(Convenience translation of financial statements and audit report originally issued in Turkish – See Note 2.1)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Financial statements together with report of independent auditors' as of December 31, 2016

(Convenience translation of financial statements and audit report originally issued in Turkish – See Note 2.1)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Table of Contents

	Page
Independent auditors' report	1 - 2
Statement of financial position	3 - 4
Statement of profit or loss and other comprehensive income	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to the financial statements	8 - 54

(Convenience translation of independent auditors' report originally issued in Turkish)

Independent auditors' report

To the shareholders of
Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi;

The report on financial statements

We have audited the accompanying financial statements of financial position of Alkim Kağıt Sanayi ve Ticaret A.Ş. ("the Company") which comprise the statement of financial position as at December 31, 2016 and the statement of profit or loss and other 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 the Turkish Accounting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

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 as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as standards on auditing issued by Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

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 taken into consideration. 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 audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

As it is stated in Note 6 of the accompanying financial statements, the Company had a cheque and current account receivable at an amount of TL 30.780.137, having its large part consisting of overdue receivables, from a customer as of 31 December 2014. The Company initiated legal proceedings through execution related to its receivable amounting to TL 20.953.798, which was overdue as of 31 December 2014, since the customer in question did not make a payment in due date and recognized allowance in its financial statements for the aforementioned amount for which legal proceedings were started in 2014. The Company had also another receivable at an amount of TL 9.826.339 from the aforementioned customer as of 31 December 2014. We issued qualified opinion in our audit report dated 28 February 2015 related to financial statements dated 31 December 2014 since the Company did not recognize additional allowance for the remaining doubtful receivables.

The Company recognized allowance in 2015 for its doubtful receivables in question which is mentioned in unqualified opinion since the aforementioned receivables could not be collected in due dates in the current year. Accordingly, accumulated losses of the Company as of 31 December 2015 was reported less at an amount of TL 7.861.071 (net-off deferred tax). A qualified opinion was issued related to the financial statements for the current year because of the impacts of this issue on the comparability of financial information of current period and prior period.

Qualified opinion

In our opinion, except for the possible effects on the comparative information of the matter described in the “Basis for qualified opinion” section above, the financial statements present fairly, in all material respects, the financial position of Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi as of 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

1) Auditors’ report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code (“TCC”) 6102 is submitted to the Board of Directors of the Company on 28 February 2017.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company’s bookkeeping activities for the period 1 January – 31 December 2016 and financial statements are not in compliance with the code and provisions of the Company’s articles of association in relation to financial reporting.

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

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

Cem Uçarlar, SMMM
Engagement Partner

February 28, 2017
Istanbul, Turkey

(Convenience translation into English of the financial statements originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of financial position
as at December 31, 2016
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Note	Current period Audited December 31, 2016	Prior period Audited December 31, 2015
Assets			
Current assets		**136.183.507**	110.024.150
Cash and cash equivalents	4	**67.768.102**	48.446.014
Trade receivables		**29.720.295**	21.539.945
- Trade receivables from related parties	19	**-**	2.185
- Trade receivables from third parties	6	**29.720.295**	21.537.760
Other receivables		**377.802**	106.514
- Other receivables from third parties	7	**377.802**	106.514
Inventories	8	**24.419.274**	25.536.341
Current income tax assets	28	**-**	27.683
Prepaid expenses	12	**1.274.503**	1.519.377
Other current assets	13	**12.623.531**	12.848.276
Non-current assets		**33.070.313**	37.270.394
Investment in associates accounted by equity method	9	**413.897**	322.528
Property, plant and equipment, net	10	**30.810.564**	36.005.523
Intangible assets, net	11	**33.796**	19.614
Prepaid expenses	12	**1.812.056**	922.729
Total assets		**169.253.820**	147.294.544

The accompanying policies and explanatory notes form an integral part of the financial statements.

(Convenience translation into English of the financial statements originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of financial position
as at December 31, 2016
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Prior period
		Audited	Audited
	Note	December 31, 2016	December 31, 2015
Liabilities			
Current liabilities		**38.093.159**	39.752.772
Current liabilities	5	**17.619.910**	24.360.410
Current portion of long term financial liabilities	5	**4.487.332**	3.556.116
Trade payables		**10.855.448**	10.117.727
- Trade payables to related parties	19	**1.041.535**	954.571
- Trade payables to third parties	6	**9.813.913**	9.163.156
Short-term liabilities for employee benefits	16	**1.411.293**	1.152.469
Deferred income	17	**371.070**	498.246
Current income tax payable	28	**3.191.911**	-
Short term provisions		**113.609**	35.423
- Other short term provisions	15	**113.609**	35.423
Other short term liabilities	18	**42.586**	32.381
Non-current liabilities		**7.806.024**	9.421.629
Long-term financial liabilities	5	**2.111.520**	5.233.680
Long-term provisions		**5.362.034**	3.981.324
- Provisions for employee benefits	15	**5.362.034**	3.981.324
Deferred tax liability	28	**332.470**	206.625
Equity		**123.354.637**	98.120.143
Share capital	20	**52.500.000**	52.500.000
Inflation adjustment on share capital	20	**32.414.361**	32.414.361
Restricted reserves	20	**5.296.522**	5.296.522
Other comprehensive income/(expense) not to be reclassified to profit or loss		**(2.222.994)**	(1.002.622)
- Remeasurement gain/(loss) arising from defined benefit plan	20	**(2.222.994)**	(1.002.622)
Retained earnings (accumulated losses)		**8.911.882**	(1.208.843)
Net profit for the year		**26.454.866**	10.120.725
Total liabilities and equity		**169.253.820**	147.294.544

The accompanying policies and explanatory notes form an integral part of the financial statements.

