corporate assets that Kartonsan has accumulated and carries with it into the future are the high regard of its customers and the dedicated efforts of its employees. They lie, in other words, in the strength and durability of the bonds between Kartonsan's stakeholders and the Kartonsan brand.

In the years ahead, Kartonsan will continue to add to its domestic and international market strength through new undertakings while also increasing the contributions that it makes to the Turkish economy. Kartonsan has all the physical, human, and intellectual capital as well as all the internal energy that it needs to achieve these goals.

... we are committed to the responsible exploitation of every opportunity which the future may offer.

The global pandemic that threatened to bring life to a standstill in 2020 should refocus everyone's mind on the tough challenges which humanity faces in achieving and maintaining a balance in its interactions with the natural environment. The Covid-19 pandemic should be seen as an alarm bell warning us to be mindful of the sustainability of the world in which we live.

That being so, it gives me pleasure to note that there were some strong reactions to this warning as well as accelerated efforts to respond to it in 2020. The European Parliament's support of the European Green Deal, beefed-up environmental laws and regulations in many countries, a newly-voted-in US administration's announcement that the country would be returning to the Paris Agreement, and heightened business world engagement with UN Sustainable Development Goals were just a few of the gains that were made last year.

I do believe that humanity already possesses sufficiently advanced and capable technological means to resolve environmental problems and that the climate crisis can be brought under control before it otherwise turns into a worldwide climate disaster. However for that to happen, global-level collective action to deal with this issue must continue without losing momentum.

Looking ahead to 2021 and beyond, Kartonsan will continue to move forward as a profitable, productive, and eco-aware company. Kartonsan's business-management philosophy of prudently balancing risks and opportunities is what will enable it to go on creating value in the future as well. Likewise the strong and sustainable support of our shareholders and investors will remain our most valuable guide as we advance on our journey of transforming increasingly more potential into performance.

In closing and speaking both personally and on behalf of the Kartonsan Board of Directors, I take this opportunity to extend my best wishes to our human resources, to our domestic and international investors and to all of our other stakeholders for a healthier, more prosperous, and more peaceful 2021.

Very truly yours,

Prof. Dr. Ünal Bozkurt
Chairman of the Board of Directors

GENERAL MANAGER'S ASSESSMENT

Kartonsan booked consolidated net sales of TL 899 million in 2020, 21.94% higher than those in 2019.

Esteemed stakeholders,

2020: An endurance test

However hopefully 2020 may have begun, every aspect of our lives was taken prisoner and radically transformed by a novel coronavirus outbreak in early March. In the ensuing process, our agility and adaptability, our IT infrastructure, our production and trade competencies, and our financial strength were all put to the most rigorous and comprehensive of tests.

By March, the once-localized outbreak of the virus had become a global pandemic and threatened to bring the global economy to a standstill. Changes and transformations that might otherwise have taken many years occurred within a short time and became the "new normal" for us all.

Masks, social-distancing, and hygiene became headline news while stay-at-home orders affected our lives in the deepest of ways. Remote-work models and business-process digitalization became key competencies that determined a company's success. The problems faced by the real sector in carrying out its procurement, logistics, and production operations became challenges demanding urgent solutions.

Kartonsan's solid corporate foundations, its uninterrupted shareholder support, its highly loyal human resources, and its strategy of pursuing growth and producing value come what may all played crucial roles in the company's ability to successfully pass that test.

Once again demonstrating that its agile business model and corporate intelligence were sufficient to manage and overcome even these challenges, Kartonsan focused first and foremost on people and so mobilized all of its resources in its efforts to protect all of its employees from the effects of this most serious of public health crises.

Taking an agile-management approach, Kartonsan quickly formulated and put into effect a pandemic-specific emergency action plan and crisis-management roadmap and a committee was formed and charged with overseeing the management of both. Having had detailed measures and rules aimed at protecting the health of our employees put into effect at the company's headquarters and factory, the committee kept track of developments as they unfolded at home and abroad and revised and improved them as needed.

In the course of this process, there have been two things about which we can be especially happy and proud: the first is the appropriateness of our company's response and our employees' participation in it; the second is the degree to which our response minimized the adverse impact of a global health crisis on the day-to-day conduct of our production and trade operations. I should also note that Kartonsan's all-in approach to dealing with the pandemic entitled it to "COVID-19 Safe Production" certification by the Turkish Standards Institution.

So before proceeding with my assessment of last year's results, I must thank our employees and management team for the tremendously important role that they played in successfully managing the first and most challenging period of the Covid-19 pandemic.

In our 53rd year of operation...

In its 53rd year of operation, Kartonsan once again acted in line with the responsibilities it incurs as a pioneering and leading member of its industry while also striving with all its might to overcome the economic and market challenges arising from a global health crisis.

One of Turkey's and Europe's leading manufacturers and suppliers in terms of coated-cardboard production capacity, Kartonsan continued to contribute to the Turkish economy in its roles as exporter, employer, and taxpayer while also creating added value for all of its stakeholders. The company further strengthened its position in the fight against climate change in its capacity as a major recycler of waste materials; its performance and stature as an exemplary industrial endeavor once again earned it the appreciation and admiration of its domestic and international stakeholders.

In a year fraught with market volatilities and unpredictabilities resulting from a global pandemic, Kartonsan booked consolidated net sales of TL 899 million in 2020, 21.94% higher than those in 2019, while its consolidated operating profit and net current profit weighed in at TL 161 million and TL 137.3 million respectively. These financial results mean that our return on equity in 2020 was 24%, our return on assets was 20%, and our consolidated profit per share with a nominal value of TL 1 was TL 1.83. Kartonsan's increased sales turnover and profitability also mean that its net working capital and net liquidity also continued to increase last year.

These results continued to impact favorably on our liquidity, financial-structure, and other financial-analysis ratios. The financial management and risk management strategies that we execute without exception not only play a big role in keeping our balance sheet strong but also enable us to accumulate the material resources which our strategic development plans for the future will require.

In its home market, Kartonsan continued to keep its customers furnished with goods even as the public health crisis continued to unfold.

Our share of the Turkish market in 2020 was around 41%.

Kartonsan controlled a 41% share of its home market in 2020. With their extensive domestic-market customer base, Kartonsan products intersect with people's lives in many different ways. Whether as a gift box, a school notebook cover, or food packaging, the superior human-health safety standards of Kartonsan products make them especially appealing to consumers.

As of end-2020, exports made up 20% of our total sales. Last year we booked export earnings worth USD 24.4 million.

An export-related issue to which we need to draw attention is the challenge posed by the pandemic in 2020. Closures and restrictions on border crossings in the European market exerted short-term operational pressure on our exports to customers there. Goods-carrying vehicles stranded at border crossings as well as various short-term disruptions in logistics networks were among the problems that had to be addressed and resolved last year.

With its vast knowledge of international markets and many years of successful export operations however, Kartonsan knows how to quickly deal with glitches such as these. Our successful fulfillment of export contracts last year was much appreciated by our longstanding customers in particular and further strengthened our relationships with them.

In its home market, Kartonsan continued to keep its customers furnished with goods even as the public health crisis continued to unfold. On no occasion was any customer turned down with the Covid-19 pandemic being proffered as an excuse. On a consolidated basis, Kartonsan supplied about 197 thousand tons of coated cardboard to the domestic market in 2020.

Kartonsan's 2020 performance once again reveals it as a dynamic, strong, competent, and resilient company whose economic sustainability is no accident but is rather an element of an identity that is the natural outcome of an effective mix of the right resources, an institutional mindset, and strategic execution.

Kartonsan's high-quality, eco-friendly products that fully meet customer expectations will continue to ensure its place among the leading players in the global coated cardboard industry as well as at home.

We are committed to playing an increasingly greater role in contributing to environmental sustainability and in addressing the climate crisis.

Developments taking place in 2020 are resulting in the rapid and forceful global-level prioritization of the critical importance that sustainability and climate-crisis issues have from the standpoint of the future of humanity.

Global warming is widely recognized as one of the most important problems of our times. Scientists are generally in agreement that our world is getting hotter. The average global temperature, which is currently around 15 ºC, is projected to rise by something between 1.5 ºC and 5.0 ºC between now and the end of this century.

While the world was dealing with the Covid-19 pandemic on one hand in 2020, on the other it also had to contend with extreme weather events–hurricanes, floods, wildfires, and other natural disasters–which affected the lives of millions of people and which caused tremendous damage all around the world. Researchers are of the opinion that the root cause of all of these events is a 1.1 ºC rise in the average global temperature over the last century.

The 2020 edition of the Emissions Gap Report published by the United Nations Environment Program (UNEP) on 9 December 2020 emphasizes that a much greater effort needs to be made to combat climate change. The report finds that despite a brief dip in carbon dioxide emissions caused by the Covid-19 pandemic, the world is still heading for a temperature rise in excess of 3 °C this century.

The UNEP report also says that in order to help keep the average global temperature rise to below 2 ºC by then, the international community should prioritize "a green recovery" with a focus on low-carbon energy, forest expansion, and awareness of ecological limits in the post-pandemic recovery period. It notes that such a recovery could reduce the greenhouse gas emissions that we would otherwise expect to see by 2030 by up to 25% and that this would even make keeping the average rise to below 1.5 ºC by the end of the current century an achievable target.

Academic and scientific circles around the world are calling for meaningfully effective steps to be taken in 2021 to help reverse current trends in climate change while social activism demanding that urgent action be taken are on the rise everywhere. When combined with a post-pandemic recovery based on green investments, such efforts create tremendous opportunities for a more climate-secure future.

GENERAL MANAGER'S ASSESSMENT

We believe that the coated cardboard we make will become an increasingly more important actor as a replacement for plastic in global and national consumer-product brands' packaging choices in the period ahead.

With at least 90% of the raw materials that it uses in the conduct of manufacturing operations consisting of recovered and recycled paper, Kartonsan already makes a significant contribution to the circular economy and it is committed to further increasing its efforts to combat climate change in the period ahead as well. The company intends to do this first and foremost by improving manufacturing efficiencies through process improvement and innovation.

According to most current research and surveys conducted by businesses, academics, and NGOs, the climate crisis and its adverse impact on economic and everyday life are the most serious global-level risks that confront us today. At the same time we also recognize that changes in competition and market conditions are issues which we must proactively manage. The production structures, capacities, and strategies of our sector are both interactive and dynamic both in Turkey and in the EU.

Kartonsan's natural and most important export market is the EU, whose European Green Deal is another recent development that we need to consider carefully from the standpoint of our sector and our operations and on which we need to act from the standpoint of our medium and long-term results.

Many countries, including those in the EU, are introducing new packaging standards and regulations. Among these standards and regulations are important criteria and expectations concerning coated cardboard, our primary product. For example, food packaging that is safe, preserves freshness, and provides climate crisis-related information is becoming an increasingly more prevalent and important element of our everyday lives. Meanwhile public pressure and value-chain dynamics are forcing manufacturers in every sector to be more conscientious in their product packaging choices. Looking at consumers, we see that heightened public awareness and perception about environmental issues have advanced recycling to the head of the list of consumer choice-determining criteria. We intend to integrate these and similar issues–R&D, AI, and agile management and business models for example–into the Kartonsan production culture which we have built up in the course of more than half a century. We also intend to exploit whatever opportunities arising from anything we recognize as a risk and to transform them into added value in the most effective way possible.

As the focus on sustainability becomes more comprehensive so too will the transition to a circular economy accelerate. We believe that the coated cardboard we make will become an increasingly more important actor as a replacement for plastic in global and national consumer-product brands' packaging choices in the period ahead.

For our own part, we will continue to give the utmost importance to environmental sustainability and to advance along that path in the conduct of our operations. In 2020 we consumed something below 6.3 m^3 of water per ton of manufactured output, a figure which is already below the European average. The amount of freshly-harvested cellulose used in our production processes is now less than 1.1% of the total.

Using sustainably-sourced raw materials is one very important way in which we contribute to natural-resource sustainability. Such key performance indicators of our operational results are evidence of our contributions to the protection of our planet's environment and forests and consequently of its wildlife. Kartonsan's goal is to be a regional sustainability leader through such efforts while also properly managing the megatrends that have the potential to impact on its commercial and economic sustainability and on its operations.

To sum up then in conclusion on this matter, as Kartonsan advances in the process of creating shareholder and stakeholder value, it will carefully and diligently fulfill its responsibilities as a key contributor to the circular economy while also playing a role in combating the global climate crisis.

Products that touch people's lives and add value to them

Kartonsan's extensive portfolio of products effectively responds to the packaging needs of many different sectors while also adding value to people's lives. Owing to their superior quality and compliance with safety and health standards and norms, Kartonsan's products are used as packaging by makers of consumer goods in more than 20 countries.

In the conduct of our production operations, our approach is always focused on increasing and improving the added value that we offer consumers.

In the conduct of our production operations, our approach is always focused on increasing and improving the added value that we offer consumers. Our unwavering objectives are to contribute to the quality of peoples' lives, to make our products safer from the standpoint of human and environmental health, and to constantly reduce the dimensions of our impact on the natural world.

Kartonsan's strength also arises from the flexibility and nimbleness imparted to it by the creative, technical, and manufacturing know-how which it has built up over many years and which we regard as one of our company's most precious assets. Such advantages enable us to develop and diversify our products in light of changes in demand and customer expectations as well as of global packaging-industry developments.

Putting customer satisfaction at the focal point of all of our activities and deploying the superior skills of our human resources and the strength of the Kartonsan brand, we will continue to add to our 53 years of success as we advance into the future.

In 2021...

2020 was a trying and challenging year in many different ways and on many different levels. The pandemic will certainly remain on the agenda in 2021. Guided however by all that we experienced and learned last year we know that we can go on producing and sharing in the "new normal". Neither our country, nor its economic actors, nor indeed the global economy as a whole have any other alternative or option: the sustainability of the human race depends on economic stability, on improvements in welfare, on social progress, and on raising healthy and knowledgeable new generations that can do even better than their predecessors.

As the economy pulls itself together, we expect that its recovery will gain momentum, especially after midyear 2021. Progress on the medical-sciences and technology front and speeded-up mass-vaccinations will support the transition to the new normal that awaits us.

Kartonsan for its part will focus on sustainable profitability, on efficiency, on cost-control, and on exploiting opportunities for optimization in all aspects of its operations. Our company will remain the leading benchmark player in its home market while also further strengthening its presence in export markets.

With the strong support of our shareholders and investors, we will continue to add new pages the story of Kartonsan's growth and development. We have the financial resources as well as the competencies that we need to advance even more swiftly along the path of sustainable growth that leads into the future.

I thank Kartonsan's employees for the devoted efforts that contributed so much to our performance last year. I also extend my thanks as well as my respects to our domestic and international customers and suppliers, to our principal shareholders the Pak Group, and to the Kartonsan Board of Directors.

Haluk İber
Member of the Board of Directors and
General Manager

KARTONSAN BOARD OF DIRECTORS

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Chairman

Aslı Balkır
Deputy Chairman

Süleyman Kaya
Deputy Chairman

Babür Gökçek
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Sinan Ercan Gülçur
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Mehmet İmregün
Board Member

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Board Member

İlker Cengiz
Board Member
(as of May 2020)

Ahmet Göksel Yücel
Independent Board Member

Süleyman Kadri Mirze
Independent Board Member

Haluk İber
Board Member and General Manager

KARTONSAN EXECUTIVE MANAGEMENT

Haluk İber
General Manager

Ümit Özkan
Mill Manager

Volkan Turt
Chief Manager of Production

Ümit Dinçol
Chief Manager of Production Services

Güven Şanlı
Chief Manager of Technical Division

Raşit Kemal Özkırım
Chief Manager of Marketing

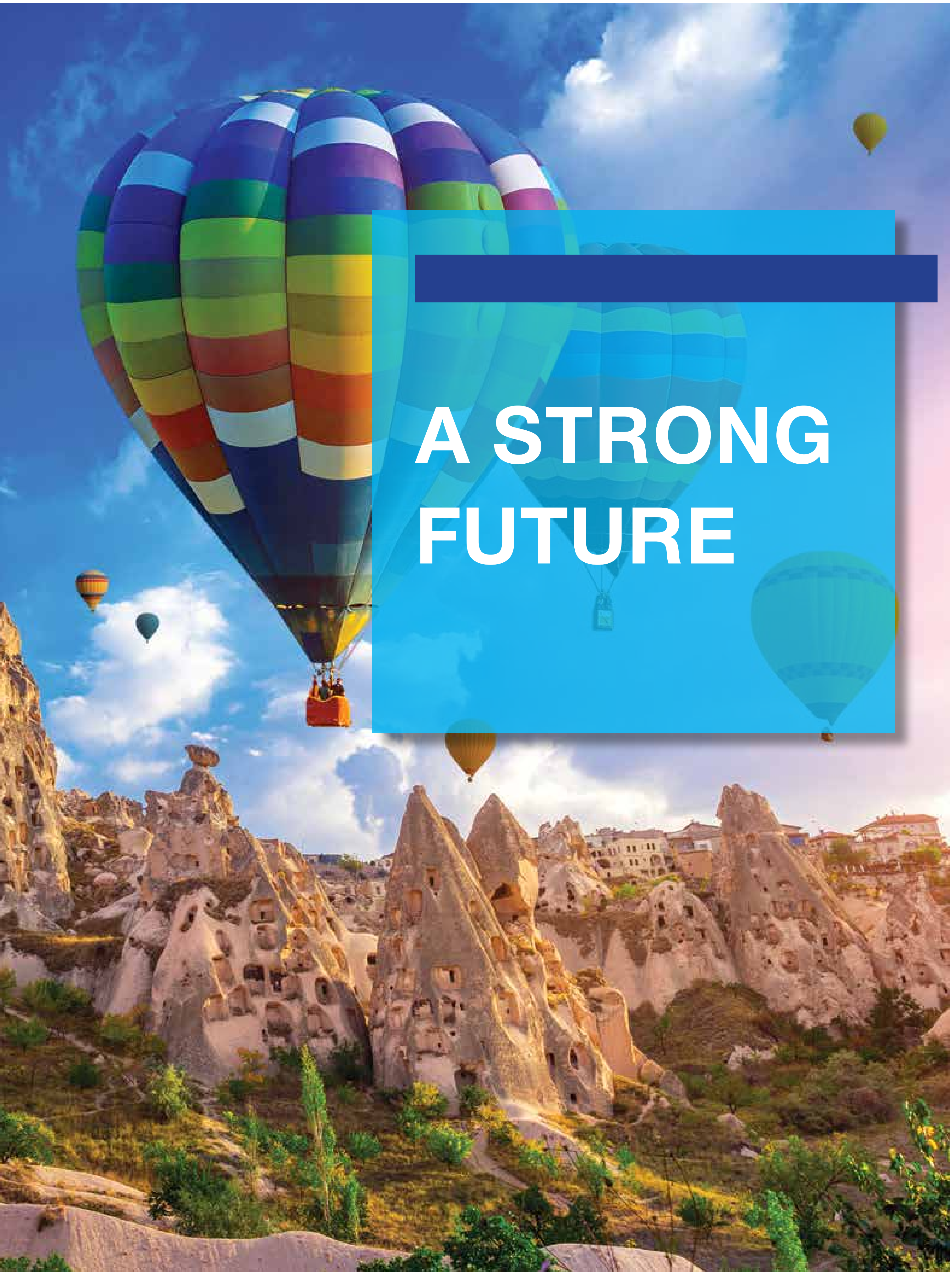
Şadiye Başak Kaya
Chief Manager of Human Resources and Quality Systems

Atiye S. Tuğtekin
Chief Manager of Purchasing

Bülent Koru
Chief Manager of Financial Affairs


Nevşehir - Cappadocia

A STRONG FUTURE



2020 SECTORAL OVERVIEW

Curfews and restrictions on movement meant much less refuse could be collected, which in turn drove up the price of recoverable and recyclable paper.

2020: A year of both challenges and opportunities

The Covid-19 pandemic burst onto the scene in early 2020 as a sudden and unforeseeable development that shaped agendas for the rest of the year, put paid to every macrolevel expectation, and set the global economy on a course of rapid contraction.

Production, trade, and services were all hammered by pandemic conditions while economic activities were severely constrained by isolation and shutdown measures put into effect by countries around the world.

Looking at the performance of the global cardboard-manufacturing and packaging industries we see firstly that business was generally vigorous during the first quarter of 2020 and secondly that this was equally true in the European market of which Turkey is a neighbor. Pandemic-related measures introduced in Europe in late March however created problems for coated cardboard manufacturers who sell goods to customers there as it became increasingly more difficult to find vehicles on which to ship them and it took increasingly more time to cross international borders.

On the demand side, pandemic-related measures had quite the opposite effect insofar as it triggered growth in our sector. In anticipation of shortages, many households stocked up on food and other consumer goods which in turn significantly increased demand for the coated cardboard used in packaging.

Another activity that was affected by pandemic-related measures was refuse collection: curfews and restrictions on movement meant much less refuse could be collected, which in turn drove up the price of recoverable and recyclable paper.

With the arrival of summer, the process of reopening economies got under way. One effect of this was to reduce the demand for cardboard, the prices of which either remained flat or, in some cases, declined. Although demand began to recover in the fall, anxieties were worsened by the partial reintroduction of many measures in the last quarter owing to surges in new infections all around the world.

Uncertainties and volatilities aside, foods numbered among the business lines that were the least affected by the pandemic. As a supplier of inputs to many different sectors–foods being chief among them–the packaging industry also suffered far less than most.

In a deal that was finalized last year, Reno de Medici (RDM) acquired the Spanish coated chipboard manufacturer Paprinsa.

European market-consolidation continues apace.

Supply-side consolidation in the European market has been in progress now for quite some time and is also rewriting the rules of the game. A textbook example of this process was an acquisition that took place in 2020.

In a deal that was finalized last year, Reno de Medici (RDM) acquired the Spanish coated chipboard manufacturer Paprinsa.

Taking RDM's previous acquisition of another Spanish firm (Barcelona Cartonboard) into account as well, the Paprinsa deal further entrenches Italy-based RDM's leading position in the Spanish market. With this new addition, the production-capacity gap between RDM and Germany's Mayr-Melnhof Karton AG has narrowed to a considerable degree.

Far Eastern markets

The two most important events in Far Eastern markets last year were China's introduction of significant obstacles to the importation of recycled paper on the one hand and shifts in production and consumption towards Bristol board on the other. While depressing recycled-paper exports from Europe, this playing-field change also pushed up the price of Chinese-made Bristol. Developments like these in the Far East have indirect consequences for coated cardboard manufacturers that use recycled paper as inputs.

The situation in Turkey

While 2020 developments in the Turkish cardboard packaging industry more or less paralleled those taking place in Europe, the situation in our country was somewhat unique owing to the steady gains made by other currencies against the Turkish lira, a process that was already under way at the outset of the new year. These gains, which were upwards of 50%, affected the sector's costs and consequently pushed up its prices.

While rises in exchange rates increased input costs, the prices demanded for domestically-sourced recycled paper also rose as its suppliers realized they could earn more by exporting it than by selling it to the home market. Meanwhile, domestic manufacturers benefitted from higher exchange rates because they made their exports more profitable and gave them a competitive edge over their foreign competitors.

2020 SECTORAL OVERVIEW

For the coated cardboard manufacturing industry, 2021 is again likely to be a year in which demand remains strong.

During the first nine months of 2020, sales of European-sourced recycled coated cardboard were up by 9%. With the inclusion of Bristol board, total coated cardboard sales were up by 6% year-on.

There were no changes in Turkey's coated cardboard production capacity in 2020. Production at a new plant that is currently at the investment stage is expected to get under way in 2020.

However we are also continuing to see the results of investment and capacity-increase decisions that were made by some cardboard-packaging manufacturers in previous years, one of them being an increase in that sector's effective production capacity even under the difficult conditions that prevailed in 2020.

Increased demand for liner cardboard

With the pandemic nourishing demand for all kinds of packaged goods that also need to be delivered to their buyers by cargo firms, the demand for corrugated cardboard with laminated liners increased hugely.

Although the Covid-19 pandemic severely hammered most business sectors in 2020, there were a few notable exceptions. One of them was the packaging industry, which looks likely to have registered positive growth overall, albeit less than that of previous years.

The outlook for 2021

As pandemic conditions begin to ease in 2021, a renormalization process of sorts can be expected to get under way after midyear but the process will be gradual at best. A great deal of what happens will depend on the degree to which efforts to develop, produce, and administer Covid-19 vaccines are successful in Europe and, especially, in the United States.

For the coated cardboard manufacturing industry, 2021 is again likely to be a year in which demand remains strong with domestic manufacturers determining the home-market/foreign-market composition of their sales based on movements in exchange rates.

A particularly important feature of 2020 is that a new coated cardboard manufacturer will begin supplying goods to the Turkish market. Taking anticipated production-capacity increases in some other countries into account as well, we are likely to see a supply-side expansion in product availability that will fuel price competition. More production capacity may also stiffen competition among those who need recycled paper. Whenever a market becomes more competitive, producers who can keep their customers supplied with better goods and service are the ones who will be one step ahead of those who can't or won't.

AN EVALUATION OF 2020: ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

In 2020 Kartonsan supplied a total of 197 thousand tons of coated cardboard to its home market (2019: 180 thousand tons) with an increase of 17 thousand tons increase in total sales.

Despite the relatively volatile global and national economic outlook and the extraordinary conditions posed by the Covid-19 pandemic in 2020, Kartonsan continued to improve its manufacturing-output, business-volume, and export performance and to create added value for its investors and all of its other stakeholders.

Kartonsan's corporate goals are:

- being one of the main suppliers of export markets of Turkey's nearby geography,
- developing the logistics and supply chain to provide higher quality and faster services to its customers,
- increasing efficiency in production processes,
- increasing capacity with a regional supplier approach and
- reaching the highest level of sustainable profitability.

