(Convenience translation of auditors' report and financial statements and footnotes originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret A.Ş.

Financial statements together with report of independent auditors December 31, 2012

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

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Independent auditors' report on the financial statements for the year ended December 31, 2012
(Convenience translation of independent auditors' report originally issued in Turkish)

To the Shareholders of
Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Introduction

We have audited the accompanying balance sheet of Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi (the "Company") which comprises the balance sheet as at December 31, 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey. This responsibility includes; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly the financial position Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi as at December 31, 2012 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Engagement Partner
4 Mart 2013
Istanbul, Turkey

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi
Balance Sheet as at December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	**Current period Audited December 31, 2012**	Prior period Audited December 31, 2011
Assets			
Current assets		**85.555.250**	74.968.274
Cash and cash equivalents	4	**19.644.376**	24.386.884
Trade receivables		**27.844.847**	28.546.771
- Other trade receivables	7	**27.844.847**	28.546.771
Other receivables		**1.128.641**	1.442.438
- Due from related parties	25	**873**	60.035
- Other receivables	8	**1.127.768**	1.382.403
Inventories	9	**29.031.959**	15.784.177
Other current assets	15	**7.905.427**	4.808.004
Non-current assets		**58.067.370**	62.072.234
Trade receivables		**75.000**	-
- Other trade receivables	7	**75.000**	-
Investment in associates accounted by equity method	10	**162.110**	125.030
Property, plant and equipment	11	**56.839.317**	60.643.598
Intangible assets	12	**7.253**	17.937
Other non-current assets	15	**983.690**	1.285.669
Total assets		**143.622.620**	137.040.508

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi
Balance Sheet as at December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated)

Liabilities

Current liabilities		**27.922.242**	20.553.699
Financial liabilities	5	**15.001.014**	9.921.559
Other financial liabilities	6	**414.406**	873.000
Trade payables		**9.847.427**	6.536.921
- Due to related parties	25	**617.926**	566.354
- Other trade payables	7	**9.229.501**	5.970.567
Current income tax payable	23	**148.870**	606.804
Other current liabilities	15	**2.510.525**	2.615.415
Non-current liabilities		**11.952.071**	10.563.430
Financial liabilities	5	**7.571.219**	6.479.139
Other financial liabilities	6	**75.000**	-
Provision for employee termination benefits	14	**2.599.028**	2.303.664
Deferred tax liabilities	23	**1.706.824**	1.780.627
Total liabilities		**39.874.313**	31.117.129
Equity		**103.748.307**	105.923.379
Paid-in share capital	16	**52.500.000**	52.500.000
Inflation adjustment on paid-in share capital	16	**32.414.361**	32.414.361
Restricted reserves	16	**3.995.963**	2.737.673
Prior year profits		**8.069.362**	6.096.143
Net income for the year		**6.768.621**	12.175.202
Total liabilities and equity		**143.622.620**	137.040.508

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of comprehensive income
for the year ended December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	**Current period Audited January 1 – December 31 2012**	Prior period Audited January 1 – December 31 2011
Net sales, net	17	**122.716.725**	122.802.988
Cst of sales	17	**(104.431.064)**	(105.693.533)
Gross profit		**18.285.661**	17.109.455
Research and development expenses	18	**(124.890)**	(91.748)
Selling, marketing and distribution expenses	18	**(4.319.243)**	(3.345.857)
General and administrative expenses	18	**(4.366.791)**	(3.121.951)
Other operating income	20	**773.408**	899.176
Other operating expenses	20	**(309.453)**	(22.667)
Operating profit		**9.938.692**	11.426.408
Share on investment in associates accounted for using equity method	10	**37.080**	26.123
Financial income	21	**1.681.997**	6.634.196
Financial expense	22	**(3.060.736)**	(2.918.460)
Income before tax		**8.597.033**	15.168.267
Taxation on income		**(1.828.412)**	(2.993.065)
- Current income tax expense	23	**(1.902.215)**	(3.192.858)
- Deferred tax income	23	**73.803**	199.793
Net income		**6.768.621**	12.175.202
Other comprehensive income / (expense) after tax	-	**-**	-
Total comprehensive income		**6.768.621**	12.175.202
Earnings per share	24	**0,0013**	0,0023

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of changes in equity
for the year ended December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated

	Paid-in share capital	Inflation adjustment to paid-in share capital	Restricted reserves	Prior year profits	Net profit for the year	Total equity
January 1, 2011	52.500.000	32.414.361	2.394.393	7.721.858	3.022.117	98.052.729
Transfers	-	-	-	3.022.117	(3.022.117)	-
Dividend payment (Note 25.e)	-	-	343.280	(4.647.832)	-	(4.304.552)
Net profit for the period	-	-	-	-	12.175.202	12.175.202
December 31, 2011	52.500.000	32.414.361	2.737.673	6.096.143	12.175.202	105.923.379
January 1, 2012	52.500.000	32.414.361	2.737.673	6.096.143	12.175.202	105.923.379
Transfers	-	-	-	**12.175.202**	**(12.175.202)**	**-**
Dividend payment (Note 25.e)	-	-	**1.258.290**	**(10.201.983)**	**-**	**(8.943.693)**
Net profit for the period	-	-	-	**-**	**6.768.621**	**6.768.621**
December 31, 2012	**52.500.000**	**32.414.361**	**3.995.963**	**8.069.362**	**6.768.621**	**103.748.307**

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of cash flows
for the year ended December 31, 2012
(Currency –Turkish Lira (TL) unless otherwise indicated

	Notes	Current period Audited January 1 – December 31 2012	Prior period Audited January 1 – December 31, 2011
Operating activities:			
Profit before taxation on income		**8.597.033**	15.168.267
Adjustments to reconcile profit before taxation on income to net cash generated from operating activities			
Depreciation and amortization	11-12	**5.698.754**	5.483.782
Provision for employment termination benefits	14	**519.836**	719.815
(Collection of)/provision for doubtful receivables	7-20	**(102.064)**	(97.570)
Share on results of investment in associate	10	**(37.080)**	(26.123)
(Income)/loss from sales of property, plant and equipment	20	**294.382**	(193.267)
Interest income	21	**(636.452)**	(589.983)
Interest expense	22	**332.460**	385.507
Provision for labour cases	18	**97.034**	-
Operating profit before working capital changes		**14.763.903**	20.850.428
Changes in assets and liabilities			
Short-term trade receivables	7	**803.988**	(11.332.398)
Other receivables	8	**313.797**	1.113.992
Inventories	9	**(13.247.782)**	3.229.627
Other current assets	15	**(3.097.423)**	(1.123.438)
Long-term trade receivables	7	**(75.000)**	873.000
Other non-current liabilities	15	**301.979**	430.805
Trade payables	7	**3.258.934**	(3.485.818)
Other short-term liabilities	15-23	**(201.924)**	(5.705.757)
Due to related parties	25	**51.572**	124.786
Employment termination benefits paid	14	**(224.472)**	(222.155)
Taxes paid	23	**(2.360.149)**	(2.586.054)
Net cash generated from operating activities		**287.423**	2.167.018
Investing activities:			
Interest received		**642.033**	593.007
Purchases of property, plant and equipment and intangible assets	11-12	**(2.178.171)**	(9.540.690)
Proceeds from sales of property, plant and equipment	11-12	**-**	219.759
Net cash used in investing activities		**(1.536.138)**	(8.727.924)
Financing activities:			
Dividend paid	16	**(8.943.693)**	(4.304.552)
Subsidiary capital increase	10	**-**	(22.500)
Repayments of financial liabilities		**6.165.222**	9.609.484
Factored receivables	6	**(383.594)**	(1.235.000)
Interest paid		**(326.147)**	(356.437)
Net cash provided by/(used in) financing activities		**(3.488.212)**	3.690.995
Net decrease in cash and cash equivalents		**(4.736.927)**	(2.869.911)
Cash and cash equivalents at beginning of the year	4	**24.367.922**	27.237.833
Cash and cash equivalents at the end of the year	4	**19.630.995**	24.367.922