(Convenience translation into English of the financial statements originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of profit or loss and other comprehensive income
for the year ended December 31, 2016
(Currency –Turkish Lira (TL) unless otherwise indicated)

		Current period	Prior period
		Audited	Audited
Profit or loss section	**Note**	**January 1 – December 31 2016**	January 1 – December 31 2015
Revenue	22	**176.431.444**	150.437.558
Cost of sales (-)	22	**(143.050.209)**	(129.929.865)
Gross profit		**33.381.235**	20.507.693
General and administrative expenses (-)	23	**(4.480.007)**	(4.251.299)
Selling, marketing and distribution expenses (-)	23	**(6.371.848)**	(4.761.824)
Research and development expenses (-)	23	**(70.731)**	(63.880)
Other operating income	25	**9.898.125**	10.082.709
Other operating expense (-)	25	**(1.646.103)**	(14.636.702)
Operating profit		**30.710.671**	6.876.697
Income from investment activities	26	**56.384**	8.585.394
Profit from investments accounted under equity method	9	**91.369**	67.942
Operating profit before financial income / (expense)		**30.858.424**	15.530.033
Financial income	27	**10.202.976**	1.732.815
Financial expense (-)	27	**(7.979.458)**	(6.153.718)
Profit before taxation		**33.081.942**	11.109.130
Continuing operations tax expense / income		**(6.627.076)**	(988.405)
- Current tax (expense)/income	28	**(6.196.138)**	-
- Deferred tax (expense)/income	28	**(430.938)**	(988.405)
Profit for the period		**26.454.866**	10.120.725
Other comprehensive income / (loss) section			
Not to be reclassified to profit or loss		**(1.220.372)**	(586.030)
- Remeasurement gain/(loss) arising from defined benefit plan	15	**(1.525.465)**	(732.538)
- Deferred tax effect of remeasurement gain/(loss) arising from defined benefit plan	28	**305.093**	146.508
Other comprehensive income (loss)		**(1.220.372)**	(586.030)
Total comprehensive income		**25.234.494**	9.534.695
Earnings per share from continuing operations	21	**0,0050**	0,0019

The accompanying policies and explanatory notes form an integral part of the financial statements.

(Convenience translation into English of the financial statements originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret A.Ş.

Statement of changes in equity
for the year ended December 31, 2016
(Currency –Turkish Lira (TL) unless otherwise indicated)

			Other comprehensive income (loss) not to be reclassified to profit or loss		Accumulated profits		
	Share capital	Adjustments to share capital	Remeasurement gain/(loss) arising from defined benefit plan	Restricted reserves	Retained earnings (Accumulated losses)	Net profit for the year	Total equity
As at January 1, 2016	**52.500.000**	**32.414.361**	**(1.002.622)**	**5.296.522**	**(1.208.843)**	**10.120.725**	**98.120.143**
Transfers	**-**	**-**	**-**	**-**	**10.120.725**	**(10.120.725)**	**-**
Net profit for the period	**-**	**-**	**-**	**-**	**-**	**26.454.866**	**26.454.866**
Other comprehensive loss	**-**	**-**	**(1.220.372)**	**-**	**-**	**-**	**(1.220.372)**
Total comprehensive profit (loss)	**-**	**-**	**(1.220.372)**	**-**	**-**	**26.454.866**	**25.234.494**
As at December 31, 2016	**52.500.000**	**32.414.361**	**(2.222.994)**	**5.296.522**	**8.911.882**	**26.454.866**	**123.354.637**
As at January 1, 2015	52.500.000	32.414.361	(416.592)	5.296.522	5.704.133	(6.912.976)	88.585.448
Transfers	-	-	-	-	(6.912.976)	6.912.976	-
Net profit for the period	-	-	-	-	-	10.120.725	10.120.725
Other comprehensive loss	-	-	(586.030)	-	-		(586.030)
Total comprehensive profit (loss)	-	-	(586.030)	-	-	10.120.725	9.534.695
As at December 31, 2015	52.500.000	32.414.361	(1.002.622)	5.296.522	(1.208.843)	10.120.725	98.120.143

The accompanying policies and explanatory notes form an integral part of the financial statements.

(Convenience translation into English of the financial statements originally issued in Turkish)

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of cash flows
for the year ended December 31, 2016
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Audited January 1 – December 31, 2016	Prior period Audited January 1 – December 31, 2015
Cash flows from operating activities		**34.311.736**	14.318.716
Profit /(loss) for the period			
Profit /(loss) for the period from continuing operations		**26.454.866**	10.120.725
Adjustments to reconcile net profit		**16.196.633**	15.449.398
Adjustments for depreciation on and amortisation expenses	10	**6.338.236**	6.357.757
Adjustments for provision (reversal of provision) for receivables	6	**-**	11.735.332
Adjustments for provision (reversal of provision) for employee benefits	15	**744.839**	600.174
Adjustment for provision (reversal of provision) for inventories	8	**7.659**	43.898
Adjustments related to undistributed earnings (profits) of shareholders	9	**(91.369)**	(67.942)
Adjustment for unrealized foreign currency (gains) / losses		**3.424.380**	5.757.533
Adjustment for gain/loss on sale of property, plant and equipment	26	**(56.384)**	(8.585.394)
Adjustment for interest income	27	**(1.635.653)**	(191.314)
Adjustment for interest expenses	27	**770.019**	718.835
Deferred interest expense due to on credit purchases		**(47.799)**	(50.166)
Unearned interest income due to on credit sales		**37.443**	25.167
Adjustments for provision (reversal of provision) for pending claims and/or lawsuits	15	**78.186**	93.923
Adjustment for tax (income) expense	28	**6.627.076**	(988.405)
Changes in working capital		**(5.934.476)**	(10.707.218)
Adjustments for (increase) decrease in trade receivables			
Decrease (increase) in trade receivable from related parties		***2.185***	*(2.185)*
Decrease (increase) in trade receivable from third parties		***(8.219.978)***	*(13.768.359)*
Adjustments for decrease in other receivables related from operations			
Decrease (increase) in other receivable from third parties		***(271.288)***	*89.409*
Adjustments for (increase) decrease in inventories		**1.150.663**	2.831.882
Decrease (increase) in other assets related from operations		**224.745**	(2.258.786)
Decrease (increase) in prepaid expense		**251.824**	(533.402)
Adjustments for (decrease) increase in trade payable			
Increase (decrease) in trade payable to related parties		***86.964***	*68.730*
Increase (decrease) in trade payable to third parties		***698.556***	*3.026.717*
Increase in deferred income		**(127.176)**	(143.646)
Increase in payables for providing benefit to employment		**258.824**	11.281
Adjustments for increase in other payables related from operations		**10.205**	(28.859)
Cash flow provided by operations		**36.717.023**	14.862.905
Payments of employee benefit provisions	15	**(889.594)**	(628.895)
Payments for other provisions		**-**	(58.500)
Interests received		**1.460.851**	170.889
Tax refund (payment)	28	**(2.976.544)**	(27.683)
Cash flows from investing activities		**(2.038.607)**	9.233.862
Cash outflows from purchase of tangible and intangible assets	10,11	**(1.205.301)**	(505.044)
Cash proceeds from sale of tangible and intangible assets		**62.971**	9.738.906
Advance given in cash	12	**(896.277)**	-
Cash flows from financing activities		**(13.125.843)**	14.956.224
Cash proceed from borrowings		**15.272.500**	41.049.666
Cash repayment from bank loans		**(27.829.961)**	(25.578.318)
Interests paid		**(568.382)**	(515.124)
Net increase/(decrease) in cash and cash equivalents		**19.147.286**	38.508.802
Cash and cash equivalents at beginning of the period	4	**48.425.589**	9.916.787
Cash and cash equivalents at the end of the period	4	**67.572.875**	48.425.589