The extraordinary challenges posed by the pandemic to the company's performance in 2020 were a severe test of Kartonsan's resilience, agility, and strategic advantages. Kartonsan passed this test successfully, emerging from it with a financial and operational performance that once again demonstrates the strength of the company's ability to create long-term added value. At the same time and through its proactive approach in dealing with global, regional, and local issues affecting the coated cardboard manufacturing industry, Kartonsan secured real gains in terms both of operational productivity and of customer and employee satisfaction.

Kartonsan 2019 general meeting postponed due to pandemic

Many of Kartonsan's administrative processes were unavoidably affected by the Covid-19 pandemic in 2020. The company's 2019 general meeting, which had been planned for 30 March 2020, had to be postponed until 5 May 2020 because the hotel in which it was to have been held closed due to quarantine and lockdown measures and unilaterally cancelled the reservation. The meeting was held instead on May 5th at the company's headquarters. In response to a regulatory decision imposing a 25% cap on 2019 profit distributions, which had been taken by authorities to help mitigate the adverse impact of the epidemic on companies, Kartonsan also revised its previously-made dividend-payment decision accordingly.

Kartonsan remained the leader of its home market in 2020.

Despite substantial rises in exchange rates in 2020, there were no significant changes in the amounts of European-made cardboard imported into Turkey last year. During a year in which domestic demand remained vigorous, Kartonsan continued to adhere to a rational pricing strategy that effectively enabled it to deal with competition, to hold onto its customers, and to support the sustainability of its production operations. It was thanks to this approach, which also contributed to Kartonsan customer satisfaction, that the company was able to keep pace with and completely satisfy domestic demand all year long. In 2020 Kartonsan supplied a total of 197 thousand tons of coated cardboard to its home market (2019: 180 thousand tons) with an increase of 17 thousand tons increase in total sales.

AN EVALUATION OF 2020: ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

The 180-gram liner that was added to the catalogue in 2019 continued to be supplied successfully to the market in 2020. The company intends to begin production of a 210-gram liner in 2021.

In 2020, Kartonsan's market share in Turkey was stabilized at 41%.

While Kartonsan's gross cardboard production was 218 thousand tons in 2020, total consolidated net sales was realized as 240 thousand tons, consisting of total consolidated domestic coated cardboard net sales (including trade commodity) of 197 thousand tons and total international consolidated coated cardboard sales of 43.3 thousand tons.

Kartonsan's consolidated net sales in 2020 amounted to TL 898.9 million in value. Taking a flexible approach in the planning of its domestic and international sales in 2020, Kartonsan experienced no stock-management problems and was able to fulfill every customer order without exception despite the operational challenges posed by the pandemic.

A wide product range responding to packaging needs of various industries

Kartonsan's products are mostly used in food packaging.

In addition to food, other areas where Kartonsan products are used are pharmaceuticals, detergents, matches, cosmetics, textiles, corrugated lamination, stationary packaging, book and notebook covers, packages for glassware and small appliances.

The most preferred product of Kartonsan in 2020 was once again Normprint.

Diversifying itself in the market for 53 years with its innovative, high quality and specialized product range, Kartonsan always offers its customers the best and the highest quality products under all circumstances The company regards R&D as a way to achieve its constant goal of offering sustainable and innovative products. All Kartonsan R&D projects are carried out with a mindfulness for efficiency, effectiveness, customer satisfaction, and profitability.

Among Kartonsan products, Normprint, once again, was the most preferred coated cardboard in 2020 while Exprint and Luxtriplex were the runners up.

Normprint family grows with the addition of new weight alternatives.

Although there were no changes in Kartonsan's primary product groups, it was decided, in line with the company's strategy of responding to customer requests, to begin production of 500 and 550-gram Normprint on the BM1 line and of the relatively more difficult production of 180-gram Normprint on the BM2 line.

The 180-gram liner that was added to the catalogue in 2019 continued to be supplied successfully to the market in 2020. The company intends to begin production of a 210-gram liner in 2021.

Kartonsan will continue to expand its product line in light of developments in market demand in the period ahead as well.

Sustainable export performance

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

One of the lessons taught by 2020 is that Kartonsan has the ability to go on supplying products and services no matter what market conditions may be. Although some countries closed their borders and imposed restrictions on movement during the early months of the pandemic, the shipping problems that these measures caused were overcome and Kartonsan successfully ensured the continuity of its export operations.

One of Europe's leading coated cardboard manufacturers, Kartonsan achieved its 2020 sales-tonnage target. In 2020, Kartonsan's export revenue was realized as USD 24.4 million and its share in total sales quantity was 20%.

Exporting its products to more than 20 countries in three continents, the countries with the highest share at foreign markets in 2020 were Bulgaria, Egypt, Spain and Greece.

Kartonsan's goal is to establish long-term partnerships in export markets

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

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

Developing customer satisfaction with marketing and sales activities

One of Kartonsan's priorities is to meet domestic and international customer requests who are regular users of its products, on a timely basis.

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

With Lean Management practices implemented recently, Kartonsan offers less production time to customers enabling them to make shorter term planning. Moreover, advantageous terms in delivery and payments were provided for customers in 2020, additional facilities were offered and no concessions were made for customer satisfaction.

Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales in 2020.

AN EVALUATION OF 2020: ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

Kartonsan will focus on sustainable revenues and profitability in 2021, and will utilize optimization opportunities at every stage of its operations.

E-Commerce Project

The pace of technological change was given additional momentum in 2020 by a world-engulfing coronavirus outbreak that made online communication and interaction more important than ever.

Kartonsan continued to renew and improve its online-service infrastructure in order to provide its customers with better and faster service. Kartonsan's E-Sales app, previous versions of which have been in service for quite some time and which allowed customers to check their existing orders, place new orders, and issue shipping instructions, was given a makeover last year. The app's functionality was increased with the addition of a feature that allows customers to confidently approve credit-card payments for online orders by means of a verification code sent to a registered mobile phone.

Introduced in 2020, the renewed app is expected to come into increasingly greater use as more and more customers realize and become familiar with its convenience.

In 2021...

Kartonsan will focus on sustainable revenues and profitability in 2021, and will utilize optimization opportunities at every stage of its operations. As a requirement of improving and maintaining quality and adapting to economic conditions, cost-reducing measures and investments will continue to be Kartonsan's priorities.

In 2021, Kartonsan will concentrate on;

- Maintaining its leadership at domestic market,
- Developing its presence at export and international markets,
- Increasing customer satisfaction,
- Continuing quality improvement, efficiency and cost reduction activities
- Developing value presented for human resources, and protecting the health of its employees under pandemic conditions,
- Acting in compliance with occupational health and safety rules from A to Z in all operations,
- Carefully protecting employee health under the ongoing COVID-19 pandemic,
- Meeting the requirements of environmental management systems.

On the financial-performance side, Kartonsan's foremost objective in 2021 will be to repeat and build upon its 2020 production and sales performance. Similarly the company will be looking to create and, with its stakeholders, share value whose rate of increase is not less than the year's inflationary outlook. Two issues that will remain of the utmost importance for Kartonsan in 2021 will be (1) maintaining and improving quality and (2) cost-reduction measures and investments dictated by the need to adapt to economic conditions.

The Company started efficiency projects and investments in 2020. Kartonsan's total investment expenditure in 2020 amounted to EUR 4.4 million.

Productivity at Kartonsan: Investments

Total gross production at Kartonsan is 225,000 tons/year, a figure that may vary between +/- 2% depending on scheduled shutdowns and planned revisions in operations. Improvements in efficiency are the principal way in which this total output can be increased.

In 2020 the BM1 line's productivity was improved by around 30% as compared with the previous three years. As a result of lean-management improvements, involuntary downtimes have been reduced from around 2,000 minutes to 1,350 minutes.

On the BM2 line, unscheduled stoppages during 2020 occurred primarily because of process optimization processes dictated by the unique requirements of making 180-gram Normprint, production of which began on this line last year. The situation, which is a characteristic of lower-weight cardboard manufacturing processes, is the reason why the BM2 line's productivity fell below that of previous years. Kartonsan's immediate objective is reduce involuntary downtimes on the BM2 line from the current 3,800 minutes/month to below 3,000 minutes/month.

In 2020, Kartonsan continued its investment activities in accordance with its strategic plan. In this context, while increasing efficiency in all aspects continued to be the primary goal, increasing efficiency in production cycle and improving automation level at various functions were determined as the corporate vision.

The Company started efficiency projects and investments in 2020. Kartonsan's total investment expenditure in 2020 amounted to EUR 4.4 million.

Kartonsan investments that are to be undertaken in 2021 are summarized briefly below.

Procurement of a new pallet wrapping line

The existing pallet wrapping line, which is past both its technological and its economic life, is to be converted into a new line which not only will be equipped with the latest technology but whose handling capacity will also be higher. The project is slated for completion in the third quarter of 2021. The order cost of this investment is EUR 1.5 million.

Installation of automatic gaseous fire-extinguishing systems for BM2 transformer cells

Gaseous automatic fire-extinguishing systems are to be installed in order to protect the 13 transformer cells that supply the BM2 line with electricity against fire risks. When an alarm is given off by a system's fire detector, the system automatically intervenes and extinguishes the fire by flooding the location with an inert gas, thus increasing the safety both of the plant and of its personnel. The project will be completed in the first quarter of 2021. The order cost of this investment is EUR 150 thousand.

Renewal of BM2 damp sheet and edge-cutting systems

This investment, whose order cost is EUR 150 thousand, is intended to prevent line stoppages caused by torn edges in cardboard as it is being manufactured. The project is slated for completion in the third quarter of 2021.

Renewal of BM2 damp sheet edging systems

This investment, whose order cost is EUR 150 thousand, is intended to prevent line stoppages caused by torn edges in cardboard as it is being manufactured. The project is slated for completion in the third quarter of 2021.

Procurement of a hydrapulper waste compactor for Line 14

This investment calls for the addition of a compacting unit to the Line 14 pulper solid waste removal system. This addition will increase the percentage of dry matter in the solid waste while also reducing the amount of sludge that gets sent to the waste-water treatment plant. The investment is intended also to increase fiber recovery to a significant degree. The project will be completed in the third quarter of 2021. The order cost of this investment is EUR 195 thousand.

Renewal of the Line 13 hydrapulper rope twisting and cutting system

This investment will increase the operational efficiency of the Line 13 hydrapulper solid waste system. The project will be completed in the third quarter of 2021. The order cost of this investment is EUR 110 thousand.

Renewal of the BM1 Quality Control System

This investment will make it possible for the weight, moisture, and thickness values of the BM1 cardboard-manufacturing line to be monitored and controlled in real time online and also to achieve a manufacturing capacity whose K1 ratio is higher by reducing operator-originating errors. It is anticipated that the project's ordering and completion works will be finalized in 2021 at an investment cost of EUR 750 thousand.

Procurement of a new Supply Hall cutter

This investment calls for the procurement of a new high-tech cutter that will increase the Supply Hall's ability to work with different sheet dimensions. As of January 2021, placement of an order with an investment cost of EUR 1.5 million was planned.
It is anticipated that the project will be completed in the fourth quarter of 2021.

Renewal of the BM2 Line 13 waste paper conveyor

This conveyor system is past its economic life and its frequent breakdowns result in production-capacity losses. The project calls for its replacement with a new conveyor system that is technologically superior. A EUR 335 thousand order has been placed and the project is slated for commissioning in the third quarter of 2021.

KARTONSAN AND ENVIRONMENT

> In 2020, the total quantity of waste paper used in coated cardboard production of Kartonsan was 217,486 tons.

Kartonsan's environmental goal

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

Climate crisis

Our planet's climate has shown a rapid change during the period from the industrial revolution. Climate change, which is proven to be real through scientific research and a significant and fundamental risk for the future of humankind, directly impacts the coated cardboard industry.

The widespread occurrence of climate activism and climate-related NGO initiatives throughout the world is evidence of how sensitive younger generations are to such issues and how urgent it is that action be taken.

It is noteworthy that the top five risks cited in the World Economic Forum's global risks report published in January 2020 are all associated with environment and climate-related issues.

Limiting global warming to less than 2º C above pre-industrial levels and establishing collaborations and partnerships aimed at achieving this are crucial to efforts to reduce the effects of global climate change.

Priority needs to be given particularly to policies and financing in support of the climate-resilient investments that are needed both to combat the global climate crisis and to adapt to climate change.

Requirement to reduce greenhouse gases

Slowing down the climate change requires reduction of greenhouse emissions above all. This situation which threatens the future and sustainability of humankind is a risk of significance and priority which cannot be ignored by any economic actor operating on the globe.

Cardboard industry's status

As far as the cardboard industry is concerned, we observe that the industry has been taking significant steps to control and decrease its potential impacts on climate change. For the cardboard industry, reduction of release of greenhouse emissions during the production process through use of technological innovations as well as higher use of waste paper rather than cellulose are of great significance. Coated cardboard producers operating in both developed and developing markets show systematic efforts on areas such as forest management, waste paper use and use of renewable energy.

Kartonsan uses 90% to 100% waste paper in its production processes.

Kartonsan uses 82% to 100% waste paper in its production processes. Having an Environmental Permit and License issued by Republic of Turkey Ministry of Environment and Urbanization, Kartonsan cooperates with its subsidiary DÖNKASAN on organization of waste paper and its procurement.

In 2020, the total quantity of waste paper used in coated cardboard production of Kartonsan was 217,486 tons.

Waste management at Kartonsan

By the nature of its operations, Kartonsan is an industrial plant which recycles wastes. By recycling 220,000 tons of waste paper on an annual basis, the Company contributes to waste treatment at national scale. At the periodic environmental trainings organized for employees, information on waste types, waste treatment transactions, legal requirements and importance of separating waste are shared.

Kartonsan's waste-management processes have been awarded zero-waste certification. For the separation and collection of waste at source, containers specifically designated for different types of waste are located in all work areas. Hazardous waste, non-hazardous waste and scrap waste are temporarily stored separately at areas designated for them. Wastes are sent to licensed firms for recycling or disposal within the process. Kartonsan's waste management approach primarily targets recycling. Waste that is not suitable for recycling is set aside for disposal.

When managing waste, Kartonsan's basic approach is to reduce waste at source and to dispose of no waste unless it is completely unsuitable for recovery and recycling.

Supporting packaging waste recovery and recycling

As defined in regulations governing packaging waste control that are currently in effect in Turkey, Kartonsan qualifies as a packaging-waste recycler in addition to being a packaging raw-materials manufacturer. Any waste that is generated in the course of Kartonsan's operations which cannot be reused in its operations is collected and sent to licensed recovery & recycling firms.

Developments in energy generation

Since 1995, Kartonsan has been generating its own electrical and steam energy in order to minimize waste and quality problems caused by power interruption and voltage fluctuations. Studies to generate maximum quantity of electrical and steam energy with the use of minimum and clean natural resource at the cogeneration plant of Kartonsan continued in 2020.

An energy-efficient plant

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

Kartonsan engages in a never-ending effort to develop and improve the performance of its wastewater treatment plant in order both to protect groundwater resources and to increase the company's water-use efficiency.

With a generation capacity of 193 million kW of electrical energy with four turbines which can be operated with natural gas and fuel, Kartonsan sells the excess electrical energy through the interconnected network.

Kartonsan is especially ambitious in its efforts to recycle wastewater.

Kartonsan engages in a never-ending effort to develop and improve the performance of its wastewater treatment plant in order both to protect groundwater resources and to increase the company's water-use efficiency.

The advanced water-treatment technologies employed at the plant enable it to recover and treat an average of 1,500 m^3 of water a day for use in the conduct of the company's production operations. This performance corresponds to the saving of an average of 2.5 m^3 of potable water per ton of cardboard manufactured.

Water consumption/tons manufactured output in 2020: 6.3 m^3

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

In 2018 Kartonsan initiated a series of improvement and efficiency projects by means of which it had reduced the average amount of clean water used in all of its operations to produce one ton of cardboard from 8.95 m^3 (2007-2017 average) to 6.3 m^3 as of 2020. The company followed up these projects with another project to improve the performance of its membrane bioreactor (MBR) processes. This project involved the replacement of the MBR plant's membrane and has made a significant contribution to the return of recovered water to production. Under the same project, work has been completed on the construction of an auxiliary acidity-balancing unit that will enable the MBR plant to run more efficiently. Initial work has also been completed on the design of a grill system that will extend membrane lifetimes.

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

FSC-CoC certification

Within the scope of protection and development of forested land, Kartonsan met its obligations on the FSC-CoCTM certification it holds since 2011. It has passed the audit performed in 2020 and received the accreditation for the new period. Kartonsan purchases cellulose used in production from sustainable sources holding FSC certificates.

Raw-material use at Kartonsan

While the quantities of raw materials used at Kartonsan in the conduct of its operations vary according to how much time planned stoppages, revisions, etc. take, about 240,000 tons are used in all on its BM1 and BM2 production lines. Of this amount, 92% consists of recovered and recycled waste paper with only 1% and 7% consisting of bleached cellulose and wood pulp respectively.

KARTONSAN AND HUMAN RESOURCES

> With a wide range of diversity, Kartonsan training programs contributes to Kartonsan's sustainable future and its value generating and competitive power.

Kartonsan placed setting up the infrastructure for organization and human resources that will support its strategies to the center of its human resources applications.

In human resources area, Kartonsan aims to sustain a business environment where employee rights are protected, talents are developed, discrimination is not allowed, equal opportunity for men and women is provided and highest standards for occupational health and safety are followed.

Human resources of Kartonsan consist of individuals who are deeply connected to corporate culture, who believe in the power of production, who research and develop and who consider progress, in its broadest sense, as a responsibility for the society.

As of 2020 year end, Kartonsan has 395 employees of which 21 were female and 246 were male. 97 of them are white-collar employees, and 170 of them are bluecollar. All the employees are working full time. During 2020, another 128 workplace personnel (4 female + 124 male) were employed on the payrolls of Kartonsan subcontractors. The age composition of them is as follows:

- 1.9% under the age of 25,
- 32.2% between the ages 26-35,
- 44.2% between the ages 36-45,
- 21.7% who are 46 and above.

Confronted by the extraordinary conditions that prevailed throughout 2020, Kartonsan's human resources operations focused on protecting the health of its employs while ensuring the sustainability of its business.

Focus on continuous development of human resources: Training activities

Updating technical and professional competencies of employees is a priority topic for Kartonsan.

Kartonsan applies inhouse training and education programs to increase competencies and skills of its employees. These programs are being designed based on the needs of employees and Kartonsan organization and they are planned for all employees.

With a wide range of diversity, Kartonsan training programs contributes to Kartonsan's sustainable future and its value generating and competitive power. Besides professional development trainings, occupational health and safety, lean management, energy and environmental trainings are also offered to employees.

For quite some time, the Covid-19 pandemic made it impossible to conduct the inhouse/extramural training and personal development programs which had been planned for the company's human resources in 2020. Legally-mandated training resumed for a limited number of personnel as if end-June.

Kartonsan gives importance to activities that contribute towards enhancing employee satisfaction and increasing the value that it offers to people.

As a result of the mandatory suspension of all training and the subsequent limited resumption, none of the company's 2020 training targets could be achieved.

As of end-2020, average training time/ person at Kartonsan was 4.45 hours. This figure includes training given to subcontractor personnel.

Strong union relations, an exemplary industrialist identity

Kartonsan is an industrial concern with a tradition of union relations which has its roots for a long time.

Union relations constitute an irreplaceable communication channel through which Kartonsan establishes dialogs with one of its primary stakeholder groups, its employees.

During the reporting period, Collective Labor Agreement (CLA) with Cellulose Labor Union signed in March 2019 was in effect. On 23 September 2020, negotiations with the Cellulose Labor Union were begun concerning a new CLA to replace the previous one, which had expired for 246 employees as of 31 August 2020. As of end-2020, 170 of Kartonsan's employees were covered by this agreement.

An approach that supports employees

Kartonsan gives importance to activities that contribute towards enhancing employee satisfaction and increasing the value that it offers to people.

Owing to the Covid-19 pandemic, all social activities and events such as outings, departmental dinners, and similar gatherings normally held to enhance employee satisfaction and motivation had to be cancelled in 2020. As a way of replacement for these, various supplementary/bonus payments were made to employees to help defray additional pandemic-related expenses (such as for cleaning) and/or as rewards for dedicated efforts.

Kartonsan Individual Suggestion System

The Individual Suggestion System, which was introduced in 2017 continued at full speed in 2019, has an objective of contribution of human resources to Kartonsan with their innovative and remedial opinions. It provides an opportunity to Kartonsan employees to make suggestions on areas they work on or other matters.

Being able to present their ideas in a setting where senior management is present, Kartonsan employees are awarded if their suggestions for improvement areas are accepted and implemented. The system attracts more interest every period and it is expected to develop more and contribute to increased employee satisfaction.

During 2020, a total of 23 projects were carried out to deal with emergency and/or OHS issues among Kartonsan employees resulting from the extraordinary conditions that prevailed last year. The company's usual efforts to deal with customer complaints, quality, costs, work-stoppages, and similar issues were continued, albeit on a much reduced basis; successful results were achieve nonetheless.

Kartonsan Demographics*	2019	2020
Total number of employees	401	395
Kartonsan	267	267
Male	245	246
Female	22	21
Average age (years)	39	40
Educational Demographics	**2019**	**2020**
Masters and doctorate degree	14	14
Undergraduate degree	48	48
Vocational higher education	61	61
High school	131	131
Primary education	13	13
Speaking one foreign language	49	50
Proficient in two or more foreign languages	5	5

* Number of people unless specified otherwise

OCCUPATIONAL HEALTH AND SAFETY AT KARTONSAN

The Kartonsan Occupational Health & Safety Committee and its units engaged in systematic and effective efforts to deal with pandemic-related issues during 2020.

Occupational health and safety practices at Kartonsan are conducted under Human Resources and Quality Systems Department's responsibility and coordination. Meeting occupational health and safety criteria completely without any exception under all circumstances is an indispensable goal for Kartonsan.

The Kartonsan Occupational Health & Safety Committee and its units engaged in systematic and effective efforts to deal with pandemic-related issues during 2020. Detailed information about these efforts is provided in the "Covid-19 Pandemic and Kartonsan's Response to It" section of this report.

The company also continued to carry out its regular OHS activities and periodic controls throughout the year.

The main objective of Kartonsan's occupational health and safety topics is to be fully in compliance with the regulations under all circumstances and completely meet the required criteria.

LEAN MANAGEMENT AT KARTONSAN

Lean management enables the company to evaluate its tangible and intangible capital elements as a whole and carry the relationship between them further to a more productive level.

Continuous improvement cycle: lean management

Lean management can be applied in all sectors and all processes and it is comprised of fundamental principles which increase an organization's success and effectiveness. Lean management approaches

- provide speed and flexibility through organizing business processes and
- increase the company's competitive power by providing a possibility to decrease costs.

At the same time, lean management enables the company to evaluate its tangible and intangible capital elements as a whole and carry the relationship between them further to a more productive level.

In 2020...

Under the pandemic conditions that prevailed last year, kaizen and other team-based activities at Kartonsan could only be carried out in a very restricted and limited manner. Although ongoing activities were continued in 2020, no new ones were initiated but were postponed instead. Various emergency and/or OHS-related projects were carried out by designated teams. The progress of other activities was monitored online to ensure system continuity.

CORPORATE SOCIAL RESPONSIBILITY

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

Kartonsan designs and implements its social responsibility activities with a long term approach aiming to create permanent value.

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

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

Owing to the extraordinary Covid-19 pandemic conditions that prevailed in 2020, none of the corporate social responsibility events, education/training, or other activities which Kartonsan had planned for the year could be carried out if they required any manner of person-to-person contact. The company is of course committed to resuming its CSR activities in the post-pandemic period.

The donations made by Kartonsan in 2020 are summarized in the table below.

Donations to	Amount (TL)
Universities, high schools and primary schools	13,500
Associations and foundations (Educational, sports-related, sectoral and social)	398,370
Other institutions and organizations	56,574.10
Total	**468,444.10**

SELKA İÇ VE DIŞ TİCARET A.Ş.

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

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

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

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

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

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

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

Selka's coated cardboard sales which amounted 45,237 tons in 2019 reached 47,276 tons at the end of 2020. In the same period, the Company's turnover increased by 16.6% to approximately TL 171.6 million.

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

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

Selka's comparative net sales quantities and amounts for 2019 and 2020 are presented below:

	January-December 2019	January-December 2019	January-December 2020	January-December 2020
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (tons)	Sales Amount (TL)
K1-K2 cardboard	10,353	34,557,418	11,029	40,351,224
K3 cardboard	14,406	36,316,684	14,753	39,010,552
Imported cardboard	20,478	76,286,129	21,494	92,262,237
Total	**45,237**	**147,160,231**	**47,276**	**171,624,013**

DÖNKASAN DÖNÜŞTÜRÜLEN ATIK KAĞIT SAN. VE TİC. A.Ş.

DÖNKASAN is involved in the collection of wastepaper, sorting them according to their types and preparing them for the production of paper and cardboard.

Strong contribution to cyclical economy through recycling

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

DÖNKASAN has reached a higher capacity with its infrastructure investments and turned into a company that operates even more efficiently.

DÖNKASAN continues its activities in the facilities located in Esenyurt, İstanbul. DÖNKASAN sold 42.4 thousand tons of scrap paper in 2020, including intra-group sales, and generated net revenue of approximately TL 47 million.

The company's pre-tax profit for the period reached TL 2.9 million, in line with its 2020 targets.

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

	January-December 2019	January-December 2019	January-December 2020	January-December 2020
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (tons)	Sales Amount (TL)
Scrap paper	39,151	34,201,461	42,433	47,048,961

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT OF THE BOARD OF DIRECTORS

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

Opinion

We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi for the period 01 January 2020 – 31 December 2020, since we have audited the complete set of financial statements for this period.

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

Basis of Opinion

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

Our Auditor's Opinion on the Full Set Financial Statements

We have expressed an unqualified opinion in our auditor's report dated February 23, 2021 on the complete set of financial statements of the Company for the period of January 1 – December 31, 2020.