1. Organization and nature of operations

The nature of the operations of Alkim Kağıt Sanayi ve Ticaret A.Ş. (the "Company") is the manufacturing and sales of offset, glossy and photocopy papers. The main shareholder of the Company is Alkim Alkali Kimya A.Ş. ("Alkim Kimya") (Note 16).

The Company is registered in the Turkish Capital Markets Board ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE"). As at December 31, 2012, the shares traded on ISE are 20% (2011: 20%) of the total shares.

As of December 31, 2012, the average number of personnel of the Company is 180 (2011 - 199).

The address of the registered office is as follows:

Organize Sanayi Bölgesi Kırovası Mevkii
Kemalpaşa-İzmir

Cihat Kora, M. Reha Kora, Arkın Kora, A. Haluk Kora, Ferit Kora, Özay Kora, Tülay Önel, Mithat Kora (members of the Kora family) holding shares equivalent to 67,2831% of the share capital of Alkim Alkali Kimya A.Ş., which is a majority shareholder of the Company, notified in Istanbul Stock Exchange in 17 October 2012, that they had signed a contract with İş Yatırım Menkul Değerler A.Ş. for consultancy services for the partial or whole sale of their shares, establishment of relations with investors at home or abroad regarding this matter and evaluation of various options.

Dividend paid

As decided on the Ordinary General Meeting held on April 10, 2012, the Company distributed gross dividend from profit of 2011 and prior years amounting to TL 8.943.693. In accordance with the decision, related amount transferred to the accounts of shareholders.

Approval of Financial Statements

Financial statements are approved for issue by board of directors on March 4, 2013. General Assembly has the power to amend the financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

The Capital Market Board (CMB) regulated the principles of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" (the "Communiqué"). The Communiqué supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

2. Basis of presentation of financial statements (continued)

With the decision taken on 17 March 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year starting from January 1, 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements in weekly newsletters of 2008/16, 2008/18, 2009/02, 2009/04, including the mandatory disclosures.

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales described in "Revenue Recognition" are presented as net provided that if the nature of the transaction or the event qualify for offsetting.

Financial statements have been prepared under the historic cost convention except for the financial assets and liabilities which are stated at fair values and presented in Turkish Lira ("TL"), which is the functional and presentation currency of the Company.

2.2 Amendments in International Financial Reporting Standards

The accounting policies adopted in the preparation of the financial statements as of December 31, 2012 are consistent with those followed in the preparation of the financial statements of the prior year, except for the adoption of new standards and IFRIC interpretations summarized below. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

Amendments in Accounting Policies and Explanations

The accounting policies adopted are consistent with those of the previous financial year except those summarized below. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2012.

Adoption of new or revised standards and interpretations

As of December 31, 2012, the Company adopted the new standards, amendments and interpretations related to its operations published by the IASB and International Financial Reporting Interpretation Committee ("IFRIC") which are mandatory for the accounting periods beginning on or after January 1, 2012. The effects of these standards and amendments on the Company's financial position and performance are explained in the related paragraphs.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations which are effective as at January 1, 2012 are as follows:

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. Adoption of this amendment did not have any impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. Comparative disclosures are not required. The amendment affects disclosures only and will not have any impact on the financial position or performance of the Company.

Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, after the new standards and interpretations become in effect.

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after 1 July 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial

2. Basis of presentation of financial statements (continued)

statements. Transitional requirement of this amendment is similar to IFRS 10. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in

(i) evaluating the effect or potential effect of netting arrangements on an entity’s financial position and
(ii) analyzing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards.

The amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and Measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after 1 January 2014 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. The Company does not expect that this standard will have an impact on the financial position or performance of the Company.

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Under the new standard the Company will provide more comprehensive disclosures for interests in other entities and has no impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after 1 January 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after 1 January 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

Improvements to IFRSs

The IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases, provided that fact is disclosed. This project has not yet been endorsed by the EU.

IAS 1 Financial Statement Presentation:
Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

IAS 16 Property, Plant and Equipment:
Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments: Presentation:
Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

IAS 34 Interim Financial Reporting:
Clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment.

IFRS 10 Consolidated Financial Statements (Amendment)

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. The amendment applies for annual periods beginning on or after 1 January 2014 with earlier application permitted. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

2.3 Basis of consolidation

The financial statements include the accounts of the Company and its associate, using the equity accounting method basis set out in the "Investment in Associates" section below. The financial statements of the associate included in these financial statements in accordance with equity accounting method have been prepared as of the same date.

Investments in Associates

The investments in associates are accounted for using the equity method. These investments are the entities that the Company has a voting right of between 20% and 50% or exercises significant influence on their operations although no controlling power exists. The unrealized profits arising from the operations between the Company and its associate are taken into account in line with the participation ratio of the Company. Similarly, the unrealized losses are taken into account if the transactions do not imply impairment loss on the transferred assets. As long as the Company has not undertaken any commitment or liability in the mentioned manner, the equity method is not applied following the decrease of investments in associates down to zero or at the end of the Company's significant influence on the operations. The carrying value of the investments in associate at the date when significant influence ceases is regarded as cost thereafter.

The following table shows all the investments in associates and their participation rates of the Company as of December 31, 2012 and 2011:

		Participation rate (%)
	December 31, 2012	December 31, 2011
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	**50.00**	50,00

2.4 Summary of significant accounting policies

The significant accounting policies applied in the preparation of the financial statements are summarized below:

2.4.1 Revenue recognition

Revenues are recognized on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions and exclude related taxes (Note 17). Rent income is recognized on an accrual basis, interest income is recognized on an accrual basis with effective yield basis calculation. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Dividend income is recognized when the right to receive is possessed.

2.4.2 Inventories

Inventories are mainly comprised of cellulose, work-in-progress and finished goods either sized or in bobbin forms, chemicals, operational materials and spare parts. Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost of inventories consists of purchase of raw materials, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the process costing method and the Company values its inventories based on the weighted average method (Note 9).

2.4.3 Property, plant and equipment

Property, plant and equipment acquired before January 1, 2005 are carried at cost in purchasing power of TL as at December 31, 2004; less accumulated depreciation and impairment losses, if any. Property, plant and equipment acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipments are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designated production capacity. Residual values of property, plant and equipment are considered to be immaterial.