The accompanying policies and explanatory notes form an integral part of the financial statements.

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").

The Company is registered in the Turkish Capital Markets Board ("CMB") and its shares have been traded on the Borsa Istanbul ("BİST"). As at December 31, 2016, the shares traded on BİST are 20% (2015: 20%) of the total shares.

As of December 31, 2016, the number of personnel of the Company is 169 and average personnel number is 167 (2015 – 167 and 166).

The address of the registered office is as follows:

Organize Sanayi Bölgesi Kırovası Mevkii, Kemalpaşa / İzmir

2. Basis of presentation of financial statements

2.1 Basis of presentation

Company's bookkeeping activities and accompanying financial statements have been prepared in accordance with the CMB's principles and in relation to Turkish Commercial Code ("TCC") and tax legislation.

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting in Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on June 13, 2013 which is published on Official Gazette numbered 28676. Companies should apply Turkish Accounting Standards / Turkish Financial Reporting Standards and interpretations regarding these standards as adopted by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for listed companies in Turkey. The financial statements of the Company have been prepared within the framework of this decision.

The Company's financial statements have been prepared in accordance with this decision 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.

The Company has prepared the financial statements according to going concern assumption.

2. Basis of presentation of financial statements (continued)

Because of the industries the Company, there is no significantly effect on the financial statements which has no operations or seasonal activities. Because of that, the Company is not segmenting reporting according to industrial and geographical division.

Approval of financial statements

Financial statements were approved to be issued by the Board of Directors on February 28, 2017. General Assembly has the right to modify the financial statements.

Convenience translation to English:

As at December 31, 2016, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.2 Comparative information and restatement of prior period financial statements

In order to allow for the determination of financial situation and performance trends, the Group's financial statements have been presented comparatively with the previous year. In order to comply with the presentation of the financial statements in the current period, comparative information is reclassified when necessary and significant differences are disclosed

The reclassification adjustments made to the statement of cash flows and statement of income for the year ended on December 31, 2015 in accordance with the Turkish Accounting Standards taxonomy published on June 6, 2016 are as follows:

- In the cash flow statement, there is a reclassification between cash flows from operating activities and cash flows from financing activities amounting to TL 2.472.347 related to unrealized foreign currency translation differences and interests received.
- In the profit and loss statement, amount of TL 191.314 which is represented as finance income from timed deposits has been classified to other operating income.

2.3 Amendments in Accounting and Financial Reporting Policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at 31 December 2016 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and IFRIC interpretations effective as of 1 January 2016. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

2. Basis of presentation of financial statements (continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2016 are as follows:

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. The amendments did not have an impact on the financial position or performance of the Company.

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)
TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

IAS 27 Equity Method in Separate Financial Statements (Amendments to IAS 27)

Public Oversight Accounting and Auditing Standards Authority (POA) of Turkey issued an amendment to TAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:
• At cost
• In accordance with IFRS 9,
Or
• Using the equity method defined in TAS 28

The entity must apply the same accounting for each category of investments .The amendments did not have an impact on the financial position or performance of the Company.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company

2. Basis of presentation of financial statements (continued)

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 and IAS 28)

February 2015, Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

TAS 1: Disclosure Initiative (Amendments to TAS 1)

The amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendment is not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Annual Improvements to IFRSs - 2012-2014 Cycle

POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- IFRS 7 Financial Instruments: Disclosures – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with IFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- IAS 19 Employee Benefits – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- IAS 34 Interim Financial Reporting –clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report

The amendment did not have significant impact on the financial position or performance of the Company.

ii) 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, when the new standards and interpretations become effective.