Responsibility of the Board of Directors Regarding the Annual Activity Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC") the Company management is responsible for the following items regarding the annual report:

a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.

b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.

c) The annual report also includes the matters below:

- Subsequent events occurred after the end of the fiscal year which has significance,
- The research and development activities of the Company,
- Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

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

Auditor's Responsibility for the Audit of the Annual Report

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

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

The name of the engagement partner who supervised and concluded this audit is Mustafa Özgür GÜNEL.

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

Dr. Mustafa Özgür GÜNEL
Partner, CPA

İstanbul, 08 March 2021

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Financial Statements and Independent Audit Report
As of January 01 - December 31, 2020

INDEPENDENT AUDIT REPORT

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

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Kartonsan")** and its subsidiaries **(collectively referred to as the "Group")** which comprise the consolidated statement of balance sheets as at 31 December 2020 consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash-flow for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS/TAS").

Basis for Opinion

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

Key Audit Matters

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

Trade Receivables	
Please refer to notes 2.5 and 6 to the consolidated financial statements	
Key audit matters	**How our audit addressed the key audit matter**
Trade receivables represent a significant portion of the Kartonsan's total assets. Relevant trade receivables are material to the consolidated financial statements. In addition, The Group uses certain estimates and judgments to determine provision for doubtful receivables. The significance of trade receivables in the consolidated financial statements, its evaluation of estimates and judgments, its verification and reconcile of balances and calculation of rediscount on trade receivables have been determined as key audit matter for our audit	We performed the following procedures in relation to the testing of trade receivables and provision for doubtful receivables considering the guarantees for trade receivables for unrecoverable amounts and rediscount on trade receivables: As a part of our audit procedures; - We have evaluated and tested the calculations of the provisions of doubtful receivables, recognition of receivables and collections of balances from the relevant accounts. - We have assessed rediscount on trade receivables in accordance with the rediscount rates, terms and maturities from relevant rediscount studies. - We have tested the detailed list of trade receivables which has been obtained and reconciliation of balances have been made with the customers that make up the balance of the trade receivables in the Group records, or by applying an alternative method, it has been controlled with the payments after the balance sheet date. -We have examined the receivables balances which no possibility of collection is foreseen for a long time. -We have evaluated the calculation of impairment on trade receivables. The disclosures in the consolidated financial statement and notes related to trade receivables have been examined and the adequacy of the information in these notes is have been evaluated.

Inventories	
Please refer to notes 2.5 and 9 to the consolidated financial statements	
Key audit matters	**How our audit addressed the key audit matter**
Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements. The cost of inventories is determined by the weighted average method. Cost elements of inventories, inventory impairment policy, determination of provision for inventory impairment and inventory valuation determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the provision for inventory impairment and net realisable value: As a part of our audit procedures; - Evaluating whether there is a need for provision for net realizable value in accordance with the changes in gross sales profit on a general or product basis, -Evaluating the sales invoice samples and the unit prices in these invoices were compared with the unit prices in the balance sheet period and after the balance sheet date, -Testing inventory impairment balances with the inventory aging reports prepare and comparing the year-end inventory counts indicate that whether there were inventories that had not moved or been damaged for a long time, -Comparing the inventory turnover rate, statement of cost of sales and selling costs to sales ratio with the prior period, -Recalculating the inventory cards selected as a sample for the cost calculation of the Group, Evaluating inventory impairment study of the Group, The disclosures in the consolidated financial statement and notes related to inventories have been examined and the adequacy of the information in these notes is have been evaluated.

Property, Plant and Equipment	
Please refer to notes 2.5 and 11 to the consolidated financial statements.	
Key audit matters	**How our audit addressed the key audit matter**
The consolidated financial statements as of 31 December 2020 include property, plant and equipment with carrying values of TL 233.217.556. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives for property, plant and equipment and management used some estimates for the calculation of the relevant property, plant and equipment. In addition, the Group management has been tested for impairment on property, plant and equipment in every reporting period. The accounting estimates used by the Group management for calculating the depreciation on these estimates and the impairment tests and related notes determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the depreciation calculation methods of property, plant and equipment and evaluating the related impairment tests As a part of our audit procedures; - We have evaluated the model of impairment tests critically based on the Group management estimates and assumptions. We have examined the discounted cash flow estimates and past financial performances and trends of the Group. We have recalculated the impairment model in order to evaluate the sensitivity of the growth rates, discount rates and some basic assumptions used by the Group management. - Evaluating the consistency of estimates performed by the Group management for property, plant and equipment based on retrospective comparison, - Assessing and recalculating the inputs and estimates used including the depreciation studies for the impairment analysis of property, plant and equipment performed by the Group management, The disclosures in the consolidated financial statement and notes related to property, plant and equipment including depreciation methods and impairment tests have been examined and the adequacy of the information in these notes is have been evaluated.

Revenue	
Please refer to notes 2.5 and 19 to the consolidated financial statements.	
Key audit matters	**How our audit addressed the key audit matter**
Revenue recognition The Group recognizes the revenue when the Group transfers control of a good or service over time. Recognition of sales on correct period on the basis of periodicity assumption in accordance with matching principle determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the testing recognition of revenue: As a part of our audit procedures; -Evaluating the revenue as a process is evaluated by observing the sales and delivery procedures of the Group. - Our audit procedures are focused on the assessment of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated. -We have evaluated revenue recognition during the period by applying the material verification procedures and substantive tests to the sales returns during the period following the end of the year. The disclosures in the consolidated financial statement and notes related to revenue recognition have been examined and the adequacy of the information in these notes is have been evaluated.

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Responsibilities Arising from Regulatory Requirements

1) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 23 February 2021.

2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Group's articles of association related to financial reporting.

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

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

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

Dr. Mustafa Özgür GÜNEL
Partner, CPA

İstanbul, 23 February 2021

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Balance Sheets (Statement of Financial Position) at 31 December 2020 and 2019

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

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	184.978.244	90.098.119
Trade Receivables	5-6	92.438.904	62.471.232
- Trade Receivables from Related Parties	*5*	*4.436.821*	*5.325.214*
- Trade Receivables from Non-Related Parties	*6*	*88.002.083*	*57.146.018*
Other Receivables	8	810.139	3.204.437
- Other Receivables from Non-Related Parties	8	*810.139*	*3.204.437*
Inventories	9	128.906.230	133.081.463
Prepaid Expenses	5-17	13.320.564	10.666.154
- Prepaid Expenses to Related Parties	*5*	*7.613.374*	*4.433.935*
- Prepaid Expenses to Non-Related Parties	*17*	*5.707.190*	*6.232.219*
Other Current Assets	*17*	778.540	3.968.580
- Other Current Assets from Non-Related Parties	*17*	*778.540*	3.968.580
Total Current Assets		**421.232.621**	**303.489.985**
Non-Current Assets			
Other Receivables	8	44.250	41.895
- Other Receivables from Non-Related Parties	8	*44.250*	*41.895*
Investment Properties	10	229.270	229.270
Property, Plant and Equipment	11	233.217.556	205.839.987
- Land		*24.059.097*	*24.059.097*
- Land improvements		*6.564.859*	*5.303.462*
- Buildings		*36.157.840*	*29.475.356*
- Plant, machinery and equipment		*149.243.936*	*126.863.385*
- Motor vehicles		*972.843*	*1.185.393*
- Furniture and fixtures		*7.971.182*	*7.026.936*
- Leasehold improvements		*65.525*	*96.983*
- Constructions in progress		*7.497.489*	*11.088.370*
- Other property, plant and equipment		*684.785*	*741.005*
Right of Use Assets		5.295.181	3.254.901
Intangible Assets		3.487.585	4.232.424
- Other Intangible Assets		*3.487.585*	*4.232.424*
Prepaid Expenses		10.812.307	7.668.325
- Prepaid Expenses to Non-Related Parties		*10.812.307*	*7.668.325*
Deferred Tax Assets		24.272.551	24.173.907
Total Non-Current Assets		**277.358.700**	**245.440.709**
TOTAL ASSETS		**698.591.321**	**548.930.694**

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Balance Sheets (Statement of Financial Position) at 31 December 2020 and 2019

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

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
LIABILITIES			
Current Liabilities			
Short-term borrowings	5-7	760.356	1.794.224
- Short-Term Borrowings to Related parties	5-7	*168.528*	*758.422*
- Lease Liabilities	5-7	*168.528*	*758.422*
- Short-Term Borrowings to Non-Related parties	7	591.828	*1.035.802*
- Bank Borrowings	7	-	*911.950*
- Lease Liabilities	7	*591.828*	*123.852*
Trade Payables	5-6	80.459.983	64.945.639
- Trade Payables to Related Parties	5	*59.852*	*54.906*
- Trade Payables to Non-Related Parties	6	*80.400.131*	*64.890.733*
Payables for Employee Benefits	16	3.286.264	2.810.582
Other Payables	5-8	4.967.114	2.500.853
- Other Payables to Related Parties	5	*38.451*	*23.666*
- Other Payables to Non-Related Parties	8	*4.928.663*	*2.477.187*
Current Income Tax Liabilities	25	7.694.586	356.401
Short-Term Provisions	14-16	4.530.238	3.083.045
- Short-Term Provisions for Employee Benefits	16	*1.839.717*	*1.000.099*
- Other Short Term Provisions	14	2.690.521	*2.082.946*
Total Short-Term Liabilities		**101.698.541**	**75.490.744**
Non-Current Liabilities			
Long-Term Borrowings	5-7	5.000.691	2.627.062
- Long Term Borrowings to Related Parties	5-7	3.895.371	*2.077.455*
- Lease Liabilities	5-7	3.895.371	*2.077.455*
- Long Term Borrowings to Non-Related Parties	7	1.105.320	*549.607*
- Lease Liabilities	7	*1.105.320*	*549.607*
Long-Term Provisions	16	15.293.908	12.467.379
- Long-Term Provisions for Employee Benefits	16	*15.293.908*	*12.467.379*
Deferred tax liabilities	25	2.787.391	2.177.194
Total Non-Current Liabilities		**23.081.990**	**17.271.635**
EQUITY			
Equity Holders of the Parent		**573.577.218**	**455.995.055**
Paid in Share Capital	*18*	75.000.000	2.837.014
Adjustment to Share Capital	*18*	21.135.671	93.298.657
Share Premium		7.529	7.529
Other Comprehensive Income or Expenses not to be Reclassified to Profit or Loss	*18*	(3.132.045)	(2.232.699)
-Gains/(losses) on remeasurements of defined benefit plans	*18*	(3.132.045)	*(2.232.699)*
Restricted Reserves	*18*	35.326.182	33.055.650
- Gains on Disposal of Subsidiaries or Real Estate	*18*	*2.315.343*	*2.315.343*
-Legal Reserves	*18*	*33.010.839*	*30.740.307*
Retained Earnings		307.975.367	247.684.119
Net Profit of the Period		137.264.514	81.344.785
Non-Controlling Interests		**233.572**	**173.260**
Total Equity		**573.810.790**	**456.168.315**
TOTAL LIABILITIES AND EQUITY		**698.591.321**	**548.930.694**

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statements of Income and Other Comprehensive Income
For the Years Ended 31 December 2020 and 2019

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

	Notes	Audited Current Period 01 January- 31 December 2020	Audited Prior Period 01 January- 31 December 2019
Revenue	19	898.903.315	737.165.985
Cost of Sales (-)	19	(698.402.343)	(613.184.889)
Gross Profit/(Loss) from Financial Operations		**200.500.972**	**123.981.096**
Gross Profit/(Loss)		**200.500.972**	**123.981.096**
General Administrative Expenses (-)	20	(20.113.428)	(17.591.945)
Marketing Expenses (-)	20	(29.545.778)	(24.949.127)
Other Operating Income	22	32.294.654	24.239.730
Other Operating Expenses (-)	22	(22.051.993)	(15.635.466)
OPERATING PROFIT/(LOSS)		**161.084.427**	**90.044.288**
Gains from Investment Activities	23	36.368.911	17.974.040
Losses from Investment Activities (-)	23	(13.651.789)	(6.356.043)
OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME/ EXPENSE		**183.801.549**	**101.662.285**
Financial Expenses (-)	24	(10.896.416)	(15.866.919)
PROFIT BEFORE TAX		**172.905.133**	**85.795.366**
Tax income/(expense)	25	**(35.552.400)**	**(4.395.686)**
- Current income tax expense	25	(34.816.011)	(9.429.853)
- Deferred tax income/expense	25	(736.389)	5.034.167
PROFIT FOR THE PERIOD FROM CONTIUING OPERATIONS		**137.352.733**	**81.399.680**
PROFIT FOR THE PERIOD		**137.352.733**	**81.399.680**
Attributable to:		**137.352.733**	**81.399.680**
Non-Controlling Interests		88.219	54.895
Equity Holders of the Parent		137.264.514	81.344.785
Earnings Per Share	26		
Earnings Per Share from Continuing Operations	26	1,83019352	1,08459713
Other Comprehensive Income			
Items Not to be Reclassified in Profit or Loss	18	(899.346)	(930.387)
-Gains/(losses) on remeasurements of defined benefit plans	18	(899.346)	(930.387)
Other Comprehensive Income		**(899.346)**	**(930.387)**
Total Comprehensive Income		**(899.346)**	**(930.387)**
Attributable to:		**136.453.387**	**80.469.293**
Non-Controlling Interests		88.219	54.895
Equity Holders of the Parent		136.365.168	80.414.398

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statements of Changes in Equity
For the Years Ended 31 December 2020 and 2019

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

Prior Period - 31 December 2019 (Audited)

	Paid in share capital	Adjustment to Share Capital	Share Premium	Other comprehensive income and expense not to be reclassified to profit or loss Gains/(losses) on remeasurement of defined benefit plans	Restricted Reserves	Retained Earnings Retained Reserves	Retained Earnings Net Profit for the Period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity
Balances at 1 January 2019	**2.837.014**	**93.298.657**	**7.529**	**(1.302.312)**	**29.619.682**	**169.624.160**	**113.501.607**	**407.586.337**	**135.661**	**407.721.998**
Amounts After Adjustments	**2.837.014**	**93.298.657**	**7.529**	**(1.302.312)**	**29.619.682**	**169.624.160**	**113.501.607**	**407.586.337**	**135.661**	**407.721.998**
Transfers	-	-	-	-	3.435.968	110.065.639	(113.501.607)	-	-	-
Total comprehensive income	-	-	-	(930.387)	-	-	81.344.785	80.414.398	54.895	80.469.293
Dividends paid					-	(32.005.680)	-	(32.005.680)	(17.296)	(32.022.976)
Balances at 31 December 2019	**2.837.014**	**93.298.657**	**7.529**	**(2.232.699)**	**33.055.650**	**247.684.119**	**81.344.785**	**455.995.055**	**173.260**	**456.168.315**

Current Period - 31 December 2020 (Audited)

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

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statements of Cash Flows
For the Years Ended 31 December 2020 and 2019

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

	Notes	Audited Current Period 31 December 2020	Audited Prior Period 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		**166.148.402**	**70.476.283**
Profit (Loss) for the Period		**137.352.733**	**81.399.680**
Profit (Loss) for the Period from continuing operations		137.352.733	81.399.680
Adjustments to reconcile profit for the period to cash generated from operating activities:		**65.197.961**	**36.593.120**
Depreciation and amortisation	11,1,2,21	30.846.401	30.524.657
Adjustments for Impairment (Reversal)		**266.531**	**2.858.683**
Adjustment Related to Impairment (Reversal) of receivables		803.556	2.494.148
Adjustment Related to Impairment (Reversal) of Inventory		(537.025)	364.535
Adjustment Related to Provisions		**901.175**	**(3.354.247)**
Adjustment Related to Provisions for employee benefits (Reversal)		293.600	(1.531.095)
Adjustment Related to Free Provisions for Potential Risks (Reversal)		-	-
Adjustment Related to Other Provisions		607.575	(1.823.152)
Adjustment Related to interest income and expenses		**(2.128.749)**	**2.584.133**
Adjustment Related to interest income		(8.678.246)	(6.237.066)
Adjustment Related to interest expenses	24	10.896.416	15.866.919
Deferred financing expense arising from term purchases	22	3.036.705	3.413.455
Unearned finance income from term sales	22	(7.383.624)	(10.459.175)
Adjustment Related to Tax expense	**25**	35.552.400	4.395.686
Adjustments for Losses (Gains) from Disposal of Non-Current Assets		**(239.797)**	**(415.792)**
Adjustments for Losses (Gains) from Disposal of Non-Current Assets		(239.797)	(415.792)
Changes in working capital		**(2.556.172)**	**(27.835.681)**
Adjustment related to decrease/(increase) in trade receivables		**(31.082.675)**	**252.784**
Decrease (increase) in trade receivables from related parties		888.393	(1.999.102)
Decrease (increase) in trade receivables from non-related parties		(31.971.068)	2.251.886
Adjustment related to decrease (increase) in other receivables related to operations		**2.391.943**	**(2.987.050)**
Decrease (increase) in related receivables related to operations from related parties		2.391.943	(2.987.050)
Adjustments related to decrease (increase) in Inventory		4.712.258	(29.991.978)
Decrease (increase) in prepaid expenses		(2.654.410)	(3.575.153)
Adjustment Related to Increase/(decrease) in trade payables		**15.696.364**	**12.573.042**
Increase (decrease) in trade payables to related parties)		4.946	13.177
Increase (decrease) in trade payables to non-related parties		15.691.418	12.559.865
Increase (decrease) in debt due to employee benefits		475.682	458.725
Adjustments related to increase (decrease) in other liabilities related to activities		**2.466.261**	**(2.495.417)**
Increase (decrease) in other liabilities related to operations to related parties		14.785	6.379
Increase (decrease) in other liabilities related to operations to non-related parties		2.451.476	(2.501.796)
Adjustments related to other increase (decrease) in working capital		**5.438.405**	**(2.070.634)**
Decrease/(increase) in other assets related to operations		5.438.405	(2.070.634)
Cash flows obtained from operations		**199.994.522**	**90.157.119**
Interest Paid		(14.115.141)	(19.191.355)
Interest Received		7.746.847	10.156.791
Tax Payments	25	(27.477.826)	(10.646.272)
CASH FLOWS FROM INVESTING ACTIVITIES		**(54.155.950)**	**(42.288.311)**
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		**556.907**	**722.076**
Cash Inflows from Sales of Property, Plant and Equipment		556.907	722.076
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		**(59.836.521)**	**(47.292.767)**
Cash Outflows from Purchase of Property, Plant and Equipment	11	(59.287.282)	(46.776.618)
Cash Outflows from Purchase of Intangible Assets	12	(549.239)	(516.149)
Repayments of cash advance and debts given		**(3.143.982)**	**(2.111.973)**
Repayments from other cash advance and debts given		(3.143.982)	(2.111.973)
Interest Received		8.267.646	6.394.353
CASH FLOW FROM FINANCING ACTIVITIES		**(17.471.151)**	**(31.824.538)**
Cash inflows from borrowings		**2.251.711**	**198.438**
Cash outflows from repayments of borrowings		**(911.950)**	**-**
Cash outflows related to loan repayments		(911.950)	-
Cash Outflows from payments of lease liabilities		-	-
Interest Paid		(18.810.912)	(32.022.976)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**94.521.301**	**(3.636.566)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**94.521.301**	**(3.636.566)**
CASH AND CASH EQUIVALENTS IN BEGINNING OF THE PERIOD	4	89.980.301	93.616.867
CASH AND CASH EQUIVALENTS IN END OF THE PERIOD	4	184.501.602	89.980.301

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

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret AS (the "Company" or "Kartonsan") was established on 1967 in Turkey. Karstonsan's business activities include production and trade of coated cardboard. Kartonsan is subject to regulations of the Capital Markets Board ("CMB"), and its shares have been quoted on the Borsa Istanbul AS ("BIST") since 1985. The shares that are quoted on BIST are traded on the star market. Kartonsan's free float percentage is 21,84%, and the Company's ultimate controlling party is the "PAK Group" through the PAK Group companies (Note 18).

The registered address of Kartonsan is as follows:
Prof. Dr. Bülent Tarcan Cad. No:5 Pak İş Mrk. Kat: 3 Gayrettepe/İSTANBUL.
The Company's head office is in Istanbul and has a factory in Kullar Koyu 41001 in Kocaeli.

As of 31 December 2020 and 2019, the subsidiaries included in the consolidation scope of Kartonsan, their nature of business and effective interests are as follows:

		Effective Ownership Interest	
Subsidiares	**Nature of business**	**31 December 2020**	**31 December 2019**
Selka İç ve Dış Ticaret A.Ş. ("Selka")	Coated cardboard trade	99,37%	99,37%
Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. ("Dönkasan")	Waste Paper production and trade	100,00%	100,00%

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

Total end of period and average number of personnel employed by the Kartonsan is 300. (31 December 2019: 306).

These consolidated financial statements as of and for the year ended 31 December 2020 have been approved for issue by the Board of Directors ("BOD") on 23 February 2021 numbered YK/2021-03 and on behalf of the Board of Directors which was signed by Member of the Board of Directors and General Manager Haluk Iber and Chairman Unal Bozkurt.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

2.1.1 Financial Reporting Standards

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

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

In accordance with the CMB resoulution 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 maintains their books of account and prepares their statutory consolidated financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and CMB. These consolidated financial statements have been prepared in Turkish Lira under the historical cost conversion except for the financial assets and liabilities presented at fair values. Adjustments and restatements, required for the fair presentation of the consolidated financial statements in conformity with the TFRS/TAS, have been accounted for in the statutory financial statements, which are prepared in accordance with the historical cost principle.

2.1.2 Functional and reporting currency

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

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

2.1.3 Comparatives and Adjustment of Prior Period Financial Statements

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

2.1.4 Consolidation

Basis of Consolidation

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

Subsidaries

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

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

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

As of 31 December 2020 and 2019, the subsidiaries included in the consolidation scope of Kartonsan is as follows:

	Effective Interests of Kartonsan							
	31 December 2020				31 December 2019			
Subsidiaries	**Share Capital**	**Proportion of Effective Interest**	**Direct and Indirect Ownership Interest held by Kartonsan**	**Total Ownership Interest**	**Share Capital**	**Proportion of Effective Interest**	**Direct and Indirect Ownership Interest held by Kartonsan**	**Total Ownership Interest**
Selka	1.250.000	99,37%	99,37%	99,37%	1.250.000	99,37%	99,37%	99,37%
Dönkasan	4.000.000	100,00%	100,00%	100,00%	93.152	100,00%	100,00%	100,00%

2.1.5 Significant Accounting Estimates and Assumptions

Preparation of the consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

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

Deferred tax assets

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

Reduced Corporate Tax Application

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

	31.12.2020 Deferred Tax Asset	31.12.2019 Deferred Tax Asset
Outstanding (Beginning of Period)	**29.216.286**	**25.251.831**
Investment Discount Indexing	2.661.604	5.701.863
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(3.357.322)	(1.737.408)
Balance (End of Period)	**28.520.568**	**29.216.286**

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

- Investment Period: 09.04.2018-09.04.2021

- VAT Exemption
- Customs Duty Exemption
- Tax Reduction Rate: 50%
- Investment Contribution Rate: 15%

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 17.711.430 and the total sum of expenditures having been incurred is equals to TL 28.557.582. A discounted corporate tax has been imposed on the Group based on such sum of expenditures for the period in question.

2.2 New standards, amendments and interpretations

New amendments and interpretations in force as of 31 December 2020:

Amendments to TFRS 3-Definition of Business;

Defining a business is important. This is because the financial reporting requirements for the acquisition of a business are different from the requirements for the purchase of a group of assets that does not constitute a business. The proposed amendments are intended to provide entities with clearer application guidance to help distinguish between a business group of asset when applying TFRS 3. For making it easier for companies to decide whether activites and assets they acquire are a business or merely a group of assets. These amendments:

- Confirmed that a business must include inputs and a process and clarified that; the process must be substantive and the inputs and process must together significantly contribute to creating outputs.

- Narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- Added a test that makes it easier to conclude that a Group has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

It is effective for annual reporting periods starting on January 1, 2020 or after this date. The mentioned amendment does not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TAS 1 and TAS 8 Definition of Materiality

The changes in *Definition of Material* (Amendments to TAS 1 and TAS 8) all relate to a revised definition of "material" which is in scope of Conceptual Framework from the final amendments.

It is effective for annual reporting periods starting on January 1, 2020 or after this date. The mentioned amendment does not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TFRS 9, TAS 39 and TFRS 7 - Benchmark interest rate reform;

These amendments provide certain facilitating practices regarding benchmark interest rate reform. These practices relate to hedge accounting, and the effect of the IBOR reform should generally not lead to the end of hedge accounting. However, any hedging ineffectiveness should continue to be recorded in the income statement. Considering the prevalence of hedge accounting in IBOR-based contracts, these facilitating practices will affect all companies in the industry.

The Board considered the pre-replacement issues to be more urgent and decided to address the following hedge accounting requirements in TFRS 9 and TAS 39 as a priority in the first phase of the project. A Company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

The amendments affect the following areas:

- Highly probable requirement for cash flow hedges,
- Prospective assessment,
- TAS 39 retrospective assessment and,
- Seperately identifiable risk components

All other hedge accounting requirements remain unchanged. It is effective for annual reporting periods starting on January 1, 2020 or after this date. The mentioned amendment does not have a significant impact on the consolidated financial position and performance of the Group.

Amendments to TFRS 16 'Leases - COVID 19 Related rent concessions';

In May 2020 the IASB provided a practical expedient that permits lessees (not lessors) to not assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions in profit or loss as if they were not lease modifications.The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

Amendments to TFRS 16 'Leases - COVID 19 Related rent concessions'; is effective for annual reporting periods starting on 1 June 2020 or after this date. Early application is permitted. Due to the COVID-19 outbreak, some privileges were provided by the Group to tenants in rent payments. The Group does not provide rent concessions related to COVID-19 before January 1, 2020.

Amendments to References to the Conceptual Framework in TFRS Standards

The IASB also issued *Amendments to References to the Conceptual Framework in TFRS Standards.* The document contains amendments to TFRS 2, TFRS 3, TFRS 6, TFRS 14, TAS 1, TAS 8, TAS 34, TAS 37, TAS 38, TFRIC 12, TFRIC 19, TFRIC 20, TFRIC 22 and SIC-32.