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates accordingly the estimated useful lives for property, plant and equipment are as follows:

	Rates (%)
Land improvements	2 - 13
Buildings	2 - 4
Machinery and equipment	4 - 25
Motor vehicles	10 - 25
Furniture and fixtures	5 - 20

Where the carrying amount of a property, plant and equipment is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the other income and expense accounts, as appropriate (Note 20).

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognized as separate asset, are depreciated based on their useful lives.

2.4.4 Intangible assets

Intangible assets comprise of acquired rights, information systems and software. Those acquired before January 1, 2005 are carried at cost in the purchasing power of TL as at December 31, 2004; less accumulated depreciation and impairment losses, if any; those acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses, if any, which are depreciated using the straight-line method over 10 – 20 years following the acquisition date in either case. Residual values of intangible assets are deemed as negligible. In case of impairment, the carrying amount of an intangible asset is written down to its recoverable amount (Note 12).

2.4.5 Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax assets and financial assets stated at fair values. An

impairment loss is recognized for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment loss on assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

2. Basis of presentation of financial statements (continued)

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

2.4.6 Borrowings and borrowing costs

If the maturity of these instruments is less than 12 months, these loans are classified in current liabilities and if more than 12 months, classified in non-current liabilities (Note 5). Borrowings are stated at amortized cost using the effective yield method. Any proceeds and the redemption value are recognized in the statement of comprehensive income as borrowing cost over the period of the borrowings. Borrowing costs are recognized in the statement of comprehensive income as incurred (Note 22).

Assets that necessarily take a substantial period of time to get ready for its intended use or sale are defined as qualifying assets. The Company has no qualifying assets during the reporting periods.

2.4.7 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

2.4.8 Financial assets

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. They are classified as current assets when they have a maturity less than 12 months, and non-current assets when they have a maturity more than 12 months as of balance sheet date. Loans and receivables are recognized initially at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. These loans and receivables are included in trade receivables and other receivables in the balance sheet. Loans and receivables are recorded at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortized cost using the effective yield method.

2.4.9 Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognized in the statement of comprehensive income.

2.4.10 Earnings per share

Earnings per share indicated in the statements of comprehensive income are determined by dividing net profit for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 24).

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

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.4.11 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced; include all events that take place between the balance sheet date and the date when balance sheet was authorized for issue (Note 28).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, when they may affect decision of making of users of financial statements.

2.4.12 Provisions, contingent assets and contingent liabilities

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates.

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 Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities (Note 13).

If appropriate, significant changes in accounting policies and errors are applied on a retrospective basis and reflected upon previous periods' financial statements. Changes in accounting estimates involving single periods are reflected upon the current period when the change occurs; changes involving future periods are reflected both upon the current period when the change occurs and the future period, on a prospective basis.

2.4.13 Accounting policies, changes in accounting estimates and errors

2.4.14 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases (Note 5). Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.4.15 Related parties

Parties are considered related to the Company if;

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
  (i) has control or joint control over the reporting entity;
  (ii) has significant influence over the reporting entity; or
  (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
  (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  (iii) Both entities are joint ventures of the same third party.
  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  (vi) The entity is controlled or jointly controlled by a person identified in (a).
  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided the chief operating decision makers. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

The senior management of the Company makes strategic decisions as a whole over the operations of the Company as the Company operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in IFRS 8 and segment reporting is not applicable.

2.4.17 Taxation on income

Taxation on income includes current period tax liability and deferred income taxes. Current period tax liability includes the taxes payable calculated on the taxable portion of period income with tax rates enacted on the balance sheet date and the correction adjustments related to prior period tax liabilities (Note 23). The adjustments related to prior period tax liabilities are recognized in other operating income and expenses.

Deferred tax assets and liabilities are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 23).

Deferred tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible

temporary difference can be utilized. To the extent that deferred tax assets will not be utilized, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 23).

2.4.18 Provision for employment termination benefits

According to the enacted law, the Company is liable to make a lump sum payment to employees when employment is terminated for reasons other than retirement, resignation and others disclosed in the Labor Law. Provisions for employment termination benefits have been calculated estimating the present value of the future probable obligations arising from the retirement of the employees accordingly actuarial assumptions and reflected in the financial statements (Note 14).

2.4.19 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's main operations. Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand accounts, bank deposits, mutual funds and loans

originated by the Company by providing money directly to a bank under reverse repurchase agreements with a predetermined sale price at fixed future dates of less than or equal to 3 months.

2.4.20 Trade receivables and impairment of receivables

Trade receivables that are realized by the Company by way of providing goods or services directly to a debtor are carried at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the statement of comprehensive income (Note 20).

Trade receivables from certain customers that are assigned to a factor by the Company, are followed as long and short term trade receivables in the accompanying balance sheet and commission paid to factoring company as a result of the mentioned transaction. Payable to factoring company is followed as long and short term other financial liabilities in the balance sheet (Note 6 and 7).

2.4.21 Share capital and dividends

Share capital is classified as capital and dividends distributed from common stocks are deducted at the period of the declaration from the retained earnings. Dividend income is recognized when the Company's right to receive the payment is established.

2.5 Significant accounting estimates and judgments

Preparation of financial statements requires disclosure of reported assets and liabilities, contingent assets and liabilities as at balance sheet date and utilization of estimates and assumptions that can effect income and expense balances of the reporting period. Estimations and assumptions can differ from actual results in spite of these estimations and assumptions are based on the Company management's best estimate. Significant accounting estimates are as follows:

a) There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

b) Retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2012 and 2011, retirement pay liability amounts to TL 2.599.028 and TL 2.303.664, respectively.

c) Allowance for doubtful receivables is an estimated amount that the Company's management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions.

3. Segment reporting

None (Please refer to Note 2.4.16).

4. Cash and cash equivalents

	December 31, 2012	December 31, 2011
Cash on hand	**22.593**	19.296
Banks	**19.515.090**	24.367.588
- TL denominated time deposits	**10.800.450**	4.513.296
- TL denominated demand deposits	**91.719**	332.245
- Foreign currency denominated time deposits	**8.608.565**	19.461.336
- Foreign currency denominated demand deposits	**14.356**	60.711
Other current assets	**106.693**	
	19.644.376	24.386.884
Less: interest accrual	**(13.381)**	(18.962)
Total cash and cash equivalents base for cash flow statement	**19.630.995**	24.367.922

As of December 31, 2012, maturity of TL denominated time deposits is less than one month (2011 – less than one month) and the effective interest rate is 8% per annum ("p.a.") (2011 – 10,6% p.a.).

As of December 31, 2012, maturity of foreign currency denominated time deposits is less than one month (2011 – less than one month) and the effective interest rate is 2% per annum ("p.a.") (2011 – 3,7%).