2. Basis of presentation of financial statements (continued)

TFRS 15 Revenue from Contracts with Customers

In September 2016, POA issued TFRS 15 Revenue from Contracts with Customers. The new standard issued includes the clarifying amendments to IFRS 15 made by IASB in April 2016. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). TFRS 15 effective date is January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company does not expect that the standard will have significant impact on the financial position or performance of the Group because contracts with customers in which the sale of goods is generally expected to be the only performance obligation thus are not expected to have any impact on the performance of the Company. Besides, currently trade discounts and volume rebates can be reliably measured on a quarterly basis accordingly they are recognised at annual and interim financial statements The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

TFRS 9 Financial Instruments

In January 2017, POA issued the final version of TFRS 9 Financial Instruments. The final version of TFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. TFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, TFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. TFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted by applying all requirements of the standard. Alternatively, entities may elect to early apply only the requirements for the presentation of gains and losses on financial liabilities designated as FVTPL without applying the other requirements in the standard.

iii) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

2. Basis of presentation of financial statements (continued)

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

IFRS 16 Leases

The IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

The IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 7 Statement of Cash Flows (Amendments)

The IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Company first applies those amendments, it is not required to provide comparative information for preceding periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of the financial statements (continued)

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments)

The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for:
a. the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
b. share-based payment transactions with a net settlement feature for withholding tax obligations; and
c. a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. . The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRS 4 Insurance Contracts (Amendments)

In September 2016, the IASB issued amendments to IFRS 4 Insurance Contracts. The amendments introduce two approaches: an overlay approach and a deferral approach. The amended Standard will:
- give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 Financial instruments is applied before the new insurance contracts Standard is issued; and

- give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 Financial instruments until 2021. The entities that defer the application of IFRS 9 Financial instruments will continue to apply the existing financial instruments Standard-IAS 39.

These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IAS 40 Investment Property: Transfers of Investment Property (Amendments)

The IASB issued amendments to IAS 40 'Investment Property '. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted. The amendment are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds.

2. Basis of presentation of financial statements (continued)

The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company is in the process of assessing the impact of the interpretation on financial position or performance of the Company.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards: This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

- IFRS 12 Disclosure of Interests in Other Entities: This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

- IAS 28 Investments in Associates and Joint Ventures: This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The amendments are not applicable for the Company and will not have an impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

2.4 Basis of consolidation

The financial statements reflect company and subsidiaries' accounts according to equity method as declared "Subsidiaries" article below. The financial statements of the subsidiary consolidated according to equity method were prepared as of the financial statement date.

Subsidiaries

Investments is subsidiaries were recognized according to equity method. These are the organizations that the company generally has 20% and 50% vote right or, important impact on subsidiary operations. Unrealized gains arising from transactions between company and subsidiary were restated on scale of share of the company on subsidiary and unrealized losses were restated if the transaction would have not been indicated the impairment of the transferred asset. As long as the Company has not been under liability with subsidiary about mentioned situation or not been made any commitment, investment in subsidiary with book value of zero or, important effect of the company ended then, equity method would not been carried on. Booked value of the investment at date important effect ended has revealed as cost value after mentioned date.

Subsidiaries of the company and shareholdings as of December 31, 2016 and 2015 were as follows:

		Share (%)
	December 31, 2016	December 31, 2015
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	**50.00**	50.00

2.5 Summary of important accounting policies

2.5.1 Revenue recognition

Revenues are recognized on an accrual basis at the time deliveries or acceptances are made, the amount of the 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 consideration received or receivable. Net sales represent the invoiced value of goods shipped less sales returns and commission and excluding sales taxes. (Note 22).

Interest income is recognized by using the effective interest rate**.**

2.5.2 Inventories

Inventories consist of cellulose stocks, work in process and finished goods as bobbin or different size, chemicals, consumable stocks 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 estimated costs of completion and estimated costs necessary to make the sale. The cost of inventories consist of cost of inventories purchased, cost of conversion and other cost related to conversion of inventories to current condition and position. Method to determine the cost for all inventories is carried out according to moving weighted average method. (Note 8)

2. Basis of presentation of financial statements (continued)

2.5.3 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 equipment 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 10). 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	10-15
Furniture and fixtures	5-50

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.

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

2.5.4 Intangible assets

Intangible assets comprise of acquired rights, information systems and software. Intangible assets are reflected to the financial statements over their acquisition costs, net of accumulated amortization and impairment. Amortization is calculated using the straight-line amortization method over the economic lives of 5 to 15 years from the date of acquisition. In case of impairment, the carrying amount of an intangible asset is written down to its recoverable amount.

2.5.5 Impairment on 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.

2. Basis of presentation of financial statements (continued)

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

- 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.

2.5.6 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 27).

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.

2.5.7 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 6).

2.5.8 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.

2.5.9 Foreign currency transactions

Foreign currency transactions (all currencies other than TL) are translated by applying the exchange rate of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. The non-monetary items that are carried at historical cost are not retranslated at the balance sheet date.

2. Basis of presentation of financial statements (continued)

2.5.10 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 21).

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.

2.5.11 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 30).

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.

2.5.12 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 14, 15).

2.5.13 Related parties

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.

2. Basis of presentation of financial statements (continued)

(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).

Transactions with a related party are transfers between a reporting entity and a related party regardless of whether a resource, service or obligation is a consideration.

2.5.14 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.

2.5.15 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 28). 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 28).

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 28).

2. Basis of presentation of financial statements (continued)

2.5.16 Employee benefits/Termination Benefit

a) Defined benefit plans

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company has reflected a liability using the “Projected Unit Credit Method”. The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate (Note 15). All actuarial gains and losses calculated are reflected in the comprehensive income statement.

b) Defined contribution plans

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

c) Unused vacation allowances

The liabilities arising from the unused vacation rights, which are defined as long-term provisions related to the benefits provided to the employees, are accrued at the time of accrual and are accounted with discounting if the effect is significant.

2.5.17 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.

2.5.18 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.

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.

2. Basis of presentation of financial statements (continued)

2.5.19 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.

2.5.20 Offsetting

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

2.5.21 accounting policies, changes in accounting estimates and errors

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.