The amendments published are effective for annual periods beginning on or after 1 January 2020. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework.*

New standards in force as of 31 December 2020 and changes and interpretations on existing previous standards:

TFRS 17 Insurance Contracts

TFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within scope of the standard. The objective of TFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. TFRS 17, "Insurance Contracts" is effective for annual reporting periods starting on or after January 1, 2023. This standard replaces TFRS 4, which currently allows a wide variety of applications. According to the new standard, insurance liabilities will be accounted for using current values instead of historical cost.

TFRS 17 will fundamentally change the accounting of all businesses that issue insurance contracts and investment contracts with discretionary participation. TFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023. Early application is permitted. The change in question is not expected to have an impact on the consolidated financial position and performance of the Group.

Amendments to TAS 1, "Presentation of financial statements" standard regarding the classification of liabilities as Current or Non-Current;

The amendments affect only the presentation of liabilities (an obligation for at least twelve months within the reporting period) in the statement of of financial position not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items.

The amendments published are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 3 Reference to the Conceptual Framework

The update on the amendment is a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the standard significantly. The amendments published are effective for annual periods beginning on or after 1 January 2022.

Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to TAS 16 Property, Plant and Equipment – Proceeds before intended use

The standard prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments published are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 Onerous Contracts – Cost of Fulfilling a Contract

In May 2020, IASB issued Onerous Contracts - Cost of Fulfilling a Contract, which made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous; the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

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

Annual Improvements - 2018 – 2020 cycle

Amendments to TFRS 1 First-time adoption of international financial reporting standards

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

Amendments to TFRS 9 Financial Instruments

The amendment clarifies which fees an entity includes when it applies the 10 percent test of TFRS 9 in assesing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Amentments to TAS 41Agriculture

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments of TFRS 1, TFRS 9 and TFRS 41 published are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

2.3 Changes in Accounting Policies

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

2.4 Changes in Accounting Estimates and Errors

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

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

The significant estimates used during the preparation of the consolidated financial statements for the period between January 1 and 31 December 2020 are consistent with the estimates used in the preparation of the consolidated financial statements for the period between January 1 and 31 December 2019. If any significant accounting errors found out, changes are applied retrospectively and prior year's financial statements are restated.

2.5 Summary of Significant Accounting Policies

Offsetting

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

Revenue Recognition

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

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

Group evaluates each contracted obligation separately and respective obligations, committed to deliver the distinct goods or perform services, are determined as separate performance obligations.

Group determines at contract inception whether the performance obligation is satisfied over time or at a point in time. When the Group transfers control of a good or service over time, and therefore satisfies a performance obligation over time, then the revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

When a performance obligation is satisfied by transferring promised goods or services to a customer, the Group recognises the revenue as the amount of the transaction price that is allocated to that performance obligation. The goods or services are transferred when the control of the goods or services is delivered to the customers.

Following indicators are considered while evaluating the transfer of control of the goods and services:

a) Presence of Group's collection right of the consideration for the goods or services,

b) Customer's ownership of the legal title on goods or services,

c) Physical transfer of the goods or services,

d) Customer's ownership of significant risks and rewards related to the goods or services,

e) Customer's acceptance of goods or services.

If Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the promised amount of consideration for the effects of a significant financing component is not adjusted (Note 22). On the other hand, when the contract effectively constitutes a financing component, 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 on an accrual basis as other operating income.

Inventories

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

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

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

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment and reflected to the consolidated financial statements. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Type	2020 Ratio (%)	2019 Ratio (%)
Buildings	2 - 2,5	2 - 2,5
Land Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67 - 25	6,67 - 25
Furniture and Fixtures	20 - 33	20 - 33
Motor Vehicles	20 - 25	20 - 25
Leasehold Improvements	20	20
Other Property, Plant and Equipment	10 - 20	10 - 20

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

Intangible assets and Related Amortization

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

Impairment of Assets

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

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

Leases

Group - as a lessee

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

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

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

Group has the right to direct the use of the asset throughout the period of use only if either:

a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or

b) Relevant decisions about how and for what purpose the asset is used are predetermined:

i) Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or

ii) Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

Right-of-use asset

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

a) The amount of the initial measurement of the lease liability,

b) Any lease payments made at or before the commencement date, less any lease incentives received,

c) Any initial direct costs incurred by the Group, and

d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

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

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

a) Less any accumulated depreciation and any accumulated impairment losses; and

b) Adjusted for any remeasurement of the lease liability.

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

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

Lease liability

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

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

a) Fixed payments, less any lease incentives receivable,

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

d) Payments of penalties for terminating the lease, if the lease term applied to the lease reflects the Group exercising an option to terminate the lease

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

a) Increasing the carrying amount to reflect interest on the lease liability,

b) Reducing the carrying amount to reflect the lease payments made, and

c) Remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

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

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

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

(a) A change in the lease term. The Group determines adjusted lease payments based on the adjusted lease term.

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

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

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

(a) Changes in amounts expected to be paid under a commitment regarding residual values. The Group determines the revised lease payments to reflect any change in the amounts expected to be paid within the context of the commitment regarding residual values.

(b) Changes in future rental payments as a result of a change in an index or rate that is used to determine such payments. The Group re-measures the lease liability to reflect these revised lease payments only when there is a change in its cash flows.

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

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

(a) The restructuring shall extend the scope of the lease by adding the right of use on one or more underlying assets; and

(b) The increase in the lease amount by the appropriate price adjustment to reflect the price of the increase alone and the terms of the relevant contract.

Group as Lessor

The Group classifies each of the leases as operational leases or financial leases.

A lease is classified as a financial lease when all risks and gains of ownership of the underlying asset are substantially transferred. A lease is classified as an operational lease if all risks and gains of ownership of the underlying asset are not substantially transferred.

For a contract that includes one or more additional leasing components or not carrying a component, the Group distributes the contractual value by applying TFRS 15, “Revenue from Contracts with Customers” standard.

Foreign Currency Translation

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

Earnings Per Share

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

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

Events after the Balance Sheet Date

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

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

Provisions, Contingent Assets and Liabilities

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

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

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

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

Related Parties

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

Government Grants

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

Taxes on Income

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

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Tax for the Period

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

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

Offsetting in tax assets and liabilities

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

Provision for Employment Termination Benefits

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

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

Statement of Cash Flow

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

Investment Properties

The Group's investment properties include parcels.

Investment Properties are real estates that held for the purpose of gaining rent or appreciation of its value are recognized at cost value less accumulated depreciation and accumulated impairment losses, if any. If it meets the accepted criteria, the amount included in the balance sheet includes the cost of changing any part of the existing Investment Property. This amount does not include daily maintenance for Investment Property

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

Capital and Dividends

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

Financial Instruments

Financial Assets

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

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

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

b) Financial assets measured at amortized cost

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

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

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

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

Trade Receivables

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

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

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

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

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

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

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

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

- Over 90 days delay

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

Cash and Cash equivalents

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

(ii) Financial liabilities

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

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

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

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

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) Other financial liabilities

Other financial liabilities are initially recognized with their fair values free from transaction costs.

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

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

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

(iii) Derivative financial instruments

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

2.6 Changes in Accounting Policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

NOTE 3 - BUSINESS COMBINATIONS

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in hand	282.139	226.370
Banks		
- Demand Deposits - TL	2.289.624	1.425.776
- Demand Deposits – Foreign Currency	14.993.399	7.749.893
- Time Deposit - TL	66.381.422	40.423.522
- Time Deposit - Foreign Currency	100.186.013	39.631.150
- Credit Card Receivables	845.647	641.408
Total	**184.978.244**	**90.098.119**

As of 31 December 2020, the average maturity of term deposits is 33 days (31 December 2019: 27 days).

As of 31 December 2020, the interest rate of TL denominated time deposits amounting to TL 66.381.422 (31 December 2019:TL 40.423.522) was realized as 17,00% annually (31 December 2019: 11,36%). As of 31 December 2020, the weighted average interest rate of foreign currency denominated deposits amounting to TL 100.186.013 was realized as 2,76 % annually. (31 December 2019: TL 39.631.150 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 1,24 %.)

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2020 and 2019, cash and cash equivalents subject to cash flow statements are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Cash and cash equivalents	184.978.244	90.098.119
Interest accruals (-)	(476.642)	(117.818)
Cash and cash equivalents net cash flow position	**184.501.602**	**89.980.301**

NOTE 5 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

	31 December 2020	31 December 2019
Mel Macedonian Paper Mills S.S.A	4.436.821	5.325.214
Total	**4.436.821**	**5.325.214**

b) Prepaid expenses to related parties

	31 December 2020	31 December 2019
Mel Macedonian Paper Mills S.S.A	7.613.374	4.433.935
Total	**7.613.374**	**4.433.935**

c) Trade payables to related parties

	31 December 2020	31 December 2019
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	41.296	38.855
Pak Gıda Üretim ve Paz. A.Ş.	-	11.642
Pak Holding A.Ş.	18.556	4.409
Total	**59.852**	**54.906**

d) Other payables to related parties

	31 December 2020	31 December 2019
Shareholders (Dividend)	38.451	23.666
Total	**38.451**	**23.666**

e) Short term lease liabilities to related parties

	31 December 2020	31 December 2019
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	168.528	758.422
Total	**168.528**	**758.422**

f) Long term lease liabilities to related parties

	31 December 2020	31 December 2019
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	3.895.371	2.077.455
Total	**3.895.371**	**2.077.455**

g) Sales of goods and services to related parties

	1 January – 31 December 2020	1 January – 31 December 2019
Mel Macedonian Paper Mills S.S.A	11.631.351	9.822.596
Total	**11.631.351**	**9.822.596**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

h) Purchases of goods and services from related parties

	1 January – 31 December 2020	1 January – 31 December 2019
Mel Macedonian Paper Mills S.S.A	66.563.431	48.310.502
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.(**)	1.306.799	1.196.961
Pak Holding A.Ş.(*)	35.224	27.360
Pak Gıda Üretim ve Pazarlama A.Ş.	20.090	31.293
Total	**67.925.544**	**49.566.116**

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

g) Key management compensation

	1 January – 31 December 2020	1 January – 31 December 2019
Key management compensation	4.973.403	3.109.970
Total	**4.973.403**	**3.109.970**

Key management compensation provided to key management personnel during the period 1 January 2020 to 31 December 2020 and 2019 are short-term benefits and includes benefits, premiums, benefits from post-employment and other payments. There are no post-employment benefits, share-based payments and other long-term benefits in the 1 January 2020 to 31 December 2020 and 2019 period.

NOTE 6- TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from non-related parties

	31 December 2020	31 December 2019
Customers	89.724.503	59.676.978
Notes receivables	3.111.298	1.187.755
Less: Non-accrued financial income	(436.933)	(125.486)
Less: Provision for doubtful trade receivables	(4.396.785)	(3.593.229)
Total	**88.002.083**	**57.146.018**

The average maturity of trade receivables is 20 days (31 December 2019: 17 days) and the effective annual interest rates are as follows:

	31 December 2020				31 December 2019			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Receivables	17%	0,34%	0	0,08%	11%	2,00%	0	0,98%

As of 31 December 2020, the Group holds mortgages and letters of guarantee amounting to TL 29.472.476 (31 December 2019: TL 28.841.740) for trade receivables.

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

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**3.593.229**	**1.099.081**
Increases during the period	859.171	2.595.383
Collections	(55.615)	(101.235)
Total	**4.396.785**	**3.593.229**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) Trade payables to non-related parties

	31 December 2020	31 December 2019
Suppliers	78.019.142	64.227.724
Notes Payable	2.760.000	860.000
Less: Non accrued financial expense	(379.011)	(196.991)
Total	**80.400.131**	**64.890.733**

The average maturity of trade payables is 17 days (31 December 2019: 32 days) and the annual effective interest rates are as follows:

	31 December 2020				31 December 2019			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	17%	0,34%	0	0,08%	11%	2,00%	0	0,98%

NOTE 7 - BORROWINGS

Short term borrowings from related parties

	31 December 2020	31 December 2019
Lease Liabilities	168.528	758.422
Total	**168.528**	**758.422**

Long term borrowings from related parties

	31 December 2020	31 December 2019
Lease Liabilities	3.895.371	2.077.455
Total	**3.895.371**	**2.077.455**

Short term borrowings from non-related parties

	31 December 2020	31 December 2019
Short term loans	-	911.950
Lease Liabilities	591.828	123.852
Total	**591.828**	**1.035.802**

Long term borrowings from non-related parties

	31 December 2020	31 December 2019
Lease Liabilities	1.105.320	549.607
Total	**1.105.320**	**549.607**

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The breakdown of other receivables and payables of the Group at the end of the period are as follows:

a) Other short term receivables from non-related parties

	31 December 2020	31 December 2019
Tax refunds receivables from tax office	783.343	3.131.240
Receivables from employees	19.463	66.019
Deposits and guarantees given	7.333	7.178
Total	**810.139**	**3.204.437**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) Other long term receivables from non-related parties

	31 December 2020	31 December 2019
Deposits and guarantees given	44.250	41.895
Total	**44.250**	**41.895**

c) Other payables ton on-related parties

	31 December 2020	31 December 2019
Taxes payable	3.879.803	1.318.012
Advances received from customers	1.048.860	1.159.175
Total	**4.928.663**	**2.477.187**

NOTE 9 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials and supplies	36.161.810	29.611.866
Semi-finished goods	535.561	61.274
Finished goods	54.819.692	70.488.773
Merchandise	14.915.581	16.423.340
Other inventories	22.502.118	17.061.767
Less: Provision for impairment	(28.532)	(565.557)
Total	**128.906.230**	**133.081.463**

As of 31 December 2020, cost of inventories of the Group amounting to TL 472.121.022 (31 December 2019: TL 399.690.596) is recognized as an expense under cost of sales. (Note 19 and 21).

Movement of provision for impairment on inventories is as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**(565.557)**	**(201.022)**
Profit or loss position due to disposals	565.557	201.022
Provisions during the period (-)	(28.532)	(565.557)
Total	**(28.532)**	**(565.557)**

The cost, net realizable value of the inventories related to inventory impairment and the provisions during the period are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Cost	(223.478)	(11.566.194)
Net realisable value	194.946	11.000.637
Provisions during the period	**(28.532)**	**(565.557)**

The Group has no inventory provided as guarante against its liabilities.

NOTE 10 - INVESTMENT PROPERTIES

As of 31 December 2020, investment properties of the Group is amounting to TL 229.270 (31 December 2019: TL 229.270). The Group has no movement for investment property during the period (31 December 2019: None).

Investment properties are included in the consolidated financial statements carried at cost. The fair value of investment properties is amounting to TL 7.470.000 based on the real estate appraisal report prepared on 30.01.2020 (for the valuation performed on 31 December 2019) by TSKB Gayrimenkul Degerleme A.S., licensed by the CMB.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Cost:	**1 January 2020**	**Additions**	**Disposals**	**Transfers**	**31 December 2020**
Land	24.059.097				24.059.097
Land improvements	10.952.786	-	-	1.925.951	12.878.737
Buildings	58.161.366	15.000	-	7.304.943	65.481.309
Plant, machinery and equipment	552.138.949	18.521.644	1.105.209	28.723.224	598.278.608
Motor vehicles	2.157.706	-	-	-	2.157.706
Furniture and fixtures	20.794.701	3.048.581	103.268	-	23.740.014
Leasehold improvements	492.897	8.000	-	-	500.897
Other property, plant and equipment	1.156.749	44.800	5.000	-	1.196.549
Constructions in progress	11.088.370	34.363.237	-	(37.954.118)	7.497.489
	681.002.621	**56.001.262**	**1.213.477**	**-**	**735.790.406**
Accumulated depreciation:					
Land improvements	(5.649.324)	(664.554)	-	-	(6.313.878)
Buildings	(28.686.010)	(1.463.492)	-	826.033	(29.323.469)
Plant, machinery and equipment	(425.275.564)	(24.028.552)	1.094.627	(825.183)	(449.034.672)
Motor vehicles	(972.313)	(212.550)	-	-	(1.184.863)
Furniture and fixtures	(13.767.765)	(2.099.815)	99.598	(850)	(15.768.832)
Leasehold improvements	(395.914)	(39.458)	-	-	(435.372)
Other property, plant and equipment	(415.744)	(97.248)	1.228	-	(511.764)
	(475.162.634)	**(28.605.669)**	**1.195.453**	**-**	**(502.572.850)**
Net book value	**205.839.987**				**233.217.556**

Cost:	**1 January 2019**	**Additions**	**Disposals**	**Transfers**	**31 December 2019**
Land	24.059.097				24.059.097
Land improvements	7.497.345	358.211	-	3.097.230	10.952.786
Buildings	56.491.344	40.520	-	1.629.502	58.161.366
Plant, machinery and equipment	523.659.194	12.447.237	563.200	16.595.718	552.138.949
Motor vehicles	2.160.801	34.491	37.586	-	2.157.706
Furniture and fixtures	18.732.792	2.132.036	119.966	49.839	20.794.701
Leasehold improvements	482.562	10.335	-	-	492.897
Other property, plant and equipment	1.118.687	60.149	22.087	-	1.156.749
Constructions in progress	624.736	31.835.923	-	(21.372.289)	11.088.370
	634.826.558	**46.918.902**	**742.839**	**-**	**681.002.621**
Accumulated depreciation:					
Land improvements	(5.292.702)	(356.622)	-	-	(5.649.324)
Buildings	(27.344.039)	(1.341.971)	-	-	(28.686.010)
Land improvements	(400.545.584)	(24.870.407)	140.853	(426)	(425.275.564)
Buildings	(793.671)	(216.228)	37.586	-	(972.313)
Land improvements	(12.217.351)	(1.662.037)	111.197	426	(13.767.765)
Leasehold improvements	(358.645)	(37.269)	-	-	(395.914)
Other property, plant and equipment	(322.475)	(97.904)	4.635	-	(415.744)
	(446.874.467)	**(28.582.438)**	**294.271**	**-**	**(475.162.634)**
Net book value	**187.952.091**				**205.839.987**

As of 31 December 2020, the Group has no machinery and equipment acquired through financial lease. (31 December 2019: None.)

Period depreciation expense amounting to TL 26.485.176 (31 December 2019: TL 27.021.850) included in cost of sales, the portion amounting to TL 398.568 included in (31 December 2019: TL 361.260) marketing expenses and remaining portion amounting to TL 1.721.925 (31 December 2019: TL 1.199.328) is included in general administrative expenses. (Note 19 and 20)

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 12 – RIGHT OF USE ASSETS AND INTANGIBLE ASSETS

Right of Use Assets

Cost:	1 January 2020	Additions	Disposals	31 December 2020
Head Office	2.877.339	1.368.931	-	4.246.270
Vehicles	1.087.471	1.696.751	(710.023)	2.074.199
	3.964.810	**3.065.682**	**(710.023)**	**6.320.469**

Accumulated depreciation:	1 January 2020	Additions	Disposals	31 December 2020
Head Office	(244.880)	(372.222)	-	(617.102)
Vehicles	(465.029)	(574.432)	631.275	(408.186)
	(709.909)	**(946.654)**	**631.275**	**(1.025.288)**
Net book value	3.254.901			5.295.181

Cost:	1 January 2019	Additions	Disposals	31 December 2019
Head Office	-	2.877.339	-	2.877.339
Vehicles	-	1.087.471		1.087.471
	-	**3.964.810**	**-**	**3.964.810**

Accumulated depreciation:	1 January 2019	Additions	Disposals	31 December 2019
Head Office	-	(244.880)	-	(244.880)
Vehicles	-	(465.029)	-	(465.029)
	-	**(709.909)**	**-**	**(709.909)**
Net book value	-			3.254.901

Intangible Assets

Cost:	1 January 2020	Additions	Disposals	31 December 2020
Rights and computer software	8.373.976	549.239	-	8.923.215
	8.373.976	**549.239**	**-**	**8.923.215**

Accumulated depreciation:	1 January 2020	Additions	Disposals	31 December 2020
Rights and computer software	(4.141.552)	(1.294.078)	-	(5.435.630)
	(4.141.552)	**(1.294.078)**	**-**	**(5.435.630)**
Net book value	4.232.424			3.487.585

Cost:	1 January 2019	Additions	Disposals	31 December 2019
Rights and computer software	7.857.827	516.149	-	8.373.976
	7.857.827	**516.149**	**-**	**8.373.976**

Accumulated depreciation:	1 January 2019	Additions	Disposals	31 December 2019
Rights and computer software	(2.909.242)	(1.232.310)	-	(4.141.552)
	(2.909.242)	**(1.232.310)**	**-**	**(4.141.552)**
Net book value	4.948.585			4.232.424

Period depreciation expense amounting to TL 1.294.078 (31 December 2019: TL 1.232.310) is included in the cost of sales and remaining portion amounting to TL 946.654 is included in general administrative expenses (31 December 2019: TL 709.909)

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 13 – GOVERNMENT GRANTS

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

- Investment Period: 09.04.2018-09.04.2021
- VAT Exemption
- Customs Duty Exemption
- Tax Reduction Rate: 50%
- Investment Contribution Rate: 15%

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 17.711.430 and the total sum of expenditures having been incurred is equals to TL 28.557.582. A discounted corporate tax has been imposed on the Group based on such sum of expenditures for the period in question.

The Group has applied to the Ministry of Economy in August 2016 for the completion visa of the investment incentive certificate dated February 6, 2016 and numbered C110178 to be carried out. The Ministry of Economy completed the completion examination in July 2017. The result of the completion examination was notified to the Group in April 2018.

In accordance with Article 32/A of the Corporate Tax Law with numbered 5520, as a result of the completion of the investment incentive certificate, the Group has calculated the deferred tax asset in the amounts presented below and accounted for 15% of the total investment expenditures incurred under the incentives by considering the deduction of the corporate tax rate in current and subsequent periods. (Note 35) Completion examination was completed in April 2018. Total investment expenditure is amounting toTL 139.662.402.

	31.12.2020 Deferred Tax Assets	31.12.2019 Deferred Tax Assets
Outstanding Balance (Beginning of the Period)	**29.216.286**	**25.251.831**
Investment Discount Indexing	2.661.604	5.701.863
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(3.357.322)	(1.737.408)
Balance at the End of the Period	**28.520.568**	**29.216.286**

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short term provisions

	31 December 2020	31 December 2019
Provision for export discount expenses	1.367.459	1.025.163
Provision for export commission expense	817.090	633.773
Provision for other debt expense	505.972	424.010
Total	**2.690.521**	**2.082.946**

The movement of other provisions is as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**2.082.946**	**3.906.098**
Payments and reversals	(2.082.946)	(3.906.098)
Additions	2.690.521	2.082.946
Total	**2.690.521**	**2.082.946**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Information regarding the lawsuits filed against the Group or in favor of the Group as of 31 December 2020 as a result of the attorney letters obtained from legal counsel's of the Group are as follows:

1. The Natural Gas Purchase Agreement executed between the Group and OMV Enerji Tic. A.S (hereinafter "OMV") for procurement of natural gas for use at its power plant in the years 2017 and 2018 ("Agreement") expired as of the end of 2018. In a notice served by OMV on 08.02.2019 after expiration of the agreement, OMV states and alleges that GAZPROM, from which OMV procures natural gas, filed an application for international arbitration in 2015 in order to retrospectively cancel the discount applied at the rate of 10.25% for calculation of its import prices, that the arbitral tribunal decided to cancel the aforementioned discount rate of 10.25% as effective from 2017, and that in the event that the discount in question is cancelled retrospectively, then OMV would charge to the Group amounting to USD 2.723.528 (including VAT but excluding interests, expenses and fees) calculated for the quantities of gas sold to the Group.

Since the claim made by OMV is against law and the agreement, the request was dismissed and an objection was filed against the content. Due to abovementioned reasons, the Group has allocated no related provisions included in the consolidated financial statements fort he outflow of the resources. In addition, since OMV has not illegally returned the bank letter of guarantee issued by the Group in the sum of TL 6.640.000, despite all requests made upon expiration of the Natural Gas Sales Agreement, a lawsuit was initiated against OMV in İstanbul Commercial Courts of First Instance for the return to the Group of the bank letter of guarantee issued by Halk Bank A.S on 04.12.2012 numbered. 0450MW 011897 for the amount of TL 6.640.000, and also for the collection of the Group's outstanding receivables in the aggregate sum of USD 395.805,04 inclusive of VAT payable as per the finalized e-invoice numbered KM62018000000148 issued on 31.12.2018 under the Natural Gas Sales Agreement. The provision for doubtful receivables has been disclosed amounting toUSD 395.805,04 in the consolidated financial statements.