The details of the foreign currency denominated demand deposits are disclosed in Note 26.c. Based on the independent data with respect to the credit risk assessment of the banks at which the Company has deposits, are sufficient in terms of credit quality of the banks. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

5. Financial liabilities

	December 31, 2012	December 31, 2011
Short-term bank borrowings	**-**	1
Short-term portion of long-term bank borrowings	**15.001.014**	9.921.558
Short-term financial liabilities	**15.001.014**	9.921.559
Long-term bank borrowings	**7.571.219**	6.479.139
Long-term financial liabilities	**7.571.219**	6.479.139
Total financial liabilities	**22.572.233**	16.400.698

5. Financial liabilities (continued)

a) Bank borrowings:

	December 31, 2012		December 31, 2011	
	Effective weighted average interest rate p.a. (%)	**Amount**	Effective weighted average interest rate p.a. (%)	Amount
Short-term bank borrowings:				
TL bank borrowings	**-**	**-**	0,00	1
				1
Short-term portion of long-term bank borrowings :				
USD bank borrowings (*)	**0,86**	**15.001.014**	0,83	9.921.558
		15.001.014		9.921.558
Long-term bank borrowings:				
USD bank borrowings (*)	**0,84**	**7.571.219**	0,86	6.479.139
		7.571.219		6.479.139

(*) The interest rates of the USD denominated GSM bank borrowings vary between Libor+0,20% p.a. with six month contractual reprising dates (2011 - Libor+0,25%) and the Company did not provide any guarantees for the mentioned bank borrowings.

The redemption schedules of long-term bank borrowings at December 31, 2012 and 2011 are as follows:

	December 31, 2012	December 31, 2011
2013	**-**	-
2014	**7.571.219**	6.479.139
	7.571.219	6.479.139

5. Financial liabilities (continued)

The carrying amounts of the financial liabilities with floating and fixed rates which were classified in terms of periods remaining to contractual reprising dates as of December 31, 2012 and 2011 are as follows:

	up to 3 months	**3 months – 1 year**	**Total**
- December 31, 2012:			
Financial liabilities with floating interest rate	**3.623.807**	**18.948.426**	**22.572.233**
Financial liabilities with fixed interest rate	**-**	**-**	**-**
Total	**3.623.807**	**18.948.426**	**22.572.233**
- December 31, 2011:			
Financial liabilities with floating interest rate	8.909.462	7.491.235	16.400.697
Financial liabilities with fixed interest rate	1	-	1
Total	8.909.463	7.491.235	16.400.698

6. Other financial liabilities

As of December 31, 2012, other financial liabilities amounting to TL 489.406 (December 31, 2011 - TL 873.000) consist of the liabilities of the Company in connection with its receivables factored under revocable factoring agreements. TL 414.406 of total amount is classified as short-term other financial liabilities and remain TL 75.000 is classified as long-term other financial liabilities. (As of December 31, 2011, TL 873.000 is classified as short-term other financial liabilities).

7. Trade receivables and payables

	December 31, 2012	December 31, 2011
a) Short-term trade receivables		
Cheques and notes receivables, net	**22.968.911**	23.176.481
Customer current accounts, net	**4.464.828**	4.497.290
Factored receivables (Note 6, Note 9)	**411.108**	873.000
Doubtful receivables	**58.069**	160.133
	27.902.916	28.706.904
Less: Allowance for doubtful receivables	**(58.069)**	(160.133)
	27.844.847	28.546.771

As of December 31, 2012, the effective weighted average interest rates used in the calculation of discounted carrying value of TL, USD and EUR denominated short-term trade receivables are 5,95% p.a., 0.31% p.a. and 0,26% p.a., respectively (2011: 10,19% p.a., 0,53% p.a. and 0,26% p.a., respectively). Trade receivables mature within 2 months (2011: 2 months).

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
Overdue receivables	**115.655**	42.036
0-30 days	**9.828.356**	6.752.495
31-60 days	**9.925.766**	7.950.275
61-90 days	**4.037.467**	5.277.545
91-120 days	**3.099.897**	5.045.642
121 days and over	**837.706**	3.478.778
	27.844.847	28.546.771

The aging and credit risk analysis of overdue receivables as of December 31, 2012 and 2011 are disclosed in Note 26.a.

The movement in the provision for doubtful receivables during the year is as follows:

	2012	2011
January 1	**160.133**	257.703
Collected in the current year (Note 20)	**(102.064)**	(97.570)
December 31	**58.069**	160.133

The Company has accounted allowance for doubtful receivables based on its past experiences. Therefore, the management believes that no additional credit risk exists beyond the Company's trade receivables, which have been identified as doubtful receivable and allowance have been accounted for.

	December 31, 2012	December 31, 2011
b) Long-term trade receivables		
Factored receivables (Note 6)	**75.000**	-
	75.000	-

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

	December 31, 2012	December 31, 2011
1-2 years maturity	**75.000**	-
	75.000	-

	December 31, 2012	December 31, 2011
c) Short-term trade payables		
Supplier current accounts, net	**9.229.501**	5.970.567
	9.229.501	5.970.567

As of December 31, 2012, the effective weighted average interest rates used in the calculation of discounted carrying value of TL, USD and EUR denominated short-term trade payables are 5,83% p.a., 0,23% p.a. and 0,07% p.a., respectively (2011 - 11% p.a., 1,06 % p.a. and 0,44%p.a., respectively). Trade payables mature within 2 months (2011 - 2 months).

The aging analysis of trade receivables as of December 31, 2012 and 2011 is as follows:

8. Other receivables

	December 31, 2012	December 31, 2011
Other short-term receivables		
Value Added Tax ("VAT") receivables	**978.048**	1.365.594
Deposits and guarantees given	**120.992**	16.590
Other	**28.728**	219
	1.127.768	1.382.403

9. Inventories

	December 31, 2012	December 31, 2011
Raw materials	**9.012.910**	7.286.492
Work-in-progress	**4.161.819**	325.014
Finished goods	**4.419.372**	2.535.765
Other inventories	**56.293**	183.616
Goods in transit	**11.381.565**	5.453.290
	29.031.959	15.784.177

10. Investment in associates accounted by equity method

Investment in Associate:

	December 31, 2012		December 31, 2011	
	Carrying value	**Share (%)**	Carrying value	Share (%)
Alkim Sigorta	**162.110**	**50.00**	125.030	50,00
	162.110		125.030	

Movement of investment in associate during the years is as follows:

	2012	2011
January 1	**125.030**	76.407
Share of results of investment in associate	**37.080**	26.123
Capital increase in investment in associate	**-**	22.500
December 31	**162.110**	125.030

Financial information of Alkim Sigorta that is incorporated into financial statements using equity accounting method is summarized as follows:

	December 31, 2012	December 31, 2011
Total assets	**1.684.649**	1.185.229
Total liabilities	**1.341.878**	935.169
Net sales	**297.429**	228.236
Net profit for the year	**74.160**	97.245

11. Property, plant and equipment

The movements of property, plant and equipment for the period between January 1 and December 31, 2012 were as follows:

	January 1, 2012 Opening	**Additions**	**Disposals**	**Transfers**	**December 31, 2012 Closing**
Cost:					
Land	**7.316.240**	**-**	**-**	**-**	**7.316.240**
Land improvements	**1.704.931**	**3.850**	**-**	**-**	**1.708.781**
Buildings	**10.699.260**	**8.000**	**-**	**-**	**10.707.260**
Machinery and equipments	**88.601.280**	**908.069**	**(452.738)**	**3.774.421**	**92.831.032**
Motor vehicles	**577.221**	**-**	**(134.641)**	**263.972**	**706.552**
Furniture and fixtures	**2.348.870**	**168.509**	**-**	**-**	**2.517.379**
Construction in progress	**3.223.728**	**1.075.562**	**-**	**(4.038.393)**	**260.897**
	114.471.530	**2.163.990**	**(587.379)**	**-**	**116.048.141**
Accumulated depreciation:					
Land improvements	**(534.372)**	**(85.871)**	**-**	**-**	**(620.243)**
Buildings	**(4.912.877)**	**(406.211)**	**-**	**-**	**(5.319.088)**
Machinery and equipments	**(46.163.282)**	**(4.918.015)**	**169.680**	**-**	**(50.911.617)**
Motor vehicles	**(319.219)**	**(128.917)**	**123.317**	**-**	**(324.819)**
Furniture and fixtures	**(1.898.182)**	**(134.875)**	**-**	**-**	**(2.033.057)**
	(53.827.932)	**(5.673.889)**	**292.997**	**-**	**(59.208.824)**
Net book value	**60.643.598**				**56.839.317**