2.6 Critical accounting estimates and judgements

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) Retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2016 and 2015, retirement pay liability amounts to TL 5.101.397 and TL 3.632.005 (Note 15).
b) 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.(Note 6)
c) Tangible and intangible assets are depreciated based on their expected useful lives. Useful lives settled by management were explained in Note 2.5.3 and Note 2.5.4.(Note 10 and 11)
d) Impairment of inventories calculated just for finished goods and evaluated according to physical conditions and technical staff opinions. Slow moving inventories are still considered to be reproduction and taking into account the losses that occur during the reproduction process.(Note 8)
e) The Company make provision for possibility of losing litigation and liabilities in case of loss are evaluated by Company with getting management legal counsel and expert opinions. By this way, Company management determines litigation amount of provision based on best estimates.(Note 25)

3. Segment reporting

None (Please refer to Note 2.5.14).

4. Cash and cash equivalents

	December 31, 2016	December 31, 2015
Cash on hand	**15.659**	33.738
Banks	**67.701.035**	48.386.276
- TL denominated time deposits	**10.855.428**	5.763.169
- TL denominated demand deposits	**146.467**	452.702
- Foreign currency denominated time deposits	**55.653.014**	41.440.556
- Foreign currency denominated demand deposits	**1.046.126**	729.849
Other current assets (*)	**51.408**	26.000
	67.768.102	48.446.014
Less: interest accrual	**(195.227)**	(20.425)
Total cash and cash equivalents base for cash flow statement	**67.572.875**	48.425.589

(*) Credit card receivables with maturity less than 3 months.

As of December 31, 2016, time deposit effective interest rate is 10,9% -11,40% for TL (December 31, 2015 6,0% -13,35%), for USD 3,25% - 3,70% (December 31, 2015– USD 1,45% - 2,90%), for EUR 1,05% maturity dates are 1 and 31 days. (December 31 2015 – 4 and 32 days).

The details of the foreign currency denominated demand deposits are disclosed in Note 29. 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.

There is no blockage on the cash and cash equivalents as of December 31, 2016 and 2015.

5. Financial liabilities

	December 31, 2016	December 31, 2015
Short-term bank borrowings	**17.619.910**	24.360.410
Short-term portion of long-term bank borrowings	**4.487.332**	3.556.116
Short-term financial liabilities	**22.107.242**	27.916.526
Long-term bank borrowings	**2.111.520**	5.233.680
Long-term financial liabilities	**2.111.520**	5.233.680
Total financial liabilities	**24.218.762**	33.150.206

5. Financial liabilities (continued)

a) Bank borrowings:

	December 31, 2016		December 31, 2015	
	Effective weighted average interest rate (%)	**Amount**	Effective weighted average interest rate (%)	Amount
Short-term bank borrowings:				
TL bank borrowings	**No interest**	**23.910**	No interest	5.445
USD bank borrowings	**2,7**	**17.596.000**	Libor+0,30-2,00	24.354.965
		17.619.910		24.360.410
Short-term portion of long-term bank borrowings :				
USD bank borrowings	**3,50**	**4.487.332**	3,50	3.556.116
		4.487.332		3.556.116
Long-term bank borrowings:				
USD bank borrowings	**3,50**	**2.111.520**	3,50	5.233.680
		2.111.520		5.233.680

The redemption schedules of long-term bank borrowings at December 31, 2016 and 2015 are as follows:

	December 31, 2016	December 31, 2015
1-2 Year	**2.111.520**	3.489.120
2-3 Year	**-**	1.744.560
	2.111.520	5.233.680

5. Financial liabilities (continued)

Company have not financial liability with floating rate as December 31, 2016. The carrying amounts of the financial liabilities with fixed rates which were classified in terms of periods remaining to contractual reprising dates as of December 31, 2016 and 2015 are as follows:

	up to 3 months	3 months – 1 year	1 year-5 years	Total
December 31, 2016				
Financial liabilities with fixed interest rate	**5.008.288**	**19.346.677**	**-**	**24.354.965**
	5.013.733	**22.902.793**	**5.233.680**	**33.150.206**
December 31, 2015				
Financial liabilities with floating interest rate	5.008.288	19.346.677	-	24.354.965
Financial liabilities with fixed interest rate	5.445	3.556.116	5.233.680	8.795.241
	5.013.733	22.902.793	5.233.680	33.150.206

Interest rates of the USD denominated fixed rates bank borrowings vary between 3,5 % and 2,7%. The Company did not provide any guarantees for the mentioned bank borrowings. (2015, fixed rate 3,5% and floating interest rate between 3,5% and 2,7 and the company did not provide any guarantees for the mentioned bank borrowings)

6. Trade receivables and payables

a) Short term other trade receivables

	December 31, 2016	December 31, 2015
Cheques and notes receivables, net	**4.416.098**	8.078.179
Customer current accounts, net	**25.304.197**	13.459.581
Doubtful receivables (*)	**32.704.995**	32.704.995
	62.425.290	54.242.755
Less: Allowance for doubtful receivables	**(32.704.995)**	(32.704.995)
	29.720.295	21.537.760

As of December 31, 2016, 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 11% p.a., 0,51% p.a. and 0,16% p.a., respectively (2015: 10,5% p.a., 0,13% p.a. and 0,18% p.a., respectively). Trade receivables mature within 45-60 days (2015: 45-60 days).

(*) As at December 31, 2016, TL 32.704.995 (USD equivalent of 13.273.594) of the doubtful receivable consists of doubtful receivables which are overdue and subject to judicial follow-up. This amount belongs to Interpap Dış Ticaret ve Mümessilik A.Ş. (“Interpap”) which is the client of Alkim Kağıt. Insolvency decision was taken from the related numbered files of Istanbul 13th Commercial Court of First Instance regarding the overdue cheque and current receivables of the Company at an amount of USD 13.273.594.

6. Trade receivables and payables (continued)

As of December 31, 2016 and 2015, the maturity of trade receivables is as follows:

	December 31, 2016	December 31, 2015
Overdue receivables (Note 29)	**2.535.386**	1.569.954
00-30 days	**6.152.726**	4.655.207
31-60 days	**12.507.143**	9.089.968
61-90 days	**1.162.895**	4.246.397
91-120 days	**6.837.164**	1.486.237
121 days and over	**524.981**	489.997
	29.720.295	21.537.760

According to past experiences and customer relationship, Group management proposes there are not collection risk on overdue receivables. Additionally, overdue trade receivables not booked provision for doubtful receivables are guaranteed with letter of guaranty amounting to TL 2.417.223 (2015: TL 438.064). As of December 31, 2016 and 2015, details of overdue trade receivables aging and Loan risky analysis are provided in Note 29.