2. The Group has been filed a lawsuit against Istanbul Metropolitan Municipality in the 10th Administrative Court of Istanbul with the merits numbered 2019/16513, with a request for the cancellation of the 1/5000-scaled master plan covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no fund outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

3. The Group has been filed a lawsuit against Kucukcekmece Municipality in the 5th Administrative Court of Istanbul with the merits numbered 2017/1253, with a request for the cancellation of the 1/1000-scaled amendment project covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no cash outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

4. The authorized unions to make collective bargaining for the workers in our factory are Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) unions. Collective bargaining agreements, which are valid for 2 years, are signed with the authorized trade union. The collective bargaining agreement covering the period 1 September 2018 - 31 August 2020 expired on 31 August 2020. The parties have started new bargaining process to make an agreement for a 2-year term again. As a result of the bargaining, an agreement has not been reached yet as of the date of this report. As of 15 February 2021, the decision to strike was taken by the relevant union and notified to the Group. In accordance with the decision taken on 15 February 2021, the Selüloz-İş union announced that the strike will be effective as of March 9, 2021 at 08:00. The provision amounting to TL 726.569 has been disclosed in the consolidated financial statements for the probable outflow of resources from the Group.

d) Ratio of Collateral, Pledge, Mortgages to equity

Collateral, Pledge, and Mortgages ("CPM") obtained from the customers of the Group as of 31 December 2020 and 2019 is as follows:

		31 December 2020		31 December 2019	
	Original currency	Original amount	TL eqivalent	Original amount	TL equivalent
CPM's Received	TL	25.030.720	25.030.720	27.140.720	27.140.720
	EUR	2.905.000	26.167.950	8.080.000	53.736.848
	GBP	500.000	4.971.900	850.000	6.610.025
	USD	750.000	5.505.375	0	0
Total			**61.675.945**		**87.487.593**

Collateral, Pledge, and Mortgages ("CPM") obtained from the suppliers of the Group as of 31 December 2020 and 2019 is as follows:

		31 December 2020		31 December 2019	
	Original currency	Original amount	TL eqivalent	Original amount	TL equivalent
CPM's Received	TL	1.907.078	1.907.078	1.680.978	1.680.978
	EUR	898.344	8.092.193	347.178	2.308.940
	USD	27.140	199.221	59.519	353.555
Total			**10.198.492**		**4.343.473**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Collateral, Pledge, and Mortgages ("CPM") of the Group as of 31 December 2020 and 2019 is as follows:

		31 December 2020		31 December 2019	
	Original currency	**Original amount**	**TL eqivalent**	**Original amount**	**TL equivalent**
A. Total amount of CPMs given in the name of its own legal personality					
	TL	8.920.700	8.920.700	30.665.607	30.665.607
	USD	-	-	-	-
	EUR	110.000	990.869	110.000	731.566
B. Total amount of CPM given on behalf of the fully consolidated companies		-	-	-	-
C.Total amount of CPM given on behalf of third parties for ordinary course of business					
D. Total amount of other CPM given					
i) Total amount of CPM's given on behalf of the majority shareholder		-	-	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C		-	-	-	-
Total			**9.911.569**		**31.397.173**

The ratio of other CPM given by the Group to equity of the Group is 0% as of 31 December 2020 (31 December 2019: 0%).

e) Insurance coverage of property, plant and equipment

As of 31 December 2020 and 2019, insurance coverage of property, plant and equipment is as follows:

Type	**31 December 2020**	**31 December 2019**
Buildings	63.595.000	63.595.000
Machinery and Equipment	440.298.000	439.970.500
Cash in hand	462.135	462.135
Inventories	139.520.000	144.520.000
Furniture and Fixtures	3.527.400	3.854.900
Motor Vehicles	3.909.774	1.159.613
Total	**651.312.309**	**653.562.148**

NOTE 15 - COMMITMENTS

As of 31 December 2020 and 2019, commitments of the Group are as follows:

a) Raw material and supplies purchase contracts

	31 December 2020	**31 December 2019**
Up to one year	39.653.514	17.468.737
Total	**39.653.514**	**17.468.737**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) Machinery and equipment purchase contracts

	31 December 2020	31 December 2019
Up to one year	28.363.496	16.873.680
Total	**28.363.496**	**16.873.680**

c) Services purchase contracts

	31 December 2020	31 December 2019
Up to one year	2.759.110	2.179.244
Total	**2.759.110**	**2.179.244**

NOTE 16 - EMPLOYEE BENEFITS

Employee benefits payables

	31 December 2020	31 December 2019
SSI Premium and Tax Deduction Payables	2.811.419	2.322.793
Fees Payables	446.959	459.252
Other liabilities	27.886	28.537
Total	**3.286.264**	**2.810.582**

Short-term provisions for employee benefits

	31 December 2020	31 December 2019
Provision for unused vacation	869.720	745.297
Provision for bonus and salaries	969.997	254.802
Total	**1.839.717**	**1.000.099**

The movement of salaries, bonuses and provision of premiumus are as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**1.000.099**	**1.555.187**
Provision expense	1.839.717	1.000.099
Payments during the period	(1.000.099)	(1.555.187)
Total	**1.839.717**	**1.000.099**

Long-term provisions for employee benefits

	31 December 2020	31 December 2019
Provision for employment termination benefits	15.293.908	12.467.379
Total	**15.293.908**	**12.467.379**

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

Under Turkish Labour Law, Kartonsan and its Subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). After the legislation on May 23, 2002, some transitional clauses relating to the length of service before retirement have been removed.

As of 31 December 2020, the amount payable consists of one month's salary limited to a maximum of TL 7.117,17 (31 December 2019: TL 6.379,86) for each year of service. The liability is not funded as there is no funding requirement.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The principal assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries within the scope of consolidation.

	31 December 2020	31 December 2019
Net discount rate (%)	3,70	3,70
Turnover rate to estimate of the probability of retirement (%)	98,72	98,42

Long-term provisions for employee benefits

The basic assumption is that the ceiling for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 7.638,96 effective from 1 January 2021 (1 January 2020: TL 6.730,15) has been taken into consideration in calculating the provision for employment termination benefits.

Movement of employment termination benefit is as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**12.467.379**	**9.925.980**
Service Costs	1.333.266	1.149.395
Interest Costs	1.273.657	1.086.511
Actuarial loss (Note 18)	1.124.182	1.177.211
Loss Due to Payment/Reduction of Benefits/Dismissal	49.274	565.404
Payments during the period	(953.850)	(1.437.122)
Total	**15.293.908**	**12.467.379**

NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short-term prepaid expenses to non-related parties

	31 December 2020	31 December 2019
Other prepaid expenses *	3.230.697	2.156.874
Order advances given	2.476.493	4.075.345
Total	**5.707.190**	**6.232.219**

* Short term prepaid insurance include maintenance and subscription expenses.

b) Other current assets from non-related parties

	31 December 2020	31 December 2019
Deferred VAT	766.004	3.791.928
Other	12.536	176.652
Total	**778.540**	**3.968.580**

c) Long-term prepaid expenses to non-related parties

	31 December 2020	31 December 2019
Order advances given for property, plant and equipment and intangible assets	10.812.307	7.668.325
Total	**10.812.307**	**7.668.325**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 18 - CAPITAL

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

As of 31 December 2020 and 2019, the principal shareholders and their respective shareholding rates in Kartonsan are as follows:

		Shareholding		Shareholding
	31 December 2020	rate (%)	31 December 2019	rate (%)
Pak Holding A.Ş.	25.790.930	34,39	975.590	34,39
Asil Holding A.Ş. (*)	18.337.578	24,45	676.412	23,84
Pak Gıda Üretim ve Pazarlama A.Ş.	14.468.564	19,29	564.903	19,91
Oycan İthalat İhracat ve Ticaret A.Ş.	10.654	0,01	403	0,01
Other (Listed)	16.392.274	21,86	619.706	21,85
Paid-in Share Capital	**75.000.000**	**100,00**	**2.837.014**	**100,00**
Adjustment to Share Capital	21.135.671		93.298.657	
Total	**96.135.671**		**96.135.671**	

* The business title of “Asil Gida ve Kimya San. ve Tic. A.Ş.” has been changed to “Asil Holding A.Ş.” dated 11.09.2019.

In accordance with the decision of the Board of Directors, which was registered on 24.12.2020 within the framework of the registered capital system regulations and announced with the Official Gazette dated 25.12.2020, the number of shares representing the Group’s paid-in share capital has been determined is as follows:

According to the Company’s articles of association

Number of shares	7.500.000.000
Nominal amount of shares	0,01
Total nominal amount	**75.000.000,00**

The Company’s 200 shares are comprise of Group A (Preferred) shares representing the aforementioned capital. These shares have privileges in dividend distribution. According to Article 25 of the Company’s Articles of Association; after deduction of 10 % of the paid-in share capital from the net profit of the first dividend, the dividend is distributed to the Group A (Preferred) Shareholders in 5% of the remaining portion.

b) Restricted Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group’s historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The aforementioned reserves should be classified in “Restricted Reserves” in accordance with Capital Markets Board Financial Reporting Standards. As of 31 December 2020, and 2019, the breakdown of restricted reserves is as follows:

	31 December 2020	31 December 2019
Legal Reserves	33.010.839	30.740.307
Gains on Disposal of Subsidiaries and Real Estate	2.315.343	2.315.343
Total	**35.326.182**	**33.055.650**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

c) Dividend distribution

In accordance with the decision of the Capital Markets Board (CMB) dated 27 January 2010 numbered 02/51, no obligation to distribute any minimum profit to be imposed to ensure that no minimum profit distribution obligation is imposed on dividend distribution for publicly traded joint stock companies, whose shares are traded on the stock exchange, regarding the determination of the principles of distribution of publicly traded companies' joint ventures for the year 2009; and in this context, According to the Article 19 of the Capital Market Law, numbered 6362 and Dividend Communiqué of CMB, numbered II-19.1, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code numbered 6102, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

The entire amount of the dividend to be distributed may only be distributed as long as it is available from the net distributable profit or other sources available in the legal records. In other words, the upper limit of the dividend to be distributed is the distributable amount of the related profit distribution resources included in the legal records. Equity capital inflation adjustment differences and book value of extraordinary reserves can be used in free capital increase; cash profit distribution or loss deduction. However, equity capital adjustments are subject to corporate tax if used in cash profit distribution.

As of 31 December 2020, the Group's net distributable profit and other available funds amounting to TL 437.768.294 (31 December 2019: TL 321.557.317). The total amount of other funds of the Group that may be subject to dividend distribution is limited to the amounts in the Group's legal records. The Group's legal records consist of a net profit of TL 125.182.169 in the current period. As of 31 December 2020, the total amount of other funds which may be subject to dividend distribution amounting to TL 325.109.239 (31 December 2019: TL 220.263.266). In the calculation of the total amount that may be subject to distribution, the capital inflation adjustment differences and the amount of real estate sales earnings held as a fund to be included in the capital are not taken into consideration.

d) Other comprehensive income and expenses not to be reclassified to profit or loss

The movement for actuarial losses recognized under "Other Losses" in equity is as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**(2.232.699)**	**(1.302.312)**
Actuarial Losses	(1.124.182)	(1.177.211)
Actuarial Losses - Tax Effect (Note 25)	224.836	246.824
Total	**(3.132.045)**	**(2.232.699)**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 19 - REVENUES AND COST OF SALES

	1 January- 31 December 2020	1 January - 31 December 2019
Domestic Sales	891.306.894	750.912.421
Foreign Sales	156.968.320	140.783.432
Other Revenue	4.539.978	4.417.185
Sales Returns (-)	(8.939.015)	(2.126.031)
Sales Discounts (-)	(69.013.527)	(95.303.004)
Other Discounts (-)	(75.959.335)	(61.518.018)
Revenue, net	**898.903.315**	**737.165.985**

Cost of Sales:	1 January- 31 December 2020	1 January - 31 December 2019
Changes in raw material and semi-finished inventories	(472.121.022)	(399.690.596)
General production costs	(71.828.667)	(67.585.484)
Depreciation and amortization charges	(28.721.886)	(28.964.069)
Employee benefits	(40.877.492)	(34.777.114)
Cost of goods goods	(80.651.537)	(77.644.572)
Other cost of sales	(4.201.739)	(4.523.054)
Cost of Sales	**(698.402.343)**	**(613.184.889)**
Gross Profit	**200.500.972**	**123.981.096**

NOTE 20 - GENERAL MANAGEMENT EXPENSES AND MARKETING EXPENSES

a) General Administrative Expenses

	1 January- 31 December 2020	1 January - 31 December 2019
Employee benefits	(10.122.533)	(8.797.429)
Employment termination benefits	(2.656.198)	(2.801.308)
Outsourcing expenses	(2.823.104)	(2.690.138)
Union, chamber and subscription expenses	(506.405)	(611.410)
Taxes, duties and charges	(1.142.366)	(829.051)
Depreciation and amortization charges	(1.725.948)	(1.199.328)
Grants and donations	(468.444)	(34.184)
Other expenses	(668.430)	(629.097)
Total	**(20.113.428)**	**(17.591.945)**

b) Marketing Expenses

	1 January- 31 December 2020	1 January - 31 December 2019
Transportation, distribution and storage expense	(21.805.168)	(18.266.268)
Employee benefits	(3.221.277)	(2.785.151)
Export expenses	(1.757.706)	(1.328.190)
Compensation and discounts paid	(433.053)	(590.234)
Taxes, duties and charges	(304.407)	(178.286)
Depreciation and amortization charges	(398.567)	(361.260)
Other expenses	(1.625.600)	(1.439.738)
Total	**(29.545.778)**	**(24.949.127)**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 21 - EXPENSES BY NATURE

	1 January- 31 December 2020	1 January - 31 December 2019
Changes in raw material and semi-finished inventories	(472.121.022)	(399.690.596)
Outsourcing expenses	(80.651.537)	(77.644.572)
Outsourced benefits and services	(74.651.771)	(70.275.622)
Employee benefits	(54.221.302)	(46.359.694)
Depreciation and amortization charges	(30.846.401)	(30.524.657)
Transportation, distribution and storage expense	(21.805.168)	(18.266.268)
Other cost of sales	(4.201.739)	(4.523.054)
Employment termination benefits	(2.656.198)	(2.801.308)
Export expense	(1.757.706)	(1.328.190)
Union, chamber and subscription expenses	(506.405)	(611.410)
Compensation and discounts paid	(433.053)	(590.234)
Taxes, duties and charges	(1.446.773)	(1.007.337)
Grants and donations	(468.444)	(34.184)
Other expenses	(2.294.030)	(2.068.835)
Total	**(748.061.549)**	**(655.725.961)**

NOTE 22 – OTHER OPERATING INCOME/EXPENSES

Other operating income	1 January- 31 December 2020	1 January - 31 December 2019
Foreign exchange gains (Trade receivables and payables)	22.704.445	11.913.054
Interest eliminated from sales	7.383.624	10.459.175
Scrap sales revenues	1.036.352	863.917
Reversal of Income from provisions no longer required	55.615	101.235
Interest income from late payment	51.776	33.657
Insurance compensation income	35.318	283.398
Other	1.027.524	585.294
Total	**32.294.654**	**24.239.730**

Other operating expenses	1 January- 31 December 2020	1 January - 31 December 2019
Foreign exchange loses (Trade receivables and payables)	(17.334.865)	(8.946.337)
Interest eliminated from purchases	(3.036.705)	(3.413.455)
Provision for doubtful receivables expenses	(859.171)	(2.595.383)
Other	(821.252)	(680.291)
Total	**(22.051.993)**	**(15.635.466)**

NOTE 23 – GAINS/LOSSES FROM INVESTMENT ACTIVITIES

Gains from investment activities	1 January- 31 December 2020	1 January - 31 December 2019
Foreign exchange gains (Trade receivables and payables Excluded)	27.502.644	11.354.839
Interest income	8.626.470	6.203.409
Gain on disposal of non-current assets	239.797	415.792
Total	**36.368.911**	**17.974.040**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Losses from investment activities	1 January- 31 December 2020	1 January - 31 December 2019
Foreign exchange losses (Trade receivables and payables excluded)	(13.651.789)	(6.356.043)
Total	**(13.651.789)**	**(6.356.043)**

NOTE 24 - FINANCIAL EXPENSES

	1 January- 31 December 2020	1 January - 31 December 2019
Credit card fees and commissions	(9.134.668)	(14.411.537)
Interest expenses	(240)	(152)
Interest expenses in scope of TFRS 16 Leases	(872.303)	(882.274)
Bank deposit risk expenses under TFRS 9	(156.778)	(59.996)
Other	(732.427)	(512.960)
Total	**(10.896.416)**	**(15.866.919)**

NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED)

As of 31 December 2020 and 2019, current income tax liabilities position on balance sheets is as follows:

	31 December 2020	31 December 2019
Current income tax liabilities	34.816.011	9.429.853
Less: Prepaid income tax and funds	(27.121.425)	(9.073.452)
Current income tax liabilities	**7.694.586**	**356.401**

As of 31 December 2020 and 2019, income tax expenses in the consolidated income statements and other comprehensive income are summarized as follows:

	1 January- 31 December 2020	1 January - 31 December 2019
Current period tax expense (-)	(34.816.011)	(9.429.853)
Deferred tax (expense)/income	(736.389)	5.034.167
Total tax (expense)/income	**(35.552.400)**	**(4.395.686)**

a) Corporation tax

The Corporate Tax Law was amended as of 13 June 2006 with law numbered 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20%. (Corporation tax rate for 2018-2019 and 2020 will be applied as 22%.) (31 December 2019: 22%).

The corporate tax rate is applied to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the operating profit of the entities, the exception to the tax laws (except for the participation earnings exemption, investment allowance exemption etc.) and the discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

To the limited taxpayer companies whom are generating income through a permanent establishment in Turkey, or via a permanent representative no withholding is applied, and the dividens paid to the companies who are resident in Turkey are not subject to withholding. Dividends paid to people and companies other than these are subject to withholding tax at the rate of 15%. Adding profit to the capital is not considered as profit distubition.

In accordance with the Law No. 6009 published in the Official Gazette dated August 1, 2010, the amount of investment allowances that have been earned may be used without any year limitation. In addition, corporate tax will be calculated according to the effective tax rate on post-discount earnings. The amendment made by the Law No. 6009 came into force on 1 August 2010 to be applied to the 2010 earnings.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The Law About Amendments to Tax Procedure Law no 5024 published, Income Tax Law and Corporate Tax Law on the Official Gazette on 30 December 2003 ("Law no 5024") stipulates that the income or corporate tax payers which determine their earnings on the basis of balance, are to have their financial statements subjected to inflation adjustment starting from 1 January 2004. According to the provision of the mentioned law, it requires the inflation rate of the last 36 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 100% and the inflation rate of the last 12 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 10%, to make an inflation correction. As the mentioned conditions were not met in 2004, inflation correction was not made.

Companies shall pay a provisional tax of 20% on their quarterly financial profits (tax rate for the years 2018-2019 and 2020 will be applied as 22%) and declare until the 14th day of the second month following that period and pay until the evening of 17th day. The temporary tax paid within the year is deducted from the corporate tax to be calculated over the corporate tax return to be given the following year. If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial liability against the state.

There is no application in order to reconciliation with the tax authorities on the tax payable in Turkey. Companies file their tax returns until the 25th of the fourth month following the close of the accounting period.

The tax authorities can review the accounting records within five years and if the wrong transaction is detected, the tax amounts may vary due to the tax assessment to be paid.

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the corporate income for a period of 5 years. However financial losses cannot be offset from last year's profits.

The expected and actual tax expense agreement for the periods January 1- December 31, 2020 and 2019 is as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Profit before tax	172.905.133	85.795.366
Tax expense calculated on current tax rates (-)	(38.039.129)	(18.874.981)
Effect of change in investment discount	2.662.595	14.362.460
Effect of non tax deductible expenses	(331.679)	(644.840)
Other	155.813	761.675
Total Income Tax/(Expense)	**(35.552.400)**	**(4.395.686)**

b) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the consolidated financial statements as reported by the Capital Markets Board and the statutory financial statements issued in accordance with the Tax Procedures Law. The breakdown of deferred tax assets and liabilities using current tax rates as of 31 December 2020 and 2019 is as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Investment incentive discount	190.137.120	194.768.633	28.520.568	29.215.295
Property, plant and equipment and intangible assets	64.557.623	63.392.598	(11.058.546)	(10.957.152)
Provisions for employee benefits	15.293.908	12.467.379	3.058.781	2.614.015
Financial losses	-	3.050.742	-	671.163
Inventories	918.940	570.466	183.788	125.503
Non-accrued finance income	53.500	72.127	10.700	(15.867)
Provision for doubtful trade receivables	271.274	208.389	54.255	41.678
Other, net	3.578.073	1.373.080	715.614	302.078
Deferred tax assets, net			**21.485.160**	**21.996.713**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The movements of deferred tax assets during the period are as follows:

	31 December 2020	31 December 2019
Beginning of the Period - 1 January	**21.996.713**	**16.715.722**
Profit or loss position	(736.389)	5.034.167
Tax effect of actuarial losses classified under equity (Note 18)	224.836	246.824
Total	**21.485.160**	**21.996.713**

NOTE 26 - EARNINGS PER SHARE

	1 January- 31 December 2020	1 January - 31 December 2019
Profit attributable to equity holders of the parent	137.264.514	81.344.785
Weighted average number of shares with nominal value	75.000.000	75.000.000
Earnings per share	**1,8319352**	**1,08459713**

NOTE 27 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	31 December 2020	31 December 2019
Loans and receivables		
Cash and cash equivalents	184.978.244	90.098.119
Trade receivables	92.438.904	62.471.232
Total	**277.417.148**	**152.569.351**

Financial liabilities measured by effective interest method

	31 December 2020	31 December 2019
Trade payables	80.459.983	64.945.639
Borrowings	5.761.047	4.421.286
Total	**86.221.030**	**69.366.925**

b) Fair value of financial instruments

As of 31 December 2020 and 2019, the Group has no financial assets and liabilities measured at fair value.

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

28.1 Financial Risk Factors

The Group is exposed to market risk (currency and interest rate risk), credit risk and liquidity risk due to its activities.

The Group's risk management program generally focuses on minimizing the potential negative effects of uncertainty in the financial markets on the Group's financial performance.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

a) Market Risk

aa) Currency Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities for USD and EURO of the Group are defined as the "Net foreign currency position" and it is the basis of the currency risk. Foreign currency exchange rate risk arises from registered assets and liabilities. This currency risk is monitored by analyzing the foreign currency position.

As of 31 December 2020 and 2019, the foreign exchange position table is as follows:

31 December 2020

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	33.304.719	372.556	3.311.644	74.319
2a. Monetary Financial Assets	111.067.263	6.703.263	6.634.107	211.454
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	**144.371.982**	**7.075.819**	**9.945.751**	**285.773**
5. Trade Receivables				
6a. Monetary Financial Assets	10.583.176	423.617	829.674	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	**10.583.176**	**423.617**	**829.674**	**-**
9. Total Assets (4+8)	**154.955.158**	**7.499.436**	**10.775.425**	**285.773**
10. Trade Liabilities	39.694.984	673.171	3.847.370	9.739
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Short Term Liabilities (10+11+12)	**39.694.984**	**673.171**	**3.847.370**	**9.739**
14. Trade Liabilities				
15. Financial Liabilities				
16a. Other Monetary Liabilities				
16b. Other Non-Monetary Liabilities				
17. Total Long Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**39.694.984**	**673.171**	**3.847.370**	**9.739**
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	**115.260.174**	**6.826.265**	**6.928.055**	**276.034**
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**115.260.174**	**6.826.265**	**6.928.055**	**276.034**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Assets				
23. The Amount of Hedged part of Foreign Exchange Liabilities				
23. Export	106.031.136	3.162.049	10.809.414	318.359
24. Import	206.855.257	4.145.228	21.842.095	-

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

31 December 2019

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	28.614.262	270.760	3.823.545	202.794
2a. Monetary Financial Assets	52.879.961	3.553.425	4.723.821	-
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	**81.494.223**	**3.824.185**	**8.547.366**	**248.532**
5. Trade Receivables				
6a. Monetary Financial Assets	7.663.800	337.386	851.000	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	**7.663.800**	**337.386**	**851.000**	**-**
9. Total Assets (4+8)	**89.158.023**	**4.161.571**	**9.398.366**	**248.532**
10. Trade Liabilities	26.261.898	762.260	3.247.225	11.658
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Short Term Liabilities (10+11+12)	**26.261.898**	**762.260**	**3.247.225**	**11.658**
14. Trade Liabilities				
15. Financial Liabilities				
16a. Other Monetary Liabilities				
16b. Other Non-Monetary Liabilities				
17. Total Long Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**26.261.898**	**762.260**	**3.247.225**	**11.658**
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	**62.896.125**	**3.399.311**	**6.151.141**	**236.874**
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**62.896.125**	**3.399.311**	**6.151.141**	**236.874**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Assets				
23. The Amount of Hedged part of Foreign Exchange Liabilities				
23. Export	156.618.967	4.280.238	17.356.790	16.752.023
24. Import	200.952.362	7.236.224	25.029.898	176

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2020 and 2019, the exchange rate sensitivity analysis tables are as follows:

	31 December 2020			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign curency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	5.010.820	(5.010.820)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	**5.010.820**	**(5.010.820)**	-	**-**
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	6.240.716	(6.240.716)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	**6.240.716**	**(6.240.716)**	-	**-**
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	274.482	(274.482)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9 Other currency assets net effects (7+8)	**274.482**	**(274.482)**	-	**-**
Total (3+6+9)	**11.526.018**	**(11.526.018)**	**-**	**-**

	31 December 2019			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign curency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	2.018.442	(2.018.442)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	**2.018.442**	**(2.018.442)**	-	**-**
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	4.087.012	(4.087.012)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	**4.087.012**	**(4.087.012)**	-	**-**
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	184.158	(184.158)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9 Other currency assets net effects (7+8)	**184.158**	**(184.158)**	-	**-**
Total (3+6+9)	**6.289.612**	**(6.289.612)**	**-**	**-**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

a) Interest Rate Risk

The Group has no interest rate financial loans.

b) Credit Risk

Ownership of financial assets involves the risk that the counterparty may be unable to meet the contract. The Group's credit risk arises mainly from trade receivables. The Group manages this risk by following the credit limits set for customers. The use of credit limits is continuously monitored by the Group and the credit quality of the customer is continuously evaluated by taking into consideration the customer's financial position, past experiences and other factors. Trade receivables are evaluated by taking into consideration the policies and procedures of the Group and accordingly, net of provision for doubtful receivables is presented in the balance sheet.

	Trade Receivables		Other Receivables		Bank	
31 December 2020	**Related Party**	**Other**	**Related Party**	**Other**	**deposits**	**Total**
Maximum exposure to credit risk as of reporting date (A+B+C+D) (*)	**4.436.821**	**88.002.083**	**-**	**854.389**	**184.696.105**	**277.989.398**
- Secured with guarantees, etc.	**-**	***29.472.476***	**-**	**-**	**-**	***29.472.476***
A. Book value of neither past due nor impaired financial assets	4.436.821	48.550.484	-	854.389	184.696.105	238.537.799
B. Book value of past due but not impaired financial assets	-	39.451.599	-	-	-	39.451.599
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	*4.396.785*				*4.396.785*
- Impairment (-)	-	*(4.396.785)*	-	-	-	*(4.396.785)*
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)						
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.