The movements of property, plant and equipment for the period between January 1 and December 31, 2011 were as follows:

	January 1, 2011 Opening	Additions	Disposals	Transfers	December 31, 2011 Closing
Cost:					
Land	7.316.240	-	-	-	7.316.240
Land improvements	1.681.846	23.085	-	-	1.704.931
Buildings	10.697.764	1.496	-	-	10.699.260
Machinery and equipments	82.495.858	385.550	-	5.719.872	88.601.280
Motor vehicles	869.796	57.136	(349.711)	-	577.221
Furniture and fixtures	2.173.358	176.243	(731)	-	2.348.870
Construction in progress	51.059	8.892.541	-	(5.719.872)	3.223.728
	105.285.921	9.536.051	(350.442)	-	114.471.530
Accumulated depreciation:					
Land improvements	(450.232)	(84.140)	-	-	(534.372)
Buildings	(4.507.860)	(405.017)	-	-	(4.912.877)
Machinery and equipments	(41.445.565)	(4.717.717)	-	-	(46.163.282)
Motor vehicles	(508.389)	(134.048)	323.218	-	(319.219)
Furniture and fixtures	(1.793.227)	(105.687)	732	-	(1.898.182)
	(48.705.273)	(5.446.609)	323.950	-	(53.827.932)
Net book value	56.580.648				60.643.598

11. Property, plant and equipment (continued)

TL 5.565.477 (2011 - TL 5.351.201) of the current year depreciation charge has been allocated to cost of production (Note 19), TL 105.843 (2011 - TL 105.798) to general and administrative expenses (Note 18), and TL 27.434 (2011 - TL 26.783) to marketing, selling and distribution expenses (Note 18).

As of December 31, 2012 and 2011, there are no pledges or liens on property, plant and equipment.

As of December 31, 2012 and 2011, cost of fully depreciated items which are still in use is as follows:

	December 31, 2012	December 31, 2011
Buildings	**74.711**	19.716
Machinery and equipment	**819.395**	750.063
Motor vehicles	**60.593**	59.664
Furniture and fixtures	**1.697.895**	1.379.852
	2.652.594	2.209.295

12. Intangible assets

The movements of intangible assets for the period between January 1 and December 31, 2012 were as follows:

	January 1, 2012		**December 31, 2012**
	Opening	**Additions**	**Closing**
Rights - software	**677.022**	**14.181**	**691.203**
Less: accumulated amortization	**(659.085)**	**(24.865)**	**(683.950)**
Net book value	**17.937**		**7.253**

The movements of intangible assets for the period between January 1, and December 31, 2011 were as follows:

	January 1, 2011		December 31, 2011
	Opening	Additions	Closing
Rights - software	672.383	4.639	677.022
Less: accumulated amortization	(621.912)	(37.173)	(659.085)
Net book value	50.471		17.937

As of December 31, 2012 and 2011, cost of fully amortized items which are still in use is as follows:

	December 31, 2012	December 31, 2011
Rights - software	**581.889**	523.153
	581.889	523.153

13. Provisions, contingent assets and liabilities

	December 31, 2012	December 31, 2011
a) Guarantees received:		
Bails	**12.000.000**	12.000.000
Mortgage	**5.250.000**	5.250.000
Bank guarantee letters	**3.727.358**	4.423.898
Trade receivables protection (*)	**5.620.563**	5.449.674
Guarantee notes	**25.000**	25.000
Guarantee cheques	**285.216**	1.102.224
	26.908.137	28.250.796

(*) It is a service received from an international professional organization in order to cover credit risks like customer insolvency, bad debts, overdue accounts, commercial risks and political risks.

	December 31, 2012	December 31, 2011
b) Guarantees given:		
Bank guarantee letters	**16.764.957**	15.478.268
	16.764.957	15.478.268

Collaterals, Pledges and Mortgages (“CPM”) positions of the Company as of December 31, 2012 and 2011 are summarized as follows;

CPM given by the Company

	December 31, 2012	December 31, 2011
A. Total amount of CPM given for the Company’s own legal personality	**16.764.957**	15.478.268
B. Total amount of CPM given on behalf of fully consolidated companies	**-**	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	**-**	-
D. Total amount of other CPM		-
i) Total amount of CPM given on behalf of the majority shareholder	**-**	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	**-**	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C.	**-**	-
	16.764.957	15.478.268
Ratio of other GPMs given by the Company to the equity of the Company	**%16**	%15

14. Employee termination benefits

	December 31, 2012	December 31, 2011
Provision for employment termination benefits	**2.599.028**	2.303.664

Provision for employment termination benefits has been calculated in accordance with explanations below:

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL 3.034 for each year of service as of December 31, 2012 (December 31, 2011: TL 2.732). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The Communiqué requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

Discount rate (%)	3,50
Turnover rate to estimate the probability of retirement (%)	98,32

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

Effective from January 1, 2013, the retirement pay liability ceiling is increased from TL 3.034 to TL 3.125. Movements of the provision for employment termination benefits during the year are as follows:

	2012	2011
January 1	**2.303.664**	1.806.004
Interest cost	**80.628**	72.963
Actuarial losses	**143.844**	149.192
Increase during the year	**295.364**	497.660
Paid during the year	**(224.472)**	(222.155)
December 31	**2.599.028**	2.303.664

Total provision expense for employee termination benefits of TL 519.836 (2011 - TL 719.815) for the year has been allocated (Note 19); to cost of production amounting to TL 351.608 (2011 - TL 600.363), to marketing, selling and distribution expenses amounting to TL 55.832 (2011 - TL 59.483) (Note 18) and to general and administrative expenses amounting to TL 112.396 (2011 - TL 59.969) (Note 18).