The trade receivable amounting TL 16.093.307 as of December 31, 2016 is from a unique client of Alkim Kağıt which is a Group subsidiary and overwhelmingly the maturities are consisting of the current account receivables for February and April 2017. (Trade receivables from the concerning client as of 31 December 2015 is TL 7.069.700). Besides, Alkim Kağıt acquired the almost 35% of sales revenue for the period ending on 31 December 2016 from the sales to the concerning client (December 31, 2015 -45%). As of December 31, 2016, a bank letter of guarantee at TL 11.500.000 amount is available (December 31, 2015 TL 10.000.000)

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

	2016	2015
January 1	**32.704.995**	20.969.663
Current year provision	**-**	11.735.332
December 31	**32.704.995**	32.704.995

The Company has accounted allowance for doubtful receivables based on its past experiences.

b) Short term trade payables

	December 31, 2016	December 31, 2015
Supplier current accounts	**9.861.712**	9.213.322
Less: not accrued interest expense	**(47.799)**	(50.166)
	9.813.913	9.163.156

As of December 31, 2016, 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 9,5% , 0,10% and 0,04% , respectively (2015 –11% , 0,51% and 0,16%., respectively). Trade payables mature between 30 - 60 days (2015 – 30-60 days).

7. Other short-term receivables from unrelated parties

	December 31, 2016	December 31, 2015
Guarantees and deposits given	**377.802**	106.514
	377.802	106.514

8. Inventories

	December 31, 2016	December 31, 2015
Raw materials	**4.586.946**	8.537.072
Work-in-progress	**3.520.601**	3.295.316
Finished goods	**2.881.596**	4.354.080
Goods in transit	**8.630.887**	5.367.489
Other inventories (*)	**4.891.532**	4.067.013
Provision for impairment on inventories (-)	**(92.288)**	(84.629)
	24.419.274	25.536.341

(*) Other inventories include spare parts and consumables.

The breakdown of stock impairment based on stock item basis is as follows:

	December 31, 2016	December 31, 2015
Finished goods	**92.288**	84.629
	92.288	84.629

The movement in the provision for inventory impairment is as follows as of December 31, 2016 and 2015:

	2016	2015
January 1	**84.629**	77.216
Current year	**7.659**	43.898
Provisions for no longer required	**-**	(36.485)
December 31	**92.288**	84.629

9. Investment in associates accounted by equity method

Investment in associate:

	December 31, 2016		December 31, 2015	
	Amount	**Share (%)**	Amount	Share (%)
Alkim Sigorta	**413.897**	**50**	322.528	50.00
	413.897		322.528	

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

	2016	2015
January 1	**322.528**	254.586
Share of results of investment in associate	**91.369**	67.942
December 31	**413.897**	322.528

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

	December 31, 2016	December 31, 2015
Total assets	**2.794.576**	2.305.561
Total liabilities	**1.966.783**	1.660.505
Total equity	**827.793**	645.056
Net sales	**492.126**	405.665
Net profit for the year	**182.737**	135.884

10. Property, plant and equipment (continued)

The movements of property, plant and equipment for the period between January 1 and December 31, 2016 were as follows:

	January 1, 2016				**December 31, 2016**
	Opening	**Additions**	**Disposals**	**Transfers**	**Closing**
Cost:					
Land	**2.906.021**	**-**	**-**	**-**	**2.906.021**
Land improvements	**1.739.925**	**9.418**	**-**	**-**	**1.749.343**
Buildings	**10.197.510**	**104.368**	**-**	**107.204**	**10.409.082**
Machinery and equipment	**96.494.270**	**481.037**	**-**	**120.253**	**97.095.560**
Motor vehicles	**712.290**	**-**	**(43.118)**	**-**	**669.172**
Furniture and fixtures	**2.867.592**	**290.618**	**(5.019)**	**-**	**3.153.191**
Construction in progress	**-**	**294.467**	**-**	**(227.457)**	**67.010**
	114.917.608	**1.179.908**	**(48.137)**	**-**	**116.049.379**
Less: Accumulated depreciation:					
Land improvements	**(878.791)**	**(87.404)**	**-**	**-**	**(966.195)**
Buildings	**(6.483.733)**	**(396.621)**	**-**	**-**	**(6.880.354)**
Machinery and equipment	**(68.547.824)**	**(5.667.921)**	**-**	**-**	**(74.215.745)**
Motor vehicles	**(549.077)**	**(73.507)**	**38.640**	**-**	**(583.944)**
Furniture and fixtures	**(2.452.660)**	**(142.827)**	**2.910**	**-**	**(2.592.577)**
	(78.912.085)	**(6.368.280)**	**41.550**	**-**	**(85.238.815)**
Net Book value	**36.005.523**				**30.810.564**

The movements of property, plant and equipment for the period between January 1 and December 31, 2015 were as follows:

	January 1, 2015				December 31, 2015
	Opening	Additions	Disposals	Transfers	Closing
Cost:					
Land	3.596.240	-	(690.219) (*)	-	2.906.021
Land improvements	1.720.369	19.556	-	-	1.739.925
Buildings	10.707.260	-	(509.750)	-	10.197.510
Machinery and equipment	96.269.700	224.570	-	-	96.494.270
Motor vehicles	722.662	57.006	(67.378)	-	712.290
Furniture and fixtures	2.681.596	175.371	(3.000)	13.625	2.867.592
Construction in progress	9.087	13.626	-	(22.713)	-
	115.706.914	490.129	(1.270.347)	(9.088)	114.917.608
Less: Accumulated depreciation:					
Land improvements	(791.596)	(87.195)	-	-	(878.791)
Buildings	(6.129.574)	(405.243)	51.084	-	(6.483.733)
Machinery and equipment	(62.561.861)	(5.985.963)	-	-	(68.547.824)
Motor vehicles	(531.108)	(81.570)	63.601	-	(549.077)
Furniture and fixtures	(2.310.627)	(144.183)	2.150	-	(2.452.660)
	(72.324.766)	(6.704.154)	116.835	-	(78.912.085)
Net Book value	43.382.148				36.005.523

(*) The commercial land, net book value of which is TL 690.219 in Kemalpaşa/İzmir, was sold TL 8.950.000 on June 2015.