	Trade Receivables		Other Receivables		Bank	
31 December 2019	**Related Party**	**Other**	**Related Party**	**Other**	**deposits**	**Total**
Maximum exposure to credit risk as of reporting date (A+B+C+D) (*)	**5.325.214**	**57.146.018**	**-**	**3.246.332**	**89.871.749**	**155.589.313**
- Secured with guarantees, etc.	**-**	***28.841.740***	**-**	**-**	**-**	***28.841.740***
A. Book value of neither past due nor impaired financial assets	5.325.214	30.169.059	-	3.246.332	89.871.749	128.612.354
B. Book value of past due but not impaired financial assets	-	26.976.959	-	-	-	26.976.959
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	*3.593.229*				*3.593.229*
- Impairment (-)	-	*(3.593.229)*	-	-	-	*(3.593.229)*
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)						
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

As of 31 December 2020, trade receivables amounting to TL 39.451.599 (31 December 2019: TL 26.976.959) are past due but not impaired. The aforementioned trade receivables includes independent customers who pay their past debts without delay. In addition, trade receivables amounting to TL 14.250.527 (31 December 2019: TL 8.997.549) is secured by guarantees. The analysis aging of past due but not impaired trade receivables is as follows:

	31 December 2020	31 December 2019
Past due up to 1 month	38.868.598	25.966.787
Past due 1-3 months	473.826	684.755
Past due 3-12 months	109.175	325.417
Past due 1-5 years	-	-
Past due more than 5 years	-	-
Total	**39.451.599**	**26.976.959**

c) Liquidty Risk

Liquidity risk is the risk that a company cannot meet its funding needs. Liquidity risk is lowered by balancing cash inflows and outflows with the support of credit institutions.

Undiscounted contractual cash flows of the non-derivative consolidated financial liabilities as of 31 December 2020 and 2019 are as follows:

31 December 2020	Book Value	Total Cash Outflows (I+II+III+IV)	Shorter than 3 months (I)	3-12 months (II)	1-5 years (III)	Longer than 5 Years (IV)
Non-derivative financial liabilities:						
Lease Liabilities	5.761.047	10.826.267	461.521	1.197.171	4.722.502	4.445.073
Bank Borrowings	-	-	-	-	-	-
Trade payables	80.459.983	80.838.994	80.838.994	-	-	-
Employee Benefits Payables	3.286.264	3.286.264	3.286.264	-	-	-
Other Payables	4.967.114	4.967.114	4.967.114	-	-	-
Total	**94.474.408**	**99.918.639**	**89.553.893**	**1.197.171**	**4.722.502**	**4.445.073**

31 December 2019	Book Value	Total Cash Outflows (I+II+III+IV)	Shorter than 3 months (I)	3-12 months (II)	1-5 years (III)	Longer than 5 Years (IV)
Non-derivative financial liabilities:						
Lease Liabilities	3.509.336	3.509.336	215.278	650.567	1.390.564	1.252.927
Bank Borrowings	911.950	911.950	911.950	-	-	-
Trade payables	64.945.639	65.142.630	65.142.630	-	-	-
Employee Benefits Payables	2.810.582	2.810.582	2.810.582	-	-	-
Other payables	2.500.853	2.500.853	2.500.853	-	-	-
Total	**74.678.360**	**74.875.351**	**71.581.293**	**650.567**	**1.390.564**	**1.252.927**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

28.2 Capital Risk Management

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

In order to maintain or adjust the capital structure, the Group may decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/invested capital ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (including borrowings and trade payables on balance sheet) and invested capital is calculated as net financial debt plus total equity. Consolidated net financial debt/invested capital ratios as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Total borrowings	124.780.531	92.762.379
Less: Cash and cash equivalents (Note 4)	(184.978.244)	(90.098.119)
Net financial debt	(60.197.713)	2.664.260
Equity	573.810.790	456.168.315
Invested Capital	**513.613.077**	**458.832.575**
Net financial debt/investedcapital ratio	**-**	**0,58%**

NOTE 29 - EVENTS AFTER THE REPORTING PERIOD

None.

2020 PROFIT DISTRIBUTION TABLE

DIVIDEND DISTRIBUTION PROPOSAL

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. 2020 DIVIDEND DISTRIBUTION TABLE			
The dividend distribution proposal from 2020 profit is shown below, considering the provisions of Article 25 of our Articles of Association. It is submitted for your examination and approval.			
1- Paid in share/Issued Capital			75.000.000,00
2- General Legal Reserve Fund (According to Legal Records)			2.593.834,25
If Preferred Stock Is Available in Dividend Distribution According to the Articles of Association, Information Regarding the Concession in question			After deducting the legal reserves and 10% of the paid-in share capital from the net profit, 5% of the remaining profit (Group A) is paid to the holders of preferred shares.
		According to the CMB	According to Legal Records (LR)
3.	Profit for the Period	172.905.133,00	156.129.304,51
4.	Taxes (-)	35.552.400,00	30.947.135,66
5.	Net Profit for the Period (1)	137.264.514,00	125.182.168,85
6.	Retained Losses (-)	0,00	0,00
7.	General Legal Reserve Fund (-)	6.259.108,44	6.259.108,44
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	131.005.405,56	118.923.060,41
9.	Donations during the period (+)	468.444,10	
10.	Net Distributable Profit for the period Including Donations	131.473.849,66	
11.	First Dividend to Shareholders	6.573.692,48	
	Cash	6.573.692,48	
	Free of charge	0	
	Total	6.573.692,48	
12.	Dividend Distributed to Preferred Shareholders	6.198.692,48	
13.	Other Dividend Distributed	4.958.953,99	
	Members of the Board of Directors	4.958.953,99	
14.	Dividend Distributed to Dividend Holders	0	
15.	Second Dividend to Shareholders	42.157.481,76	
16.	General Legal Reserve Fund	5.613.882,07	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	65.502.702,78	53.420.357,63
20.	Distributable Reserves	0,00	0,00

(1) The net profit for the period of the parent company is TL 137.342,733 (172,905,133-35,552,400), since TL 88.219 of the amount corresponds to the non-controlling interests, the net profit of the parent company is amounting to TL 13.264.514 has been considered as the basis.

DIVIDEND RATIO TABLE

	GROUP	TOTAL DISTRIBUTED PROFIT SHARE		TOTAL DISTRIBUTED PROFIT SHARE/NET DISTRIBUTABLE PERIOD PROFIT	PROFIT SHARE FOR SHARE WITH TL 1 NOMINAL VALUE	
		CASH (TL)	FREE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	5.268.917,81		4,02191	99.654,2178374	9.965.421,78374
	B	41.421.468,90		31,61814	0,5522865	55,22865
	TOTAL	46.690.386,71				

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

1) GENERAL INFORMATION;

a) Company's Nature of Business: The Company's business activities include ensuring the manufacturing business in the coated cardboard sector in its factory located in Kullar Köyü/Kocaeli and is engaged in the domestic and international trade of the goods which it produces. In addition, the Company provides the electricity and steam which it needs for manufacturing with the natural gas conversion plant within the framework of the Autoproducer License it owns and sells the electricity surplus within the framework of the electricity market legislation. While the Company continues its production activities in Kullar Köyü/Kocaeli factory yet, the general management, financial affairs, marketing and purchasing activities are carried out in the "Head office" located in Gayrettepe/Istanbul. The Company also has a branch in Sefaköy/Istanbul, which it owns and uses as a warehouse.

Head Office:

Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL
Tel: (212) 273 20 00 Fax: (212) 273 21 70 Web: www.kartonsan.com.tr

Factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No: 300 41140 Kullar/Başiskele/Kocaeli
Tel: (262) 349 61 50 Fax: (262) 349 33 00

Outlet:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İstanbul
Tel: (212) 598 95 35 Fax: (212) 598 95 36

Tax Administration: Large Taxpayers

Tax Registration Number:	5260057491
Trade Register Number:	95869/41270
Registered ID Number:	0526005749100010
Company's Paid-in Share Capital:	TL 75.000.000
Company's Paid-in Share Capital:	7.500.000.000 Outstanding Number of Shares
Shares Representing Company Capital	
Group A Shares	5.287
Group B Shares	7.499.994.713

Group A Shares have dividend privilege, but they have no voting right privilege.

b) Organization, Shareholding Structure, Explanations Regarding the Shares Created in the Company's Capital, Information on the Management and Independent Auditor:

All of the company's shares consist of bearer shares, and almost all of them are quoted on the stock exchange. Therefore, the ownership structure of the company is presented below in accordance with the statements at the last general meeting, attending the general assembly and/or made on the Public Disclosure Platform (PDP). Due to the abovementioned matters, the changes in the ownership structure are not known by our company.

	31 December 2020	Effective Ownership Interests (%)	31 December 2019	Effective Ownership Interests (%)
Pak Holding A.Ş.	25.790.930	34,39	975.590	34,39
Asil Holding A.Ş.(*)	18.337.578	24,45	676.412	23,84
Pak Gıda Üretim ve Pazarlama A.Ş.	14.468.564	19,29	564.903	19,91
Oycan İthalat İhracat ve Ticaret A.Ş.	10.654	0,01	403	0,01
Other (Listed)	16.392.274	21,86	619.706	21,85
Total Capital	**75.000.000**	**100,00**	**2.837.014**	**100,00**

* The Company's business title of "Asil Gıda ve Kimya San. ve Tic." has been changed to "Asil Holding A.Ş." dated 11.09.2019.

The Company's paid-in share capital is TL 75.000.000, and it comprise of 7.500,000,000 numbers of shares, each with a nominal value of TL 0.01.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

The 5.287 numbers of the shares including the abovementioned paid-in share capital comprise of Group A (Preferred) shares. These shares are preferred shares in dividend distribution policies. In accordance with the Company's articles of association numbered 25; After deducting 10% of the paid-in share capital from the net profit which is considered as basis for the calculation of the first dividend, a dividend of 5% is distributed to the shareholders of Group A (Preferred) shares.

The breakdown of stocks representing the capital is as follows:

Registered/Bearer Shares	Composition of Shares	Group	Number of Shares	Total Amount (TL)	Ratio (%)
Bearer	Fiduciary Shareholders	A	5.287	52,87	-
Bearer	Fiduciary Shareholders	B	7.499.994.713	7.499.947,13	100
Total			**7.500.000.000**	**7.500.000,00**	**100**

In accordance with the Company's articles of association numbered between 8 and 14; there exist regulations regarding the Board of Directors and the Supervisory Board. Necessary disclosures are made in the section titled "Corporate Governance" of the report regarding the structure of the Board of Directors, working principles and the established committees.

Independent Auditor According to the Turkish Commercial Code *

Name and surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection
Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.	Independent Auditor	01.01.2017	31.12.2020	05.05.2020

* Güreli Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş., is the independent audit firm selected by the Company within the framework of the CMB legislation.

c) Information on Associates (Joint Venture) and Subsidiaries included in scope of annual report:

The Company has effective ownership interest in the companies and their effective interest structures are as follows:

Selka İç ve Dış Ticaret A.Ş.

Parent Company	Proportion of Effective Interest	Ownership Interest (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1.242.088,75	99,37
Other	7.911,25	0,63
Total	**1.250.000,00**	**100**

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

Partner Name Surname/Title	Proportion of Effective Interest	Ownership Interest (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	4.000.000	100
Total	4.000.000	100

** Dönkasan Dönüşen Kağ. Ham. San. ve Tic. A.Ş. has been registered as a result of being subject to full demerger dated 10.06.2015.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

2) MARKET STATUS, ACTIVITIES AND EXPECTATIONS

a) Market Situation and Applied Sales Policies:

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products. The compliance of Kartonsan products, in different sectors, for the packaging of food products has been approved by the T.C. Ministry of Agriculture and Forestry. The compliance of the use of Kartonsan products in packages that come into direct contact with dry foods with the recommendations of the BFR (German Risk Assessment Institute) has been documented by the reports of various international analysis organizations.

The abovementioned explanations have been disclosed in the previous sections of the annual report regarding the sector in which our company operates and the sales policies applied.

b) Applied Investment and Dividend Distribution Policies

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (KM 2) in our factory, providing quality improvement and capacity increase in 2014. As a result of the aforementioned investment, Kartonsan has become Europe's fourth largest coated cardboard producer with a total production capacity of approximately 240 thousand tons/year.

Kartonsan implements its investments within the scope of an integrated strategy with the aim of reducing the environmental impacts of its production and operations accordingly. Detailed information has been disclosed in the previous sections of the annual report regarding the summary information about the investments made by our company over the years and its future plans.

Our company revised its dividend distribution policy in 2014 and submitted it to the information and approval of the shareholders at the general assembly meeting on 27.03.2014. The dividend policy is available at our Company's website and PDP.
(www.kartonsan.com.tr/yatırımcı ilişkileri/Şirket Kâr Dağıtım Politikası\2014)

The dividend distribution policy of our Company is to distribute dividends from the distributable profit at the minimum rate stipulated by the Capital Market Law. In periods when the Capital Markets Board does not set a separate rate, the minimum profit distribution rate is determined as 5%. However, this policy is reviewed every year according to the developments in domestic and foreign economic conditions, as well as the investment opportunities and financing opportunities of our company.

Although the Capital Markets Board has lifted the minimum dividend distribution requirement within the framework of the implementation of corporate governance principles, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders; unless a contrary decision is considered at the General Assembly.

In this context, the dividend distribution proposal to be made in the current period from the retained earnings which is included as a separate section in the current year's annual report and is presented to the shareholders and the public before the General Assembly.

In accordance with the the articles of association of our Company, Group A shares have dividend privileges. In addition, dividends are also distributed to the members of the board of directors if it is decided to distribute the first dividend. After deducting 10% of the paid-in share capital from the distributable profit, which is the basis for the calculation of the first dividend, 5% of the remaining portion is distributed to the holders of Group A shares, and a certain amount to be determined by the General Assembly as dividends to the members of the board of directors.

Dividend distribution is carried out within the legal terms.

Unless a contrary decision is taken at the General Assembly, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders. According to the Ordinary General Assembly decision of our company held on 05.05.2020; It was decided to distribute gross dividends on 08.05.2020.

In order to comply with the Capital Market Law in 2014, our company has decided to revise its Dividend Distribution Policy as follows and disclosed it to the public.

The dividend distribution policy to be implemented in 2014 and next accounting periods is as follows:

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Dividend Distribution Policy

The dividend policy of our company, at the minimum rate stipulated by the Capital Market Law, from the distributable profit, provided that the rights arising from the dividend privilege in the periods when the said minimum dividend distribution rate is reserved or is abolished, 5% of the distributable profit found in accordance with the relevant legal regulations for all of the shares representing the capital. at the rate of minimum dividend. (Other regulations regarding dividend distribution included in the Company's articles of association and other legal legislation are reserved.)

However, this policy will be reviewed every year according to the developments in domestic and foreign economic conditions, investment opportunities and financing opportunities of our company. Unless a contrary decision is taken in the General Assembly, a balance between the possible expectations and growth strategies of our shareholders will continue to be distributed as a minimum dividend of 5% of the distributable profit determined in accordance with the relevant legal regulations. Within this framework, the dividend distribution proposal to be made from the profit for the period will be included in the annual report as a separate section and will be presented to the information of the shareholders and the public before the General Assembly.

Principles Regarding Calculation, Payment Method and Distribution of Dividends

For the calculation of the dividend from the Company's profit for the period, the dividend calculation has been made in accordance with the Company's articles of association, Company Dividend Distribution Policy, Capital Market Law, Turkish Commercial Code and the dividend distribution principles and regulations of the Capital Markets Board. Accordingly;

a) As of the date of distribution, the dividend is distributed equally to all existing shares in proportion to their shares, regardless of the dates of issue and acquisition of the shares. (The rights regarding the dividend privileges of Group A shares specified in the company's articles of association are reserved.)
b) It has been adopted as a policy to pay the dividend in cash in a single installment, provided that it is decided at the general assembly meeting, where the distribution is decided. In addition, the General Assembly may decide on the payment of the dividend in installments or in the form of bonus shares, provided that the Capital Market Law, Turkish Commercial Code and Capital Markets Board's principles of dividend distribution and capital increase are complied with, upon the proposal of the Board of Directors.
c) The dividend is calculated according to the Company's articles of association numbered 25 and distributed at the end of the financial period in which at the last general assembly meeting

Company's article of association numbered 25 is as follows:

Article 25- The remaining amount after deducting all expenses, depreciation, paid premiums and bonuses, provisions, taxes and similar financial liabilities and previous years' losses, if any, from the revenues generated by the company from its activities in a balance sheet period constitutes its net profit.

a) Legal reserve at 5% is allocated until 1/5 of the Paid-in Share Capital is reached.
b) The first dividend is allocated and distributed from the remaining part in the amount and rate determined by the Capital Markets Board.
c) After separating the 5% legal reserve fund and the first dividend and being paid in cash, after deducting 10% of the paid capital from the amount based on the calculation of the first dividend;
   i) To be distributed to 5% (A) Group bearer shareholders,
   ii) The remaining portion is allocated to be paid to the members of the board of directors, excluding independent members, the amount to be appreciated by the General Assembly.

The remaining profit after the distribution made according to the above subparagraphs may be distributed partially or completely or allocated as extraordinary reserves or transferred to the following years, upon the proposal of the Board of Directors of the Company, with the decision of the General Assembly.

The provision of subparagraph (c) of paragraph 2 of Article 519 of the Turkish Commercial Code is reserved.

It cannot be decided to distribute dividends to its owners, foundations established for various purposes and persons/institutions of similar nature unless the reserve funds required to be set aside by law and the first dividend specified in the articles of association are reserved for the shareholders, other reserve funds, profit transfer to the following year and unless the first dividend is paid, members of the Board of Directors, officers, employees and workers, beneficiary/founder shares and preferred shares.

d) The principles regarding the application of distribution of advance (interim) dividends are as follows:

Parent Company's which are willing to distribute advance dividends within the framework of the capital market law must have a provision in their articles of association and the Board of Directors must be authorized to decide on the dividend advance distribution, limited to the relevant accounting period, with the decision of the general assembly.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

In the current articles of association of our company, there is no provision regarding the payment of advance dividends. Thus, distribution of advance dividends has not been adopted as a policy by our company.

In the future periods, if there is a change in the Company's articles of association regarding distribution of advance (interim) dividends, the dividend distribution principles are complied with the Turkish Commercial Code and Capital Market Law.

e) The *basis* of distributable profit is determined within the framework of the Company's articles of association, Capital Market Law and Turkish Commercial Code. Donations are added to the basis of distributable profit within the framework of the relevant regulations.

3) FINANCING SOURCES AND RISK MANAGEMENT POLICIES

The Company financed its modernization investment in 2014 from its equities. However, depending on the size of the investment and the production and sales volume basis which are decreased in the investment period, the sources for financing was funded, and the aforementioned investment is funded by using foreign currency and TL-denominated loans from the parent companies. Accordingly, the Company does not have a bank loan for financing sources. The long-term average of the Company, the Company's assets are sufficient and its cash generating unit is adequate. Therefore, there is no need for external financing. The Company evaluates its surplus funds as TL and forward foreign currency deposits within its financial system. The probable financial risk of the Company is currency and interest risk. The Company's foreign receivables and foreign currency deposits in foreign currency deposit accounts carry risks depending on exchange rate changes. Since the Company's assets in foreign currency are more than foreign currency debts, an increase in exchange rate will result in favor of the Company, and a decrease in exchange rate will result in disadvantage of the company.

Our Company's Audit Committee and Independent Auditor; Relevant audits are carried out regarding the compliance of the transactions and activities with both legal legislation and company policies. Due to its structure, our Board of Directors also established an Early Detection of Risk Committee in 2013 in accordance with the provisions of the CMB and TCC, and the committee has been operating in accordance with the determined principles since its establishment.

Regarding the auditing of our internal control system; In order to visa the "ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System and ISO 50001 Energy Management System" Quality Certificates, audits are carried out by independent external auditors and any non-conformity determined is reported to the key management personnel of the company.

4) PREDICTIONS ON THE DEVELOPMENT OF THE BUSINESS

Complementing the logistical advantage offered by Turkey's geographical location, with a quality product range and a service understanding focused on customer satisfaction, Kartonsan will continue to be the growing coated cardboard manufacturer of the Eurasian geography.

The previous sections of the annual report included evaluations regarding the goals and expectations of our company.

5) INFORMATION ABOUT THE SECTOR IN WHICH THE BUSINESS IS OPERATING AND ITS PLACE IN THIS SECTOR

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products. The compliance of Kartonsan products, in different sectors, for the packaging of food products has been approved by the T.C. Ministry of Agriculture and Forestry. The compliance of the use of Kartonsan products in packages that come into direct contact with dry foods with the recommendations of the BFR (German Risk Assessment Institute) has been documented by the reports of various international analysis organizations.

Kartonsan is Turkey's largest and Europe's 4^{th} largest coated cardboard producer with its annual production volume. Kartonsan products reach a customer base spread across the wide geography of Eurasia. Although varying over the years, our company sells approximately 60-80% of its production in the domestic market, so its domestic market share is around 30-45%. The import volumes of the coated cardboard industry are highly dependent on the exchange rate and the pricing policies of the foreign cardboard manufacturers, and the imported cardboard input amounts to the sector change periodically according to the change in the exchange rate.

The position of our company in the sector and information regarding the sector has been disclosed in detail in the previous sections of the annual report.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

6) INVESTMENT DEVELOPMENTS, INCENTIVE UTILIZATION

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (KM 2) in our factory, providing quality improvement and capacity increase in 2014. The investment amounting to TL 139.7 million was made within the scope of the investment incentive certificate. As a result of the investment, Kartonsan has become Europe's fourth largest coated cardboard producer with a total production capacity of approximately 240 thousand tons/year. Current investments are made in accordance with the related maintenance of the facility, quality and production capacity increases.

In April 2018, an application was made to the General Directorate of "Investment Incentive Program" in order to include some investment projects to an investment incentive certificate within the scope of modernization. Investments were included in the scope of the incentive certificate, but due to an error in the amount, an application was made again in order to amend the incentive certificate as "application for the amendment of the investment incentive certificate" The Company applied to the General Directorate of T.R. Ministry of Industry and Technology as " Investment Incentive Program", was approved by the relevant institution and the 3-year incentive certificate dated 08.06.2018 and a term incentive certificate has been issued as numbered A137821 was canceled and replaced with 3 years incentive certificate dated 18.10.2018 and numbered B137821.

In the annex of the 3-year incentive certificate dated 18.10.2018 and numbered B137821, it includes is a domestic machinery and equipment list of TL 32.928.750 and a list of imported machinery and equipment amounting to USD 14.854.553. The commencement date of the investment in the incentive certificate is dated on 09.04.2018 and the investment completion date has been determined as 09.04.2021. Entire investments will be financed from the Company's equity. For investments within the scope of investment incentive certificate; 15% contribution rate to increase over the investment amount and 50% corporate tax reduction, Value Added Tax exemption and Customs Tax exemption were provided to the Company. The total expenditure realized within the scope of the aforementioned incentive certificate is amounting to TL 28.557.582 as of 31 December 2020.

7) QUALIFICATIONS OF THE FACTORY PRODUCTION UNITS, CAPACITY UTILAZITION RATIOS AND COMPARISON WITH THE PRIOR PEROD

The Company produces glossary cardboard and the electrical energy required for the facility in its factory located in Kullar Köyü/Kocaeli, within the framework of the electricity generation license. The theoretical annual production capacity of coated cardboard of the company is calculated as approximately 240.000-Tons/year. (31.12.2019: 240.000-Tons/Year) The production and sales volume for 2020 and 2019 are presented as follows. As of 31 December 2020, it has been estimated that the net capacity utilization ratio is approximately 86%. (31.12.2019: 89%).

The net production volume output of the Company is as follows:

	31 December 2020	31 December 2019
Coated Cardboard (Tons)	207.298	213.160
Electricity Generation (10^3 kWh)	137.765	140.705

8) DISCLOSURES REGARDING CONSOLIDATED SALES

The Company's consolidated net sales volume for the years 2020-2019 is compared as follows:

	31 December 2020	31 December 2019
Sales Volume		
Coated Cardboard (Tons)	240.286	226.198
Electricity Sales (10^3 kWh)	12.889	15.943
Scrap Paper Sales (Tons)	7.622	10.417

In 2019, our consolidated net revenue was amounting to TL 737.165.985, while our consolidated net revenue in 2020 was amounting to TL 898.903.315.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

9) FINANCIAL RATIO ANALYSIS OF CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Ratio		**31.12.2020**	**31.12.2019**
Current Ratio	Current Assets/Current Liabilities	4,14	4,02
Acid test Ratio	(Current Assets-Inventories)/Current Liabilities	2,87	2,26
Inventories/Current Asset	Inventories/Current Assets	0,31	0,44
Working Capital Ratio	Current Assets (Excluding Cash and Treasury Notes) - Current Liabilities (Excluding Loans)	135.316.192	139.695.346
Cash Ratio	(Cash and Cash Equivalents)/Current Liabilities	1,82	1,19
Capital Structure Ratio			
Financial Leverage	(Debt)/Shareholders Equity	0,18	0,17
Total Debt to Equity Ratio		0,22	0,20
Current Debt to Equity Ratio		0,18	0,17
Non-Current Debts to Equity Ratio		0,04	0,04
Non-Current Assets to Equity Ratio		0,48	0,54
Liabilities to Equity Ratio		0,01	0,01
Profitability Ratio			
Asset Turnover Ratio	Net Sales/Total Assets	1,29	1,34
Gross Profit Margin	Gross Sales Profit/Net Sales	0,22	0,17
Return on Investment (ROI)	Net Profit/Total Assets	0,20	0,15
Net Profit/Net Sales		0,15	0,11
Profit Before Tax/Net Sales		0,19	0,12
Net Profit/Equity		0,239	0,178
Operating Profit/Sales Revenue		0,18	0,12
Earnings Per Share		48,38	28,67
Cash and Cash Equivalents		184.978.244	90.098.119
Financial Liabilities		5.761.047	4.421.286
Net Financial Position		179.217.197	85.676.833
Trade Receivables		92.438.904	62.471.232
Other Receivables		854.389	3.246.332
Inventories		128.906.230	133.081.463
Trade Payables		80.459.983	64.945.639
Other Payables		8.253.378	5.311.435

10) DISCLOSURES REGARDING CHANGES IN KEY MANAGEMENT PERSONNEL DURING THE PERIOD

There was no change in key management personnel during the period. The related disclosure regarding General Manager of our Company is as follows:

Haluk İBER- Board Member and General Manager

He was born on 15.07.1959. He has a bachelor's degree from ITU Chemical Engineering Department and a master's degree from the University of Maine. He started his business life in 1987 at Seka A.Ş. He worked at various levels of our company between 1991-2002. He served as the Deputy General Manager of our Company between 2002-2012. He has been working as the General Manager of our company since 01.10.2012. He is still in the position as a Board Member of our Company, for which he was elected in 2005. In addition, he is the Board Member in the subsidiaries of the Kartonsan which are Selka İç ve Dış Ticaret A.Ş. and Dönkasan Dönüştürülen Atık Kağıt San. ve Tic A.Ş.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

11) STAFF AND LABOR UNION MOVEMENTS, COLLECTIVE BARGAINING PRACTICES, EMPLOYEE RIGHTS AND BENEFITS PROVIDED TO PERSONNEL AND WORKERS:

Total end of period and average number of personnel employed by the Kartonsan, excluding the subcontractors is 300. (31.12.2019: 306)

The authorized unions to make collective bargaining for the workers in our factory are Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) unions. Collective bargaining agreements, which are valid for 2 years, are signed with the authorized trade union. All rights and benefits listed in detailed collective bargaining agreements are fully available for our workers. The collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was signed on 03.03.2021 with the authorized Selüloz-İş union.