15. Other assets and liabilities

a) Other current assets:	**December 31, 2012**	December 31, 2011
VAT to be transferred	**6.837.827**	4.055.178
Prepaid expenses	**664.284**	638.753
Income accruals	**203.072**	-
Due from personnel	**127.993**	34.635
Job advances given	**62.975**	79.438
Other	**9.276**	-
	7.905.427	4.808.004

Prepaid expenses are mainly comprised of insurance premiums paid by the Company.

b) Other current liabilities:	**December 31, 2012**	December 31, 2011
Due to personnel	**1.177.249**	611.554
Taxes, funds and social security premiums payable	**823.122**	683.534
Advances received	**40.080**	1.042.038
Provisions for legal cases	**97.149**	-
Other	**372.925**	278.289
	2.510.525	2.615.415

As of December 31, 2012, advances received is amounted to TL 40.080 and TL 36.659 of total amount comprised of cash advances received from the customers (As of December 31, 2011, advances received is amounted to TL 1.042.038 and TL 910.284 of total amount comprised of cash advances received from the customers).

c) Other non-current assets:	**December 31, 2012**	December 31, 2011
Advances given for fixed assets	**971.876**	1.285.669
Prepaid expenses	**11.814**	-
	983.690	1.285.669

16. Equity

The Company's shareholders and their shareholding percentages as of December 31, 2012 and 2011 are as follows:

	December 31, 2012		December 31, 2011	
Shareholder	**Participation (%)**	**Amount (TL)**	Participation (%)	Amount (TL)
Alkim Kimya	**79,93**	**41.962.500**	79,93	41.962.500
Public quotation	**20,00**	**10.500.000**	20,00	10.500.000
Other	**0,07**	**37.500**	0,07	37.500
Total paid-in share capital	**100,00**	**52.500.000**	100,00	52.500.000
Adjustment to share capital (*)		**32.414.361**		32.414.361
		84.914.361		84.914.361

(*) "Adjustment to share capital" represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement

The Company's capital consists of bearer shares of A, B, C, D, E and F groups; and F group shares are traded on ISE. Shareholders of A, B, C, D and E groups have privileges concerning voting rights in the General Assembly and recommending candidates to management board.

As of December 31, 2012, the capital of the Company consist of 5,25 million shares with TL 0,01 par value each (2011 – 5.25 million and TL 0,01 par value each).

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's

16. Equity (continued)

paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At December 31, 2012, the restricted reserves of the Company amount to TL 3.995.963 (2011 - TL 2.737.673).

Listed companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below %20 of the distributable profit deducted the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

Based on the decision of CMB dated January 27, 2011, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to shareholders' equity and book value of extraordinary reserves can be used as an internal source in share capital increase, dividend distribution in cash or net-off against prior years' loss. In case the inflation adjustment to shareholders' equity is used for dividend distribution in cash, the distribution is subject to corporate tax.

Balances of shareholders equity items (as per Statutory Financial Statements of the Company) are as follows:

	December 31, 2012	December 31, 2011
Legal reserves (1st and 2nd legal reserves)	**3.995.963**	2.737.673
Extraordinary reserves	**4.335.732**	2.697.279
Net profit for the year	**9.235.820**	12.069.763
	17.567.515	17.504.715

Dividend paid

As decided on the Ordinary General Meeting held on 10 April 2012, the Company distributed gross dividend from profit of 2011 and prior years amounting to TL 8.943.693. In accordance with the decision, related amount transferred to the accounts of shareholders.

17. Sales and cost of sales

	January 1 - December 31, 2012	January 1 - December 31, 2011
Domestic sales	**115.610.884**	117.268.483
Export sales	**7.412.721**	5.850.583
	123.023.605	123.119.066
Less: Discounts	**(266.317)**	(307.599)
Returns	**(40.563)**	(8.479)
Net sales	**122.716.725**	122.802.988
Cost of sales	**(104.431.064)**	(105.693.533)
Gross profit	**18.285.661**	17.109.455

18. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1 - December 31, 2012	January 1 - December 31, 2011
Research and development expenses:		
Staff cost	**124.030**	90.794
Other	**860**	954
	124.890	91.748
Marketing, selling and distribution expenses:		
Transportation	**2.242.141**	1.413.411
Staff cost	**1.094.060**	1.024.138
Taxes and funds	**34.785**	168.601
Advertising	**145.953**	74.479
Rent	**51.600**	62.584
Travel	**86.107**	45.266
Insurance	**58.301**	44.712
Commission	**43.980**	40.694
Communication	**30.486**	30.787
Employment termination benefits	**55.832**	59.483
Depreciation and amortization	**27.434**	26.783
Other	**448.564**	354.919
	4.319.243	3.345.857
General administrative expenses:		
Staff cost	**2.391.390**	2.043.563
Consultancy	**299.383**	248.095
Taxes and funds	**64.265**	191.609
Depreciation and amortization	**105.843**	105.798
Employment termination benefits	**112.396**	59.969
Communication	**12.395**	13.674
Provision for doubtful allowance	**654.858**	-
Provision for legal cases	**97.034**	-
Travel expenses	**131.379**	208.940
Other	**497.848**	250.303
	4.366.791	3.121.951
	8.810.924	6.559.556

19. Expenses by nature

	January 1 - December 31, 2012	January 1 - December 31, 2011
Raw materials	**70.998.425**	74.986.997
Energy	**12.312.392**	9.040.605
Staff cost	**10.499.063**	10.117.625
Depreciation and amortization	**5.698.754**	5.594.558
Transportation	**2.283.172**	1.445.749
Spare part	**1.824.438**	1.486.225
Maintenance and repair	**1.177.608**	559.460
Consumables	**892.491**	807.525
Doubtful receivables	**654.858**	-
Subcontract labor expense	**638.358**	400.660
Cost of merchandises	**631.730**	1.312.955
Insurance expense	**580.882**	497.233
Cost of other sales	**548.443**	219.213
Employment termination benefits	**485.763**	733.957
Consultancy	**299.383**	248.095
Other	**3.716.228**	4.802.232
	113.241.988	112.253.089

20. Other operating income/ (expense)

	January 1 - December 31, 2012	January 1 - December 31, 2011
a) Other operating income:		
Compensation income from insurance companies	**347.136**	347.130
Gain from sales of property, plant and equipment	**-**	193.267
Scrap sales income	**179.150**	152.152
Provisions no longer required	**102.064**	97.570
Other	**145.058**	109.057
	773.408	899.176

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b) Other operating expense:		
Loss from sales of property, plant and equipment	**(294.382)**	-
Other	**(15.071)**	(22.667)
	(309.453)	(22.667)

21. Finance income

	January 1- December 31, 2012	January 1- December 31, 2011
Foreign exchange gain	**945.403**	5.931.935
Income from overdue charges	**636.452**	589.983
Interest income from sale on credit term	**100.142**	112.278
	1.681.997	6.634.196

22. Finance expense

	January 1- December 31, 2012	January 1- December 31, 2011
Interest expense	**(332.460)**	(385.507)
Foreign exchange loss	**(2.728.276)**	(2.452.139)
Interest expense on credit purchases	**-**	(80.814)
	(3.060.736)	(2.918.460)

23. Tax assets and liabilities

As of December 31, 2012 and 2011, corporation taxes currently payable are as follows:

	December 31, 2012	December 31, 2011
Corporation taxes currently payable	**1.902.215**	3.192.858
Less: Prepaid income taxes	**(1.753.345)**	(2.586.054)
Current income tax (assets)/liabilities	**148.870**	606.804

Breakdown of taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Current corporation tax expense	**1.902.215**	3.192.858
Deferred tax income	**(73.803)**	(199.793)
Total tax expense	**1.828.412**	2.993.065

Corporation tax is payable at a rate of 20% for 2012 (2011 - 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (e.g income from associates exemptions, investment incentive allowance exemptions) and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

23. Tax assets and liabilities (continued)

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2011 - 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2011 – 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