10. Property, plant and equipment (continued)

TL 6.228.800 (2015 – TL 6.245.821) of the current year depreciation charge has been allocated to cost of production, TL 80.335 (2015 – TL 78.319) to general and administrative expenses, and TL 29.101 (2015 – TL 33.617) to marketing, selling and distribution expenses and TL 41.255 (2015 – TL 358.776) to stocks.

As of December 31, 2016 and 2015, there are no pledges or liens on property, plant and equipment.

As of December 31, 2016 and 2015, cost of fully depreciated items which are still in use is as follows:

	December 31, 2016	December 31, 2015
Land improvement	**8.692**	3.405
Buildings	**74.711**	74.711
Machinery and equipment	**2.318.398**	1.896.959
Motor vehicles	**288.183**	309.092
Furniture and fixtures	**2.203.879**	2.111.240
	4.893.863	4.395.407

11. Intangible assets

The movements of intangible assets for the period between January 1 and December 31, 2016 were as follows:

	January 1, 2016			**December 31, 2016**
	Opening	**Additions**	**Transfers**	**Closing**
Rights - software	**735.299**	**25.393**	**-**	**760.692**
Less: accumulated amortization	**(715.685)**	**(11.211)**	**-**	**(726.896)**
Net book value	**19.614**	**14.182**	**-**	**33.796**

The movements of intangible assets for the period between January 1, and December 31, 2015 were as follows:

	January 1, 2015			December 31, 2015
	Opening	Additions	Transfers	Closing
Rights - software	711.296	14.915	9.088	735.299
Less: accumulated amortization	(703.306)	(12.379)	-	(715.685)
Net book value	7.990			19.614

As of December 31, 2016 and 2015, cost of fully amortized items which are still in use is as follows:

	December 31, 2016	December 31, 2015
Rights - software	**665.014**	663.469
	665.014	663.469

12. Prepaid expenses

	December 31, 2016	December 31, 2015
Short term prepaid expenses		
Prepaid expenses	**1.173.794**	1.054.845
Advances given for inventories	**100.709**	464.532
	1.274.503	1.519.377
Long term prepaid expenses		
Advances given for fixed assets	**1.803.816**	907.539
Prepaid expenses	**8.240**	15.190
	1.812.056	922.729
Total prepaid expenses	**3.086.559**	2.442.106

13. Other current assets:

	December 31, 2016	December 31,2015
VAT to be transferred	**8.922.562**	9.753.515
VAT deductible	**3.629.171**	3.042.174
Job advances given	**17.118**	16.334
Other	**54.680**	36.253
	12.623.531	12.848.276

14. Provisions, contingent assets and liabilities:

	December 31, 2016	December 31, 2015
a) Guarantees received:		
Bank guarantee letters	**18.620.824**	14.328.092
Trade receivables insurance (*)	**5.353.386**	3.374.611
Guarantee notes	**25.000**	25.000
Guarantee cheques	**563.072**	475.216
	24.562.282	18.202.919

(*) 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.

14. Provisions, contingent assets and liabilities (continued)

	December 31, 2016	December 31, 2015
b) Guarantees given:		
Bank guarantee letters (*)	**17.208.922**	18.790.060
	17.208.922	18.790.060

(*) Major part of guarantees given consist of value added tax return given to tax office, Kemalpaşa organized industry zone, Customs office, Energy Market Regulatory Authority.

As of December 31, 2016 and December 31, 2015, guarantee, pledge and mortgage position chart of the Company is as follows and it consist of TL:

	December 31, 2016	December 31, 2015
A.Total amount of CPM given for the Company's own legal personality	**17.208.922**	18.790.060
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	**-**	-
	-	
	17.208.922	18.790.060
Ratio of other GPMs given by the Company to the equity of the Company	%0	%0

c) Contingent assets:

The personal surety amounting to TL 30.000.000 was received from the shareholders of Interpap as explained in detailed in Note 6. The Company management started the legal process to recover its doubtful receivables in connection with the personal surety from Interpap's shareholders and the legal process for this matter is ongoing.

15. Provisions

a) Other short-term provisions

	December 31, 2016	December 31, 2015
Litigation provisions	**113.609**	35.423
	113.609	35.423

Movements of the labour litigation provision of during the year are as follows:

	2016	2015
January 1	**35.423**	-
Current year charge	**78.186**	93.923
Paid during the year (-)	**-**	(58.500)
December 31,2016	**113.609**	35.423

a) Long term employee benefits

	December 31, 2016	December 31, 2015
Provision for unused vacation pay liability	**260.637**	349.319
Provision for employment termination benefits	**5.101.397**	3.632.005
	5.362.034	3.981.324

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 4.297 for each year of service as of December 31, 2016 (December 31, 2015: TL 3.828).The Company accounts for the employee termination benefits in accordance with the provisions of IAS 19 calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

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:

15. Provisions (continued)

The following actuarial assumptions have been used in the calculation of the total provision:

	December 31, 2016	December 31, 2015
Net discount rate (%)	**%4,20**	%4,72
Turnover rate to estimate the probability of retirement (%)	**%99,09**	%98,8

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, 2017, the retirement pay liability ceiling is increased from TL 4.297 to TL 4.426.