12) DISCLOSURES REGARDING THE DONATIONS DURING THE PERIOD:

The Company has made financial support to associations, foundations and schools operating in the fields of sports, education and culture. In accordance with the annual general assembly in 2020, the annual donation limit was determined as TL 750.000. (2019: TL 750.000)

The breakdown of donations during the period is as follows:

Donations (TL)	31.12.2020	31.12.2019
Donations to University, Secondary and Primary Schools	13.500,00	900,00
Donations to associations and foundations (for educational, sports and social purposes)	18.370,00	20.180,00
Social Purpose Donations	380.000,00	0
Donations to Other Institutions and Organizations	56.574,10	13.4540,00
Total	**468.444,10**	**34.534,00**

13) DISCLOSURES ON MAIN ELEMENTS OF THE GROUP'S INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS:

Relevant audits are conducted regarding the compliance of the transactions and activities carried out by the Audit Committee and the Independent Auditor of our Company with both legal regulations and company policies.

Our Company has been established an Early Detection of Risk Committee beginning from 2013. The committee includes 3 members, and the committee chairman is elected from among the independent board members. The Board of Directors organizes the committee every period and reorganizes the committee depending on the elections of the members. The committee works within the framework of the determined duties in accordance with the rules and principles. The committee submits its report to the board of directors at the end of the period.

Other Committees of the Company, except the Early Detection of Risk Committee, conducts meetings at the head office at least once every three months, at least four times a year. The Early Detection of Risk Committee can conduct meetings as often as required by its duties and responsibilities. The Early Detection of Risk Committee met 3 times in 2020 and submit its report to the Board of Directors. The related disclosures included in notes to the consolidated financial statements in the previous sections of the report regarding financial risks. The Early Detection of Risk Committee presented its report for 2020 to the Board of Directors.

In addition, our Company has been established and applied internal control systems. Regarding the auditing of our internal control system, audits are conducted by independent external auditors in order to visa the quality certificates of ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and ISO 45001 Occupational Health and Safety Management System, and the detected material uncertainties and non-conformities reported to the Company management. The related policies and procedures have been applied for the solutions through multidirectional communication mechanism within the Company.

The Board of Directors implemented the establishment of a risk management system, periodic auditing and continuous improvement of the internal control system. The Company management does not prefer and intentionally provide information about the results of the internal controls in the annual reports. Therefore, the results of the internal controls are not disclosed in the interim and annual reports.

The Board of Directors has been determined the strategic goals of the Company in the prior period and the human and financial resources required to achieve these goals. The Board of Directors has been evaluated and tested for the whether these goals have been achieved (monthly, quarterly and annually).

The Board of Directors has adopted the principle of conducting its activities in a transparent, accountable, fair and responsible manner and implements its activities accordingly.

The Board of Directors of observes compliance with the legislation, articles of association, internal regulations and established policies in all of its transactions.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

14) DISCLOSURES ON RESEARCH AND DEVELOPMENT ACTIVITIES:

Our Company does not have an R&D department. The activities conducted are aimed to test and improve the product quality.

15) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ITS REASONS DURING THE PERIOD:

In accordance with the Board of Directors meeting of our company dated 13.01.2020 and numbered YK/2020-01, the Company has taken a decision regarding the amendment of the 6th article of the articles of association. The amendment draft, which was approved and approved by the Capital Markets Board and the T.R. Ministry of Commerce, was submitted to the approval of the General Assembly dated 05.05.2020 and approved. According to the aforementioned amendment to the articles of association, the validity period of the registered capital ceiling has been updated. The amendment to the articles of association was published on 27.05.2020 in the Official Gazette numbered 10084.

At the meeting of the Board of Directors on 16.10.2020, within the framework of the registered capital system, the Company has decided to increase the paid-in share capital from TL 2.837.014.21 to TL 75.000.000 and to amend the 6th article of the company's articles of association and to apply to the Capital Markets Board for permission and approvals. The Capital Markets Board approved the permission and approval request for the abovementioned capital increase on 22.12.2020. The capital increase was registered on 24.12.2020 and published on 25.12.2020 in the Official Gazette numbered 10232.

16) RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in detail in Note 5 in notes to the financial statements section of the annual report. The report related to the subsidiaries, associates and joint ventures are prepared in accordance with the article 199 of the Turkish Commercial Code in the following sections.

17) INFORMATION DISCLOSURE POLICY

In order to comply with the and amendments in the Capital Market Law, the information policy was revised in 2014 and disclosed to the public within the framework of the Communiqué No. II-15.1 of the Capital Markets Board.

The information policy for 2014 and next periods is as follows:

Objectives and Strategic* Goals *of the Company

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and/or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

I- METHODS AND INSTRUMENTS USED IN DISCLOSURE POLICY

Without prejudice to the Capital Market Law and TCC provisions, the basic instruments and methods used by our Company regarding disclosure policy are as follows:

a Material event disclosures to the Public Disclosure Platform ("PDP"),
b. Periodic financial reports and financial statements to the Public Disclosure Platform ("PDP"),
c. Announcements and necessary statements have been made through the Official Gazette, Turkish Trade Registry Gazette, Daily Newspapers and Magazines distributed throughout Turkey,
d. Press releases and interviews have been made through print and visual media,
e. Meetings with stakeholders, and sharing the information through phone calls and other communication tools
f. Corporate Website, Annual Reports, General Assembly Documents, General Assembly Meetings, Telephone, Electronic Mail ("e-mail"), Fax, SMS and Mobile Phone, etc. and other communication tools.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

II-PRINCIPLES REGARDING MATERIAL EVENT AND PUBLIC EVENT DISCLOSURES

The Company complies with the rules and legislation determined by the Capital Market Law in public disclosure of material events.

Material events, within the rules determined by the Capital Market Law and on the condition that exceptions are reserved, are conducted by making material event disclosures to the Public Disclosure Platform ("PDP") in order to provide quick access to information as soon as it incurred, without causing inequality of opportunity, by avoiding correct, direct, understandable, exaggerated or misleading expressions of the stakeholders.

Internal company data and information with changes in matters previously disclosed to the public regarding this information are disclosed to the public when they occur or become available. In accordance with the regulations of the Capital Market Law, the Company may postpone the disclosure of internal data and information to the public, provided that its legitimate interests are not harmed, investors are not deceived or harmed, and the confidentiality of internal data and information is ensured. If the company decides to postpone the public disclosure of internal data and information, the information delay, the effect of the postponement on the protection of the legal rights of the parent company, does not constitute the risk of misleading the investors, and the measures taken to protect the confidentiality of the information during the postponement are bound to the decision of the Board of Directors or, if authorized by the Board of Directors, to the written approval of the authorized person.

The Company notifies the Central Registry Agency (CRA) about the individuals who work under a business contract or otherwise and have access to internal information and data. In case of any change in the abovementioned information, the Company will make the necessary update within 2 business days. The Company discloses the list of the aforementioned persons and individuals to the public on its corporate website.

Disclosures of material events have been announced to the public by being jointly signed by at least 2 managers who have electronic signature authorized by our Company's Board of Directors. The related disclosures are published on the corporate website of our company on the business day following the day of the disclosure of the announcement. Material Event Disclosures are kept on the website for at least 5 years for the use of stakeholders.

Developments and changes occurring in previously made Material Event Disclosures are constantly updated and announced to the public. If there is no development on a matter that was previously announced to the public through a Material Event Disclosures and has not yet been finalized, the matter is disclosed to the public within sixty days from the date of the latest Material Event Disclosure, together with its justifications.

As soon as the disclosures have been informed or realized in order to ensure confidentiality until the public disclosure of material events, it is essential that it has been made immediately, except for the limitations in the legislation. However, necessary security measures have been considered to prevent individuals who are not included in the list of access to internal information and data from accessing such disclosures. In order to ensure confidentiality, accessing to physical and electronic files of such information and documents is restricted and encrypted. Regarding those who have access to internal information and data, it is ensured that it is aware of its obligations under the law and the relevant legislation, and the misuse of this information and the sanctions for providing unfair advantage.

III- PRINCIPLES REGARDING EXTRAORDINARY PRICE AND QUANTITY MOVEMENTS REGARDING ISSUED SHARE CAPITAL MARKET INSTRUMENTS AND VERIFICATION OF NEWS AND RUMORS REGARDING THE ISSUED SHARE CAPITAL MARKET INSTRUMENTS

When there are changes in the price and transaction volumes of the capital market instruments that the company issues that cannot be explained by market conditions, The Company has been made a Material Event Disclosure upon Borsa İstanbul A.Ş's request and indicates that whether there are any material events not yet disclosed to the public within the framework of the Capital Market Law, if any.

Regarding the issued capital market instruments, the existence of news or rumors that have significant impact on the value and price of the market instruments or the investment decisions of the investors, which are initially announced to the public through media organs or other communication tools or with a content different from the information previously announced to the public, and if they are informed by the Company, the related disclosure has been made within the framework of the Capital Market Law.

In accordance with the news and rumors about the company published in press organs or websites, the investor relations department of the Company evaluates the news and rumors according to the degree of significance specified in the law, as soon as they have been informed about the related information. As a result of the aforementioned evaluations, if the Company is indicated that a Material Event Disclosure is required, the Company management has been informed and Material Event Disclosure has been made to the public accordingly.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

IV- PRINCIPLES REGARDING PUBLIC DISCLOSURE OF FUTURE EVALUATIONS

Future evaluations and information related public disclosures can be made provided that the authorized person obtains written consent that the decision of the Company's Board of Directors or authorized by the Board of Directors.

The related future evaluations of the Company are disclosed by the Company management at most 4 times a year. The aforementioned disclosure can also be made through the annual reports announced within the framework of the regulations of the Capital Markets Board on financial statements or the presentations on informing the investors, provided that they are disclosed on the Public Disclosure Platform (PDP). When a significant change incurred in the future evaluations which are disclosed, or there is a significant difference between the matters that previously disclosed and the realizations, an additional necessary explanation is disclosed within the framework of the Capital Market Legislation, including the reasons related comparison difference. The annual reports and announcements prepared within the scope of the article are also published on the Company's corporate website on the first business day following the commencement date of the announcement.

In cases where matters subject to material event disclosures, including prospective evaluations, are disclosed through media organs or other communication tools, prior or simultaneously with this announcement, if the matters are announced inadvertently at a public meeting, a statement has been made immediately on the Public Disclosure Platform (PDP).

Without prejudice to the regulations of the Capital Markets Board on behalf of our Company, Board Members, General Manager and Deputy General Managers can individually declare statements and interviews to newspapers and magazines to inform the public.

V- PUBLIC DISCLOSURE OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED TRANSACTIONS

Key management personnel according to the Capital Market Law are as follows:

a) Company Board Members
b) Legal persons who, although not a member of the Board of Directors, have direct or indirect access to internal data and information and are authorized to make administrative decisions affecting the future development and commercial objectives of the Company,
c) Legal persons that have close relations with persons that have administrative responsibility ("closely associated persons"),
- *c1) The spouse, children of the person with administrative responsibility and the person who has administrative responsibility and the persons who resided in the same house during the period of the transaction,*
- *c2) Legal persons, institutions, organizations and partnerships that have administrative responsibilities by persons with administrative responsibilities or persons listed in the article c1 or that are directly or indirectly controlled by these persons or established for their benefit or whose economic interests are essentially the same as those persons' economic interests,*
- *c3) Members of the Board of Directors of the Company's subsidiaries, which constitute 10% or more of the total assets in the last annual financial statement prepared in accordance with the Capital Markets Law, and who has regular access to internal data and information directly or indirectly, and persons who are empowered to make administrative decisions that affect their business aims and objectives.*

Persons with administrative responsibility for the capital market instruments issued by our Company are determined in accordance with to the aforementioned principles.

In accordance with the framework of the Capital Market Law and related regulations, all transactions carried out by persons with administrative responsibility and closely associated persons and the parent company regarding shares representing the capital and other capital market instruments based on these shares if the total amount of the transactions made to the account of each person with administrative responsibility reaches the amount specified in the Communiqués of the Capital Markets Board within a calendar year, it is disclosed to the public by the person making the transaction. The total amount of the transactions has been calculated by adding all the transactions performed by the persons with administrative responsibility and closely associated persons.

All transactions exceeding the amount specified in the Communiqués of the Capital Markets Board, to be carried out by persons with administrative responsibilities and closely associated persons, as well as shares representing the capital and other capital market instruments based on these shares, disclosed at least 1 business day before each transaction, without specifying the sales amount separately from the post-sale announcement.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

VI- MATTERS REGARDING TO THE GENERAL ASSEMBLY MEETINGS AND DISCLOSURE OF INFORMATION ABOUT THE ISSUE OF CAPITAL MARKET INSTRUMENTS

Within the General Assembly Meetings and notifications and explanations regarding the issuance of Capital Market instruments, the Company complies with the announcement periods specified in the Company's articles of association, the Internal Directive of the Company's General Assembly, the Commercial Code and the Capital Market Law and the minimum requirements to be disclosed. The abovementioned information and documents are announced separately on the corporate website of the Company.

VII- INVESTOR MEETINGS AND OTHER MATTERS

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our Shareholders and the persons and organizations that will benefit from the disclosures.

The financial statements and notes to the financial statements are prepared in accordance with the current legal legislation, present the financial position and trends of our Company, and disclosed after being audited independently in the periods stipulated by the legislation.

The annual report is prepared in accordance with including the minimum information determined by the legislation and parallel to the public can access all kinds of information about the Company's nature of business and its activities. These reports are also disclosed to the Public Disclosure Platform (PDP) and on the corporate website of the company, and are presented to the information of investors.

Our annual report is prepared by our General Manager and our Department Manager who is responsible for the preparation of financial statements and reports. Our annual report is approved by our Board of Directors and includes the statement that the financial statements fully reflect the financial position of the Company and that the Company fully complies with the relevant legislation.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in General Assembly Internal Directive, the Commercial Code and the Capital Market Legislation announced on the corporate website of the Company.

18) CORPORATE GOVERNANCE

a) Corporate Governance Principles Compliance Statement

Our Company tries to apply the principles included in the Corporate Governance Principles within the framework of the current market and shareholding structure.

Our Company considers the Corporate Governance Principles in a positive manner both for the Company and its shareholders. Adoption of Corporate Governance Principles is considered to create significant opportunities such as low capital cost, increase in funding opportunities and liquidity, increase in brand image of the Company, and increase the interest of domestic and foreign investors. Corporate governance principles will create a more transparent management where shareholders can exercise their rights more easily and within a structure that they have more information. This will become a preference for shareholders.

Our Company has achieved full compliance with the principles that are mandatory basis for the implementation by the Capital Market Law. The Company has no principle that is mandatory but not implemented. The Company has no principle exempted within the scope of Article 6 of the Corporate Governance Communiqué numbered II-17.1.

In addition, the implementation of non-compulsory corporate governance principles that will not affect the competitive power of our company, trade secrets and information that will cause inequality of opportunity among the partners is accepted as a principle. Every year, compliance on corporate governance has been evaluated by the Corporate Governance Committee and the related principles are reviewed.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

In accordance with the Capital Markets Board Decision dated 10.01.2019 and numbered 2/49, it has been decided that the Corporate Governance Compliance Reporting is made in accordance with the Corporate Governance Communiqué numbered II-17.1 on the Public Disclosure Platform by using the Corporate Governance Compliance Report (CGC) and the Corporate Governance Information Form (CGIF) templates.

The Corporate Governance Compliance Report (CGC) of our company for the year 2020 and the Corporate Governance Information Form (CGIF), which includes updated information on corporate governance practices in our company, is available at "https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-kart-sanayi-ve-ticaret-as ".

b) Activities of Investor Relations Department

While the relations of our company with the shareholders were conducted by the Financial Affairs Department before 2009, the "Shareholder Relations Department" ("Investor Relations Department") was established in 2009 under the Financial Affairs Department. The related breakdown of communication structure and necessary information of the investor relations department is as follows:

The Investor Relations Department consists of 2 personnel, 1 manager and 1 staff member, and works under the Corporate Governance Committee. Investor Relations Department Manager has also started to work as a member of the Corporate Governance Committee since 28.03.2014.

Name	Position	Phone and Fax	E-mail	Address
Meltem DOĞAN	Investor Relations Staff Member	Phone: (212) 2732000 (309 extension number) Fax: (212) 273 21 64	meltem@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul
Bülent YILMAZ	Investor Relations Department Manager	Phone: (212) 2732000 (302 extension number) Fax: (212) 273 21 64	byilmaz@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul

Investor relations department manager Bülent YILMAZ has Capital Market Activities Level 3 License (Capital Market Advanced Level License) (License No: 205478) and Corporate Governance Rating Specialist License (License No: 700657).

Investor Relations department continued to work on informing the shareholders, implementing practices to exercise of rights by the shareholders, holding the general assembly meeting and announcements regarding the principles of public disclosure in 2020. The "Investor Relations Department 2019 Annual Report" prepared in accordance with the activities carried out in 2019 was submitted to the Board of Directors on 28.02.2020. The "Investor Relations Department 2020 Annual Report" prepared in accordance with the activities carried out in 2020 was submitted to the Board of Directors on 24.02.2021.

In scope of the Company's information policy disclosure, the Investor Relations Department conduct its activities to inform the relevant stakeholders in a timely, accurate and complete manner without disrupting the equality of opportunity among themselves on non-existent information and provides the value of the financial and non-financial information and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and/or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders.

For this purpose, in order to ensure that the stakeholders of our company to obtain information about all kinds of issues and questions related to the company, the contact information of the Investor Relations Department has been presented on the company's website, Annual Reports and Public Disclosure Platform.

Telephone, e-mail and fax communication channels have been established for all information requests of stakeholders for our company.

In 2020, 237 questions were received by the Investor Relations Department via e-mail and phone communication channels. If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within the framework of publicly disclosed information, shareholders were informed about their questions. The investor relations department has not been answered the questions and interpretations regarding the stock prices and future predictions of our company, which are not directly related to our company.

Incoming questions were answered orally and by e-mail as permitted by the legislation to the extent that the questions are relevant to our company.

The breakdown of the content of the questions is as follows:

REQUESTED INFORMATION	Number of Questions	% Ratio
Increase and Decrease in Stock Prices	150	63%
Capital Increase and Registered Capital Ceiling	59	25%
Financial Statements	14	6%
General Assembly and Voting Rights	8	3%
Dividend Payments	6	3%
Total	**237**	**100%**

Most of the questions asked by investors were related to period profit, stock price movements, increasing the registered capital ceiling and capital increase. The remaining questions include information requests about the financial statement and dividend distribution. If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within the framework of publicly disclosed information, shareholders were informed about their questions.

In the last quarter of the year, the Board of Directors have decided to increase the paid-in share capital from TL 2.837.014,21 to TL 75.000.000 on 16.10.2020, within the framework of the issuance of shares in registered capital system which is paid from the adjustment to share capital. The related procedures and permissions regarding the aforementioned decision were completed within the period and the capital increase was registered on 24.12.2020 and completed during the period. With the capital increase decision, our company's stock prices rapidly increased and recorded extraordinary movement, and a significant decrease was observed with the completion of the capital increase stock split. Therefore, significant part of the questions in the last quarter of the year was related to stock prices.

Material event disclosures presented on the Public Disclosure Platform ("PDP") are used as a general information method, and material event disclosures are also published and announced on our website, on the company platform of the Central Registry Agency (CRA). In 2020, a total number of 11 Material Event Disclosures and notification of exercise of right of use were made by our company.

c) Exercise of Shareholders Right to Information

Our Company has been established and disclosed a "Disclosure Policy" in accordance with the Capital Market Law. The related policy is available at PDP (Public Disclosure Platform: "https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as") and our company's website http://kartonsan.com.tr/tr/page.php?id=41.

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and/or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our Shareholders and the persons and organizations that will benefit from the disclosures.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in General Assembly Internal Directive, the Commercial Code and the Capital Market Legislation announced on the corporate website of the Company.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Every shareholder has exercise of right to information in our company. The exercise of right to information is not abolished or restricted in our company's articles of association or by the decision of any of our company bodies. Within the framework of our Company's exercise of right to information, all requests for information other than those that may cause inequality of opportunity among the shareholders and undisclosed information requests in accordance with the Capital Market Law are answered and shareholders are informed. This information is provided by our company's Investor Relations Department. The decisions that may affect the use of shareholders' rights are announced on the website of the company.

There is no provision in the articles of association of our company that allows each shareholder to request a special audit individually to examine certain events or to request an individual request from the general assembly even if it is not included in the agenda. In cases where there are no provisions in the company's articles of association, the provisions of the Turkish Commercial Code and Capital Market Law are applied. Our company is subject to an independent audit every year within the framework of the Capital Market Law and Tax Laws. Our company has no decision and articles of association that prevent the use of shareholder rights (rights that do not contradict with the legislation and do not cause information inequality among shareholders). In this context, using the individual Special Audit right is not deemed necessary considering the targeted benefits and cost factors to the company. However, the written application of the majority of the shareholders to the company, an agenda item can be created for discussion at the general assembly and the right to have a special audit can be exercised provided that a decision is made at the general assembly.

d) General Assembly Meetings

The General Assembly of our company have invitation announcements regarding the Ordinary General Assembly Meeting planned to be held on 30/03/2020, at 10:30 at POINT HOTEL BARBAROS, Esentepe Yıldız Posta Caddesi No: 29 ŞİŞLİ-İSTANBUL/TURKEY which as stipulated under the law and articles of association and including the contemporary agenda of the meeting, announced on the 765th page of the Official Gazette dated 03/03/2020 and numbered 10028, copies of Milliyet and Dünya newspapers dated 05.03.2020, on the company's website www.kartonsan.com.tr, on the Public Disclosure Platform (PDP), the Central Registry Agency's e-company information portal, and the Electronic General Meeting System (e-GEM), at least 21 days before the general assembly meeting, and the meeting was held in due time.

Due to the COVID-19 (Coronavirus) outbreak, the ordinary general assembly meeting will be held within the framework of the recommendations for the measures to be taken to prevent the spread of the disease in our country. However, as a result of the hotel management unilaterally breaking the agreement with our company and giving up the allocation of space within the scope of COVID-19 pandemic measures, and in order to discuss the same agenda items with the decision of the Board of Directors numbered YK/2020-09, the general assembly meeting has been postponed on Tuesday 05.05.2020 at 10:30 at the address of Prof. Dr. Bulent Tarcan Cad. Engin Pak İş Merkezi No: 5 Gayrettepe/Beşiktaş/İstanbul/TÜRKİYE.

The announcements regarding the postponement of the General Assembly meeting dated 30.03.2020 to be held on 05.05.2020 and informing that the Ordinary General Assembly Meeting postponed to 05.05.2020; which as stipulated under the law and articles of association and including the contemporary agenda of the meeting, announced on the Official Gazette dated 27/03/2020 and numbered 10046, page 535 and 421-422, Milliyet and Dünya newspapers on 28.03.2020, on the company's website www.kartonsan.com.tr, on the Public Disclosure Platform (PDP), the Central Registry Agency's e-company information portal and the Electronic General Meeting System (e-GEM) on 26.03.2020, at least 21 days before the general assembly meeting, and the meeting was held in due time. Our company does not have registered shares and therefore, registered shares and therefore, additional invitation has not been made for these shareholders.

In accordance with the evaluation of the list of attendants, it has been determined that the shareholders that will be represented by 231.017,101 number shares with a total nominal amount of TL 2.310.171,01 were represented at the meeting, representing 231.017,101 shares with a total nominal amount of TL 2.837.014,21 of the shares of the company. Thus, the Ordinary General Assembly Meeting held for 2020 has minimum meeting quorum stipulated in both law and the articles of the association. Among the shares represented at the meeting, 7.562.200 number of shares with a total nominal amount of TL 75.622 was represented by the "Deposited Representatives" in compliance with the principles and procedures set forth in Article 429 of TCC and in the General Assembly Regulation.