The reconciliations of the taxation on income for the years ended December 31, 2012 and 2011 are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Profit before tax	**8.597.033**	15.168.267
Taxes calculated on profit before tax	**(1.719.407)**	(3.033.653)
Expenses not deductible for tax purposes	**(37.048)**	(24.215)
Income not subject to tax	**(69.914)**	15.363
Other	**(2.044)**	49.440
Taxes on income	**(1.828.413)**	(2.993.065)

Deferred income taxes

The Company calculates deferred income tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the following periods under the liability method using the enacted tax rate of 20% (2011 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2012 and 2011 were as follows:

23. Tax assets and liabilities (continued)

	Taxable temporary differences		Deferred income tax assets/ (liabilities)	
	December 31, 2012	December 31, 2011	**December 31, 2012**	December 31, 2011
Difference on property, plant and equipment and intangible assets	**(12.329.239)**	(12.276.528)	**(2.465.848)**	(2.455.306)
Provision for employment termination benefits (Note 14)	**2.599.028**	2.303.664	**519.806**	460.733
Allowance for doubtful receivables	**51.400**	153.464	**10.280**	30.693
Other	**1.144.691**	916.265	**228.938**	183.253
Deferred tax liabilities – net	**(8.534.120)**	(8.903.135)	**(1.706.824)**	(1.780.627)

Movement for deferred tax liability can be analyzed as follows:

	2012	2011
January 1	**(1.780.627)**	(1.980.420)
Credited to statements of comprehensive income	**73.803**	199.793
December 31	**(1.706.824)**	(1.780.627)

24. Earnings per share

In order to ensure the distribution of profit; it is required to allocate reserve over the statutory records, in accordance with the arrangements of Turkish Commercial Code. Net distributable profit calculated through financial statements adjusted in accordance with Communiqué should be distributed if it would be covered by statutory distributable profit; otherwise total amount calculated through statutory financial statements will be subject to distribution of profit.

		January 1 - December 31, 2012	January 1 - December 31, 2011
Net profit for the period	A	**6.768.621**	12.175.202
Weighted average number of the shares	B	**5.250.000.000**	5.250.000.000
Earnings per share (TL)	**A/B**	**0,0013**	0.0023

There are no differences between basic and diluted earnings per share.

25. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2012 and 2011 and significant intercompany transactions were as follows:

a) Due to related parties and due from related parties:

	December 31, 2012	December 31, 2011
Due from related parties:		
Alkim Kimya	**873**	60.035
	873	60.035

	December 31, 2012	December 31, 2011
Due to related parties:		
Alkim Sigorta	**617.926**	566.354
	617.926	566.354

As of December 31, 2012, the effective weighted average interest rates used in the calculation of discounted carrying value of TL and USD denominated due to related parties are 5,95% p.a. and 0.31% p.a., respectively (2011: 10,19% p.a., 0,53% p.a respectively). Due to related parties mature within 3 months (2011: 3 months).

	January 1 - December 31, 2012	January 1 - December 31, 2011
b) Product sales:		
Alkim Kimya	**26.317**	17.337
Sodaş	**348**	985
	26.665	18.322

	January 1 - December 31, 2012	January 1 - December 31, 2011
c) Service taken:		
Alkim Sigorta	**714.169**	700.258
Alkim Kimya	**84.017**	74.813
	798.186	775.071
d) Dividend Paid:		
Alkim Kimya	**7.148.693**	3.395.060
Other	**1.795.000**	909.492

	8.943.693	4.304.552

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25. Transactions and balances with related parties (continued)

e) Key management compensations:

Key management is comprised of the general manager, vice general manager and members of Board of Directors. The benefits provided to key management are as follows:

	January 1 - December 31, 2012	January 1 - December 31, 2011
Short term benefits provided to key management	**1.439.005**	1.382.289
Bonus and profit-sharing	**229.325**	56.936
Other long term benefits	**-**	8.065
	1.668.330	1.447.290

26. Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational (mainly due to the changes in cellulose prices) risks.

26. Financial instruments and financial risk management (continued)

The financial risk management objectives of the Company are defined as follows:

- safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;
- effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;
- effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by collecting the Company's deposits at financially strong banks, by restricting risk from counterside (excluding related parties) through collecting collateral. The Company manages the credit risk from the direct customers by regularly updating their credit limits. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. The credit risk exposure in terms of financial instruments as of December 31, 2012 and 2011 were as follows:

26. Financial instruments and financial risk management (continued)

December 31, 2012:

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	**27.844.847**	**29.601**	**1.099.040**	**19.515.090**	**48.488.578**
- The part of maximum credit risk covered with guarantees	-	**-**	-	-	-	**-**
A. Net book value of financial assets not due or not impaired (3)	-	**27.729.192**	**29.601**	**1.099.040**	**19.515.090**	**48.372.923**
B. Net book value of financial assets whose conditions are renegotiated,						
C. Net book value of assets past due but not impaired	-	-	-	-	-	-
- The amount covered by guarantees.	-	**115.655**	-	-	-	**115.655**
D. Net book value of financial assets impaired	-	**(115.655)**	-	-		**(115.655)**
- Past due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	**58.069**	-	-	-	**58.069**
- The amount covered with guarantees	-	**(58.069)**	-	-	-	**(58.069)**
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The amount covered with guarantees	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-
	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly composed of offset, glossy and photocopy paper sales.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Company management believes that no additional credit risk for the collection of these receivables.

26. Financial instruments and financial risk management (continued)

December 31, 2011:

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	28.546.771	60.035	1.382.403	24.367.588	54.356.797
- The part of maximum credit risk covered with guarantees	-	1.451.471	-	-	-	1.451.471
A. Net book value of financial assets not due or not impaired (3)	-	28.504.735	60.035	1.382.403	24.367.588	54.314.761
B. Net book value of financial assets whose conditions are renegotiated,	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	42.036	-	-	-	42.036
- The amount covered by guarantees.	-	(42.036)	-	-		(42.036)
D. Net book value of financial assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	160.133	-	-	-	160.133
- Impairment (-)	-	(160.133)	-	-	-	(160.133)
- The amount covered with guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The amount covered with guarantees	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly composed of offset, glossy and photocopy paper sales.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Company management believes that no additional credit risk for the collection of these receivables.

26. Financial instruments and financial risk management (continued)

December 31, 2012	**Trade receivables**		
	Related parties	**Third Parties**	**Total**
1-30 days overdue	**-**	**115.655**	**115.655**
The amount covered with guarantees	**-**	**(115.655)**	**(115.655)**
	-	**-**	**-**

December 31, 2011	Trade receivables		
	Related parties	Third Parties	Total
1-30 days overdue	-	42.036	42.036
The amount covered with guarantees	-	(42.036)	(42.036)
	-	-	-

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company. The Company's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2012 and 2011 are as follows:

December 31, 2012:

Contractual maturity dates	**Carrying value**	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Non-derivative financial liabilities					
Bank borrowings	**22.572.233**	**22.629.889**	**3.862.864**	**11.087.217**	**7.679.808**
Trade payables to related parties	**617.926**	**619.131**	**619.131**	**-**	**-**
Other trade payables	**9.229.501**	**9.247.517**	**9.247.517**	**-**	**-**
Other current liabilities	**2.510.524**	**2.510.524**	**2.510.524**	**-**	**-**
	34.930.184	**35.007.061**	**16.240.036**	**11.087.217**	**7.679.808**

26. Financial instruments and financial risk management (continued)

December 31, 2011:

Contractual maturity dates	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Bank borrowings	16.400.698	16.434.360	2.548.728	7.213.866	6.671.766
Trade payables to related parties	566.354	566.548	566.548	-	-
Other trade payables	5.970.567	5.997.852	5.997.852	-	-
Other current liabilities	2.615.415	2.615.415	2.615.415	-	-
	25.553.034	25.614.175	11.728.543	7.213.866	6.671.766

c) Market risk:

i) Foreign exchange risk

The Company is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a balancing policy to manage their foreign exchange risk. Existing risks are followed in meetings held by the Company's Audit Committee and Board of Directors and foreign currencies are followed closely in terms of the Company's foreign exchange position.

26. Financial instruments and financial risk management (continued)

								Yabancı Para Pozisyonu Tablosu
			31 Aralık 2012					31 Aralık 2011
	TL Karşılığı	**ABD Doları**	**Euro**	**Diğer**	TL Karşılığı	ABD Doları	Euro	Diğer
1. Trade Receivables	**24.032.251**	**13.334.716**	**111.318**	**-**	21.194.737	11.028.668	148.411	-
2a. Monetary Financial Assets (Cash. Bank accounts included)	**9.266.896**	**4.978.473**	**162.496**	**3.500**	19.867.696	10.499.855	14.125	-
2b. Non-Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
3. Other	**-**	**-**	**-**	**-**	-	-	-	-
4. Current Assets (1+2+3)	**33.299.147**	**18.313.189**	**273.814**	**3.500**	41.062.433	21.528.523	162.536	-
5. Trade Receivables	**-**	**-**	**-**	**-**	-	-	-	-
6a. Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
6b. Non-Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
7. Other	**-**	**-**	**-**	**-**	-	-	-	-
8. Non-Current Assets (5+6+7)					-	-	-	-
9. Total Assets (4+8)	**33.299.147**	**18.313.189**	**273.814**	**3.500**	41.062.433	21.528.523	162.536	-
10. Trade Payables	**6.215.824**	**3.364.142**	**93.083**	**-**	4.000.130	1.702.448	320.966	-
11. Financial Liabilities	**15.001.014**	**8.415.244**	**-**	**-**	9.921.558	5.252.559	-	-
12a. Monetary Other Liabilities	**49.285**	**27.648**	**-**	**-**	932.141	493.483	-	-
12b. Non-Monetary Other Liabilites	**-**	**-**	**-**	**-**	-	-	-	-
13.Short-term Liabilities (10+11+12)	**21.266.123**	**11.807.034**	**93.083**	**-**	14.853.829	7.448.490	320.966	-
14. Trade Payables	**-**	**-**	**-**	**-**	-	-	-	-
15. Financial Liabilities	**7.571.219**	**4.247.290**	**-**	**-**	6.479.139	3.430.112	-	-
16a. Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
16b. Non-Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
17. Long-term Liabilities (14+15+16)	**7.571.219**	**4.247.290**	**-**	**-**	6.479.139	3.430.112	-	-
18. Total Liabilities (13+17)	**28.837.342**	**16.054.324**	**93.083**	**-**	21.332.968	10.878.602	320.966	-

(continued)

19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	-	-	-	-
19a. Amount of Hedged Assets	**-**	**-**	**-**	**-**	-	-	-	-
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	-	-	-	-
20. Net Foreign Asset/ (Liability) Position (9-18+19)	**4.461.805**	**2.258.865**	**180.731**	**3.500**	19.729.465	10.649.921	(158.430)	-
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**4.461.805**	**2.258.865**	**180.731**	**3.500**	19.729.465	10.649.921	(158.430)	-
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	-	-	-	-
23. Export	**7.411.957**	**4.146.232**	**-**	**-**	5.850.584	3.515.962	-	-
24. Import	**69.489.277**	**38.783.533**	**-**	**-**	72.322.659	44.810.175	-	-

26. Financial instruments and financial risk management (continued)

December 31, 2012

	Table of sensitivity analysis of foreign currency risk			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	**402.665**	**(402.665)**	**-**	**-**
2- The part hedged for USD risk (-)	**-**	**-**	**-**	**-**
3- USD effect - net (1+2)	**402.665**	**(402.665)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	42.503	(42.503)	**-**	**-**
5- The part hedged for EUR risk (-)	**-**	**-**	**-**	**-**
6- EUR effect - net (4+5)	**42.503**	**(42.503)**	**-**	**-**
Change of Other Currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	**1.013**	(1.013)	**-**	**-**
8- The part hedged for other foreign currency risk (-)			**-**	**-**
9- Other Foreign Currency effect - net (7+8)	**1.013**	**(1.013)**	**-**	**-**
Total (3+6+9)	**446.181**	**(446.181)**	**-**	**-**

The Company does not hedge foreign currency denominated liabilities by using hedge instruments.

26. Financial instruments and financial risk management (continued)

December 31, 2011

	Table of sensitivity analysis of foreign currency risk			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	2.011.664	(2.011.664)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	2.011.664	(2.011.664)	-	-
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(38.717)	38.717	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	(38.717)	38.717	-	-
Change of Other Currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency effect - net (7+8)	-	-	-	-
Total (3+6+9)	1.972.947	(1.972.947)	-	-

26. Financial instruments and financial risk management (continued)

ii) Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The interest rate risk of the Company is mainly resulted from bank borrowings. The interest rate risk of bank borrowings with floating interest rates is partially offset by financial assets with floating rates. These exposures are managed by balancing interest rate sensitive assets and liabilities.

	Table of Interest Rate Position	
	December 31, 2012	December 31, 2011
Financial instruments with fixed interest rate		
Financial assets	**9.978.882**	7.476.076
Financial liabilities	**-**	1
Financial instruments with floating interest rate		
Financial assets	**27.844.847**	28.546.771
Financial liabilities	**32.419.660**	22.937.618

According to interest rate sensitivity analysis performed by the Company as of December 31, 2012, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 324.196 (2011 - TL 229.376) lower as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The Company's operational profitability and cash inflows from its operations are exposed to risk arising from fluctuations in paper prices which are affected from the competition in the raw material prices. The Company management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. The Company has not used derivative instruments or entered into a similar agreement. Existing risks are monitored through regular meetings by the Company's Board of Directors.

d) Capital risk management:

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

In order to maintain or adjust the capital structure, the Company may change the dividend amount to be distributed, may return the capital to the shareholders, issue new shares or sell assets to reduce debt.

26. Financial instruments and financial risk management (continued)

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

26. Financial instruments and financial risk management (continued)

	December 31, 2012	December 31, 2011
Total debt	**35.493.460**	27.032.839
Less: Cash and cash equivalents (Note 4)	**(19.644.376)**	(24.386.884)
Net debt	**15.849.084**	2.645.955
Total equity	**103.748.307**	105.923.379
Debt/ equity ratio	**15%**	2%

27. Financial instruments (fair value and financial risk management disclosures)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company can realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values. Due to the floating long-term bank loans are updated during the year, fair value is considered to approximate carrying value.

28. Subsequent events

None.

29. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

None (2011 - None).