The invitations to the General Assembly meetings include, the place, date and time of the general assembly, the sample power of attorney for the proxies to attend the general assembly meeting, the documents required to attend the meeting and the financial statements of 2019, the board of directors, the date and where the independent auditor's report will be made available for review by the partners. In addition, general assembly information documents, along with other documents prepared in accordance with corporate governance principles, are also announced in a special separate section for investors on the company's website. The aforementioned documents were submitted to the shareholders 15 days before the general assembly meeting for the review. The shareholders have right to speak in the general assembly and expressed their opinions and wishes. The oral questions asked by the shareholders during the general assembly meeting were answered by the chairman of the general assembly by recognizing their right to speak. The shareholders did not exercise their right to ask written questions at the general assembly meeting. Therefore, Investor Relations Department did not answer any written responses.

While there is no provision in our Articles of Association that a private auditor be appointed as individual right, under article 438 of the Turkish Commercial Code, each shareholder may ask the General Assembly to reveal certain occurrences through private audit even if the agenda has no such item if it is necessary for exercising the shareholding rights and if the right to receive and examine information has been exercised before. To date, no shareholder has raised such a request.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

The questions were answered by the members of the Board of Directors and the General Manager depending on the subject matter. No demand has been received from our shareholders to add anything to the items of the agenda in this respect.

The necessary information was given about the donations made during the period at the general assembly meeting. As for the donations made within the period, information was given in a separate item during Assembly and upper limits for donations made in 2020 was defined in accordance with the Capital Market Law.

In the general assembly meeting, a separate agenda item has been established regarding the Informing of the General Assembly and Authorization of the Related Transactions in accordance with the Capital Market Law Articles 395 and 396 of the Turkish Commercial Code, and the said permission was given by the general assembly to the related to the Matters of the Shareholders, Members of the Board of Directors, Senior Managers, their spouses and their relatives by blood consanguinity and affinity up to the second degree to be able to act and compete with the Company or its Subsidiaries.

The minutes of the General Assembly meetings are disclosed to the public via the PDP and they are also provided on the Company's Internet website www.kartonsan.com.tr. One copy of the minutes is sent to the CMB; and one copy is made available at the Company's headquarters for inspection by our shareholders. https://www.kap.org.tr/tr/sirket- information/summary/997-kartonsan-kart-sanayi-ve-ticaret-a-s

e) Information Regarding Board of Directors, Committees, Independent Auditors, Key Management Personnel and Financial Rights

In accordance with the relevant articles of the company's articles of association, the related law and regulations regarding the Board of Directors and auditors are as follows:

Board of Directors

Article: 8: The Board of Directors of Company consists of at least 7 (seven) and at most 11 (eleven) members which is administered and represented by the General Assembly in accordance with its authority of election. The number of members of the Board of Directors has been determined that enabling members to conduct efficient and constructive work, to make fast and rational decisions, and to form committees and organize their work effectively.

The Company complies with the Corporate Governance Principles required by the Capital Markets Board. Transactions made and board decisions made that are the principles not being mandatory have also not been complied with Capital Markets Board and deemed to be in breach of the articles of association. The number and nature of the independent members that has position in the Board of Directors have been determined in accordance with to the regulations of the Capital Markets Board on corporate governance.

The members of the Board of Directors elected a chairman among the Board of Directors and when chairman is not available, members of the Board of Directors selects two Vice Chairman of Board of Directors to act as a Chairman of Board respectively.

The General Assembly can change the members of the Board of Directors constantly, it deems as necessary. The member of the Board of Directors who has been removed from the duties and responsibilities does not have the right to claim compensation.

Duties and Powers of the Board of Directors and their Transfer

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and requited committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

Article: 9/A- Canceled

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

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

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

Board of Directors Meetings

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

Financial Rights Granted to the Members of the Board of Directors

Article: 12- The salaries, remunerations attendance fee, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

Auditors

Article: 13- The General Assembly elects one or two auditors during the period. The Company complies with the Turkish Commercial Code, the Capital Markets Law, the Capital Markets Board and the relevant regulations regarding the auditor's election, term of office, duties, powers and responsibilities, registration procedures and other matters related to the auditor.

Remuneration of Auditors

Article: 14- General Assembly has been determining the payments and fee of the auditors on monthly or annual payments.

The Ordinary General Assembly meeting for the 2019 annual report of the company was held on 05.05.2020. The following persons were appointed as members of the Board of Directors and Independent Auditors to serve for 1 year each at the General Assembly meeting. Information on the Board of Directors, Committees and Independent Auditor of the Company, who worked during the period or was elected within the period, are as follows:

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Board of Directors

Name	Position	Duties Except Parent Company	Executive/ Non-Executive	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ünal Bozkurt	Chairman of the Board	Board Membership	Executive	05.10.2000	04.05.2021	05.05.2020	1 YEAR
Aslı Balkır	Vice Chairman of the Board	Board Membership	Executive	02.08.2001	04.05.2021	05.05.2020	1 YEAR
Süleyman Kaya	Vice Chairman of the Board	Board Membership	Executive	06.02.2006	04.05.2021	05.05.2020	1 YEAR
Sinan Ercan Gülçur	Board Member	Board Membership	Executive	05.10.2000	04.05.2021	05.05.2020	1 YEAR
Babür Gökçek	Board Member	Board Membership	Executive	06.02.2006	04.05.2021	05.05.2020	1 YEAR
Mehmet İmregün	Board Member	Board Membership	Executive	21.03.2011	04.05.2021	05.05.2020	1 YEAR
Hatice Canan Pak İmregün	Board Member	Board Membership	Executive	01.10.2012	04.05.2021	05.05.2020	1 YEAR
İlker Cengiz	Board Member	Board Membership and Legal Coordinator	Non-Executive	05.05.2020	04.05.2021	05.05.2020	1 YEAR
Haluk İber	Board Member and General Manager	Board Membership	Executive	02.03.2006	04.05.2021	05.05.2020	1 YEAR
Ahmet Göksel Yücel	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	04.05.2021	05.05.2020	1 YEAR
Süleyman Kadri Mirze	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	04.05.2021	05.05.2020	1 YEAR

The Board of Directors held 29 meetings during the year until 31.12.2020. Average attendance rate of board members to board meetings for 2020 was 93.10%. All of the decisions of the Board of Directors have been implemented during the year.

The personal backgrounds of the members of the Board of Directors are included in the General Assembly documents and have been prepared and announced to the public by our company. The General Assembly documents are available at the website of our company, on Public Disclosure Platform https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as and e-company information portal.

http://kartonsan.com.tr/tr/page.php?id=47 or https://e sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916

In accordance with the independent board memberships within the framework of the Capital Market Law, the Corporate Governance Committee has been determined 2 independent board members on 20.02.2020 in 2020 and presented to the board of directors on 27.02.2020. These independent members submitted their declarations of independence to the company, and there exists no matter that eliminated their independence during the period. Independent members of the board of directors have submitted the following declaration of independence to the company.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Statement of Independence for Independent Members of Board of Directors

I hereby represent that, I am a candidate for carrying our duty as “independent member” in Board of Directors of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi. (Company) within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique of Capital Markets Board and in this context;

There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company’s management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,

I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier’s or buyer’s audit,

I have not carried out a duty as board member in Company’s Board of Directors for more than six years, within last ten years,

I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation, d) I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193

I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,

I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,

I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

Date-Name Surname-Signature”

Although the fact that the members of the Board of Directors can have other duties outside the company is not bound by the rules and regulations, their duties and responsibilities have been presented for the information and approval of the shareholders in the general assembly meetings as a separate agenda item.

Our company is a subsidiary of PAK GROUP. Some of the members of the board of directors of our company naturally take part in other group companies and subsidiaries that hold the administrative governing control of our company. Therefore, at the general assembly meetings every year, the matters regarding the “Management and Competition of Shareholders, Members of the Board of Directors, Senior Executives, have been authorized the abovementioned shareholders holding the management control, the members of the Board of Directors, the senior executives with administrative responsibility and their spouses and relatives related by blood or affinity up to the second degree to compete with and to carry out transactions that might cause conflict of interest with the Company itself or its subsidiaries, to conduct the activities under the scope of the line of business of the Company directly or on behalf of others and to participate in the companies conducting such kind of activities in the year 2016 and to perform any other transactions pursuant to articles 395 and 396 of the Turkish Commercial Code is added to the agenda and the said permission is requested by the general assembly.

The Company has not been decided a strict target for female members in the Board of Directors. Board of Directors has at least 2 female members for many years. Since there has been no minimum target set for the ratio of women members of Board of Directors, the achievement of any targets of female members have not been evaluated separately.

The operating principles of the Board of Directors are regulated in detail in accordance with the Articles 9 and 10 of the Articles of Association and the related articles are as follows:

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Duties and Powers of the Board of Directors and their Transfer

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and requited committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

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

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

In relation to the Meetings of the Board of Directors, the following regulations were made in the article 11 of the articles of association.

Meetings of the Board of Directors

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

Our Company's Board of Directors embraces and implements the principle of executing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors held 29 meetings until 31.12.2020 in 2020. All members who did not have any excuse (health issues and being in abroad etc.) participated in the meeting. All of the decisions taken within the period were taken by the consensus of the participants. Therefore, no dissenting opinion was entered into the decision record.

There is no division of labor among the members of our company's Board of Directors and clarifications are made about the committees established in the activity reports and on the company's website.

No insurance was made out in relation to the damages to be caused in the company by the defaults of the members of the Board of Directors during their duties.

A written circular of signatures is issued by the Board of Directors of our Company in relation to the representation and management of the company following the General Assembly meeting in every year. In this circular of signatures, the authority to represent the company alone is not granted to any person. The important deeds and procedures can be performed with the signatures of at least 2 signatories by different signatory groups. In our Company, no one has unlimited authority to take decision alone.

In our Company, the chairman of the Board of Directors and the general director are not the same person. The application has been made in this way for many years.

Even if the chief executive officer and the chairman of the board of directors will be the same person in the future, this situation is not considered as an issue that will affect the rights of the shareholders. Therefore, it will not be necessary to inform the shareholders on this matter and to make clarifications in the activity reports.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

The Corporate Management Committee was established from the members of our Company's Board of Directors. Also, the Investor Relations Department was established as associated to this committee. In the elimination and resolution of the possible disputes, the Board of Directors of our company agreed to play a leading role

Number, Structure and Independence of the Committees Established within the Board of Directors

The Audit Committee, the Early Detection of Risk Committee and the Corporate Governance Committee have been established from the members of our Company's Board of Directors. The Nomination Committee and the Compensation Committee were not established and it was adopted that the Corporate Management Committee would fulfill also these duties. From which members the Early Risk Identification Committee, the Auditing Committee and the Corporate Management Committee would be established and the working principles of the Committees were determined and disclosed to the public by the Board of Directors.

The Audit Committee has been established from 2 members in total and Independent Members were elected to these two membership positions. The Chairman naturally became an Independent Member.

The Corporate Governance Committee was established from 4 members (3 members as the Member of the Board of Directors and 1 member as the Director of the Investor Relations Department) and the Early Risk Identification Committee was established from 3 members. The independent members of the Board of Directors were elected to the chairman positions of all of these committees.

The performing committees of our Company during the year of 2020 are as follows:

Audit Committee

Name - Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Audit Committee	10.04.2018	04.05.2021	05.05.2020	1 YEAR
Süleyman Kadri Mirze	Audit Committee Member	10.04.2018	04.05.2021	05.05.2020	1 YEAR

Corporate Governance Committee

Name - Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Re-Election	New Term
Süleyman Kadri Mirze	Chariman of the Corporate Governance Committee.	10.04.2018	04.05.2021	05.05.2020	1 YEAR
Aslı Balkır	Corporate Governance Committee Member	09.04.2013	04.05.2020	-	-
İlker Cengiz	Corporate Governance Committee Member	05.05.2020	04.05.2021	05.05.2020	1 YEAR
Süleyman Kaya	Corporate Governance Committee Member	09.04.2013	04.05.2021	05.05.2020	1 YEAR
Bülent Yılmaz	Corporate Governance Committee Member *	28.03.2014	04.05.2021	05.05.2020	1 YEAR

*He is not the Member of the Board of Directors, but the Director of the Investor Relations Department.

Early Detection of Risk Committee

Name - Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Early Detection of Risk Committee	10.04.2018	04.05.2021	05.05.2020	1 YEAR
Mehmet İmregün	Early Detection of Risk Committee Member	09.04.2013	04.05.2021	05.05.2020	1 YEAR
Sinan Ercan Gülçur	Early Detection of Risk Committee Member	28.03.2014	04.05.2021	05.05.2020	1 YEAR

The Chief Executive Officer/general director or the other executive members did not take charge in the committees.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

The number of the Independent Members of the Board of Directors is 2 as required by the structuring of our Company's Board of Directors. As at least the chairman's of the committees established and all of the Auditing Committee should be established from the independent members, the principle for one member of the Board of Directors not to take charge in more than one committee could not be fulfilled. One member of our Board of Directors has to take charge in 2 separate committees.

The working principles related to the Committees established from the members of our Company's Board of Directors were documented. The current working principles of the Committees are available on our company's website (http://kartonsan.com.tr/tr/page.php?id=37), on the Public Disclosure Platform ("https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayive-ticaret-a-s") and on the e-company application. (http://kartonsan.com.tr/tr/page.php?id=37 or https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916)

Within the framework of such principles, all committees can invite the executive that they consider necessary in order to be able to fulfill their duties and obtain the opinion of such executive. Furthermore, the financial resource that is necessary for the operations of the committees is provided by the Board of Directors. Within the current period, no financial resource has been used by the committees.

All committees can provide the consultancy services that they consider necessary in order to be able to fulfill their duties on condition that the price of such services is covered by the company.

The Committees established from the members of our Company's Board of Directors document and record all of their works. They comply with the documented working principles on this matter. The Committees regularly submit reports to the board of directors in relation to their operations.

The committees other than the Early Detection of Risk Committee convene at the Company headquarters every three months, at least four times each year. The Early Risk Identification Committee may convene in frequencies required by its duties and responsibilities. The Early Detection of Risk held meetings for three times in total in 2020.

Our Company decided to establish the Early Detection of Risk Committee starting from 2013. This committee has been established from 3 persons and the chairman of the committee was the independent member of the Board of Directors. The Board of Directors reestablishes the committee depending on the elections of the members of the board of directors as required by its structuring in every year. The committee performs duty within the framework of the duties determined. The committee submitted the report that it prepared to the board of directors.

Key Management Compensation to the Board of Directors and Senior Managers

The article 12 of the articles of association includes regulation regarding the financial rights of the Board of Directors and the text of the article is as follows.

Financial Rights of the Members of the Board of Directors

Article: 12- The salaries, remunerations attendance fee, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

The remuneration principles of the members of the Board of Directors and the senior executives were documented and submitted to the shareholders as a separate item at the Ordinary General Assembly meetings and the shareholders were provided with the opportunity of delivering an opinion on this matter. This policy is available on the company's website (www.kartonsan.com.tr), on the e-company application of the Central Registry Agency (https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916) and on the Public Disclosure Platform ("https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s").

Our Board of Directors did not prefer the establishment of a separate Compensation Committee as required by its structuring and decided that the compulsory duties identified to these committees within the framework of the Corporate Management Principles to be fulfilled by the Corporate Governance Committee.

In the pricing of the independent members of the Board of Directors, the stock options or the payment schedules based on the company's performance were not used. Effort was shown for the salaries of the independent members of the Board of Directors to be at the level to maintain their independence. It was agreed to pay monthly salary to the independent members by the General Assembly.

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Our Company does not have any application such as providing debt-credit to, giving guarantee or surety in favor of its Members of the Board of Directors or Senior Executives. Non-performance of such procedures was adopted as a principle by our board of directors.

The salaries and remunerations provided to the members of our Company's Board of Directors are included in the interim and annual activity reports and are available on the website of the company. Although no clarification is made on an individual basis, the minimum Board of Directors- senior executive separation is included.

Our members of the Board of Directors and Senior Executives earn the incomes specified in the following clarifications.

Benefits Provided to Members of the Board of Directors

Daily Allowance

Its amount is determined at the General Assembly Meeting.

(Daily Allowance Payments)

The monies and benefits (daily allowance) paid or provided to the chairman and members of the board of directors due to such capacities are qualified as salary in accordance with the article 61/4 of the Income Tax Law. The daily allowance payments made to the chairman and members of the board of directors are taxed by withholding as for the salary payments made to the other employees of the company.

Dividend Payment

It has been determined by the General Assembly within the framework of the article 25 of the articles of association at "the General Assembly Meeting" held in every year.

Key Management Compensation

The General Directors and Vice General Directors who are the members of the Board of Directors have as well as the membership to the Board of Directors and their income is as follows:

- Monthly Salary (determined on a yearly basis.)
- Bonus at the amount of one monthly salary, (given for 4 times in a year.)
- Achievement Premium (given once at the end of the year.)
- Seniority Incentive Bonus (given at the amount between 1 salary and 2.5 salaries at the 5th, 10th, 15th, 20th, 25th years.)
- Personal Accident and Health Insurance
- Vehicles and Fixture allocated as required by the duty.

The key management compensation and the Members of the Board of Directors during the period (salary and daily allowance payments except for the dividend payments of the Board of Directors) are as follows:

	31.12.2020	**31.12.2019**
Key management compensation provided to key management personnel	4.663.527	2.902.768
Key management compensation provided to board members	309.876	207.202
Total	**4.973.403**	**3.109.970**

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

Key management personnel during the period

Name - Surname	Position
Haluk İber	Member of the Board of Directors and General Manager
Ümit Özkan	Mill Manager
Volkan Turt	Chief Manager of Production
Güven Şanlı	Chief Manager of Technical Division *
Ümit Dinçol	Chief Manager of Production Services
Raşit Kemal Özkırım	Chief Manager of Marketing
Şadiye Başak Kaya	Chief Manager of Human Resources and Quality Systems
Atiye Süheyla Tuğtekin	Chief Manager of Purchasing
Bülent Koru	Chief Manager of Financial Affairs

There was no change incurred in key management personnel during the period.

* At the end of the term, Güven Şanlı was appointed as Factory Manager. İhsan Doğan has been appointed as Technical Manager.

The detailed information regarding the General Director of our company is as follows:

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

He was born on 15.07.1959. He received his undergraduate degree from the Chemical Engineering Department of Istanbul Technical University, and his graduate degree from Maine University. He started his business career at Seka A.S. in the year 1987. He worked in various positions within our Company between the years 1991 and 2002. Between the years 2002 and 2012, he worked as Vice General Director in the Company. He has been assigned to the position of General Director in our Company since the date 01.10.2012. His duty as Member of the Board of Directors of our Company to which he was assigned as of the year 2005 currently continues. Furthermore, he has the duty of member of board of directors in Selka Ic ve Dis Ticaret A.S and Donkasan Donusturulen Atik Kagit San. ve Tic. A.S., which are subsidiaries of our Company.

19) SUBSIDIARY COMPANY REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL LAW

In accordance with Article 199 of the Turkish Commercial Code numbered 6102, which entered into force on July 1, 2012, the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.S. is obliged to issue a report about the relations of the company with its controlling shareholder and the companies associated to the controlling shareholder in the previous operating year and to include the conclusion part of this report in the operating report within the first three months of the operating year.

In accordance with the report dated 25 February 2021 prepared by the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.S.,

“An appropriate counter-action was ensured in each legal transaction with Asil Holding A.S. (Controlling Shareholder), being the controlling shareholder of Kartonsan Karton Sanayi ve Ticaret A.S.(Subsidiary), and Pak Holding A.S. and with the companies which are directly or indirectly the subsidiaries of these two companies in accordance with the cases and conditions to the best of our knowledge on the date when such transactions were performed. There is no measure that was taken or that was avoided to be taken and the company has no damage within this framework

All measures that were taken or that were avoided to be taken for the benefit of the controlling shareholder or its subsidiary were evaluated within the operating year of 2020 in the legal transactions made for the benefit of the controlling shareholder or its subsidiary by the direction of the controlling shareholder in accordance with the cases and conditions to the best of our knowledge in all transactions made with our Company, the controlling shareholder and its subsidiaries within the operating year of 01.01.2020 - 31.12.2020. We declare that our Company did not incur such damage due to any transaction that occurred in accordance with the known cases and conditions with respect to the operating year of 2020, no benefit was provided and it is not possible to compensate the benefits obtained by the controlling shareholder or the damage.”

OTHER INFORMATION AND MATTERS THAT MUST BE EXPLAINED PURSUANT TO THE LEGISLATION

20) OTHER MATTERS

- The company does not have acquired own shares.
- Necessary disclosures have been made in the “Provisions, Contingent Assets and Liabilities” section (Note 14) in notes to the financial statements about the lawsuits filed against the company that may affect the financial position of the company and their possible results.
- Our company has all of its capital and there exists no event of loss of capital and “technical bankruptcy”.
- The Company has no significant events incurred after the reporting period that is not disclosed in the previous pages of the annual report.
- During the period of 2020, the routine inspections related to the wastes and pollution that occurred as a result of our production activities were continued to be performed by Kocaeli Metropolitan Municipality, Basiskele Municipality and the Provincial Directorate of Environment and Urbanization at the factory of the company. The Company has no supervision and inspection activity which was performed by any public institution except for the abovementioned institutions.
- No administrative or judicial sanction was applied about the company and the members of the managing body due to the applications in contrary to the legislation provisions.
- The Company has no Extraordinary General Assembly Meeting held in 2020.
- Within scope of the Registered Capital System regulations, in accordance with the decision taken by the Board of Directors of our company at the meeting dated 16.10.2020 and YK/2020-21 and 27.10.2020 and numbered YK/2020-22; it has been decided that the Company’s issued capital of TL 2.837.014,21 within the registered capital ceiling of TL 100.000.000 is increased by TL 72.162.985,79, all of capital are covered by the “Adjustment to Share Capital” account in the statutory records and total increased capital amounting to TL 75.000.000. The Company has been requested the necessary permission and approval by applying to the Capital Markets Board in order to realize the aforementioned capital increase. In accordance with the aforementioned capital increase, the Company has been decided to give Group A shares against Group A shares and Group B shares against Group B shares. In this context, the Company has been amended the article 6 of the Company’s articles of association in “Capital of the Company”.

The Capital Markets Board approved the request for permission and approval for the abovementioned capital increase dated 22.12.2020. The capital increase was registered on 24.12.2020, announced by the Capital Markets Board on 25.12.2020 and published in Official Gazette numbered 10232.

INFORMATION TO SHAREHOLDERS

Stock Market
The shares of Kartonsan A.Ş. have been quoted on the National Market of Borsa İstanbul A.Ş. (BİST) with the symbol KARTN. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies. Kartonsan's annual reports and other information can be obtained from the address below, as well as from the company's website at www.kartonsan.com.tr.

Kartonsan Investor Relations
Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul

Independent Auditor
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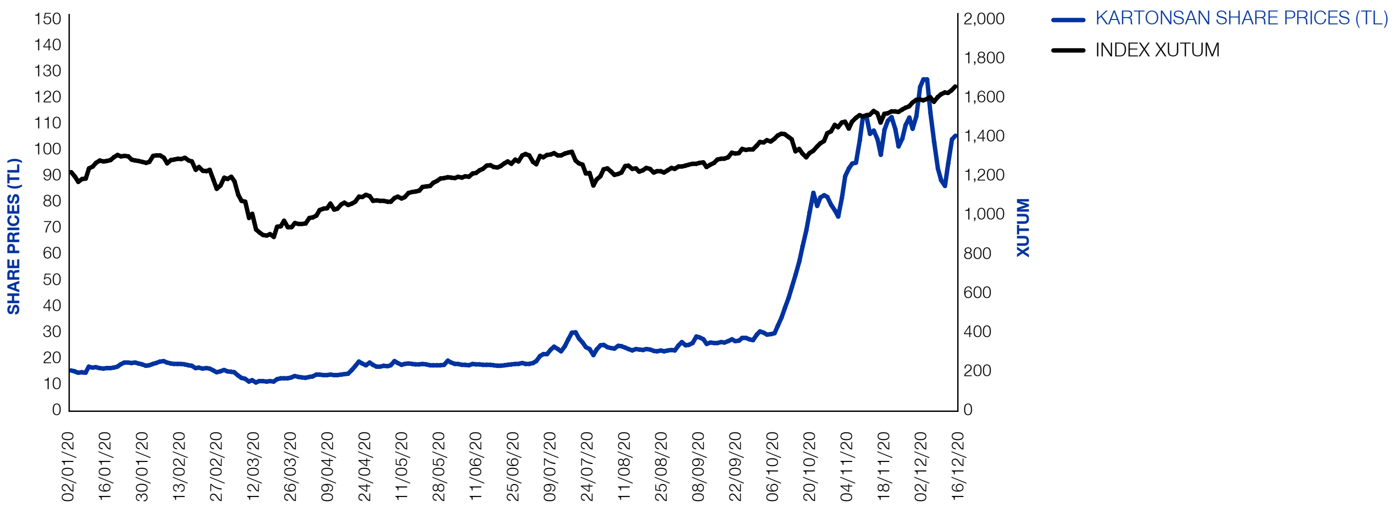
Fax: (212) 285 03 40

Ordinary General Assembly Meeting
Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 31 March 2021 at Prof. Dr. Bülent Tarcan Caddesi Engin Pak İş Merkezi No: 5 Gayrettepe, Beşiktaş, İstanbul.

Stock Performance of Kartonsan in 2020
Kartonsan's paid in share capital was amounting to TL 75.000.00 as of the balance sheet date. The Company's capital is divided into 7.500.000.000 number of shares, 5.287 of which are Group A shares and remaining 283.701.221 number of shares are Group B shares.

STOCK PERFORMANCE OF KARTONSAN IN 2020 (COMPARED TO BIST GENERAL INDEX)



The lowest price of the stock during the year was TL 10.23 and the highest price was TL 126.37. The average stock price recorded in 2020 was TL 33.73. The lowest and highest prices of the stock are as follows:

PERIOD		LOWEST (TL)	HIGHEST (TL)
02.01.2020	31.03.2020	10.23	18.40
01.04.2020	30.06.2020	12.13	18.67
01.07.2020	30.09.2020	17.25	29.50
01.10.2020	31.12.2020	26.20	126.37

The cover of this report has been printed on Kartonsan cardboard.

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