Movements of the provision for employment termination benefits during the year are as follows:

	2016	2015
January 1	**3.632.005**	2.958.159
Interest cost	**399.520**	286.941
Service cost	**434.001**	283.262
Actuarial losses	**1.525.465**	732.538
Payment during the year (-)	**(889.594)**	(628.895)
December 31	**5.101.397**	3.632.005

Total provision expense for employee termination benefits of TL 833.521 (2015: TL 570.203) for the year has been allocated to cost of production amounting to TL 569.433 (2015: TL 447.689), to marketing, selling and distribution expenses amounting to TL 78.913 (2015:TL 71.807) and to general and administrative expenses amounting to TL 185.176 (2015:TL 50.707).

As of December 31, 2016 sensitivity analysis of significant assumption which using termination benefits calculation is as follows:

	Interest rate	
	1 % increases	**1 % decreases**
Change in employee termination benefits	**(248.210)**	277.887
	Inflation rate	
	1 % increases	**1 % decreases**
Change in employee termination benefits	**287.532**	(260.475)

15. Provisions (continued)

Movement of provision vacation pay liability is as follows:

	2016	2015
January 1	**349.319**	319.348
Current year provision charge, net	**(88.682)**	29.971
December 31	**260.637**	349.319

16. Short term liabilities for employee benefits

	December 31, 2016	December 31, 2015
Accrued payroll	**777.774**	615.124
Withholding tax	**307.744**	243.815
Social security premiums payable	**322.675**	265.294
Other	**3.100**	28.236
	1.411.293	1.152.469

17. Deferred income

	December 31, 2016	December 31, 2015
Advances received	**371.070**	498.246
	371.070	498.246

18. Other short term liabilities

	December 31, 2016	December 31, 2015
Taxes and funds payable	**42.586**	32.381
	42.586	32.381

19. Related party disclosures

a) Trade payable to related parties

	December 31, 2016	December 31, 2015
Alkim Sigorta (2)	**1.037.760**	949.110
Alkim Kimya (1)	**3.775**	5.461
	1.041.535	954.571

b) Trade receivable from related parties

	December 31, 2016	December 31, 2015
Alkim Kimya (1)	**-**	2.185
	-	2.185

	January 1 – December 31, 2016	January 1 – December 31, 2015
c) Good sales:		
Alkim Kimya (1)	**36.915**	5.970
Sodaş Sodyum A.Ş. (3)	**900**	1.217
	37.815	7.187
d) Service utilized :		
Alkim Kimya (1) (*)	**110.668**	90.741
Alkim Sigorta (2) (**)	**1.122.400**	999.375
Sodaş Sodyum A.Ş. (3)	**15.000**	-
	1.248.068	1.090.116

(1) Shareholder of the Company
(2) Associate of the Company
(3) Entities controlled by the Parent's shareholder

(*) Purchase of various services are accounted under general administrative expenses.
(**) Purchase of insurance services are accounted under general administrative expenses.

19. Related party disclosures (continued)

f) Key management remuneration:

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, 2016	January 1 – December 31, 2015
Short term benefits provided to key management	**2.077.988**	1.809.419
	2.077.988	1.809.419

20. Equity

The Company's shareholders and their shareholding percentages as of December 31, 2016 and 2015 are as follows:

	December 31, 2016		December 31,2015	
Shareholder	**Participation (%)**	**Amount (TL)**	Participation (%)	Amount (TL)
Alkim Kimya	**79,93**	**41.962.500**	79,93	41.962.500
Public owned	**20**	**10.500.000**	20	10.500.000
Other	**0,07**	**37.500**	0,07	37.500
Total paid-in share capital	**100**	**52.500.000**	100	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, 2016, the capital of the Company consist of 5,25 billion shares with TL 0,01 par value each (2015: – 5.25 billion 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 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.

20. Equity (continued)

The aforementioned amounts shall be classified in “Restricted Reserves” in accordance with CMB Financial Reporting Standards.

Listed companies shall distribute their profit in accordance with the Capital Market Board’s Communiqué on Dividends II-19.1 which is effective from February 1, 2015.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

Companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their main agreements or profit distribution policies. Furthermore, dividends may be paid in instalments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

Earnings per share disclosed in the statements of income are determined by dividing the net income per share by the weighted average number of shares that have been outstanding during the year.
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.

As of December 31, 2016 and 2015 balances of shareholders equity items (as per Statutory Financial Statements of the Company) are as follows:

	December 31, 2016	December 31, 2015
Legal reserves (1st and 2nd legal reserves)	**5.296.522**	5.296.522
Extraordinary reserves	**2.485.725**	2.485.725
Accumulated profit / (loss)	**3.750.297**	(8.192.789)
Net profit for the year	**27.256.878**	11.943.086
	38.789.422	11.532.544

Other funds

	December 31, 2016	December 31, 2015
Actuarial loss arising from defined benefit plans	**(2.778.743)**	(1.253.278)
Tax effect	**555.749**	250.656
Net	**(2.222.994)**	(1.002.622)

21. Earnings per share

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/(loss) 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.

Earnings per share is calculated by dividing net profit for the period to weighted average number of shares in issue during that period.

Net earnings per share:

		January 1 - December 31, 2016	January 1 - December 31, 2015
Net profit/(loss) for the period	A	**26.454.866**	10.120.725
Weighted average number of the shares	B	**5.250.000.000**	5.250.000.000
Earnings/(loss) per share (TL)	**A/B**	**0,0050**	0,0019

22. Sales and cost of sales

	January 1 - December 31, 2016	January 1 - December 31, 2015
Domestic sales	**160.751.387**	143.753.114
Export sales	**16.640.424**	7.614.112
Gross sales	**177.391.811**	151.367.226
Export sales (-)	**(818.279)**	(675.331)
Sales returns (-)	**(142.088)**	(254.337)
Net sales	**176.431.444**	150.437.558
Cost of sales (-)	**(143.050.209)**	(129.929.865)
Gross profit	**33.381.235**	20.507.693

23. Operating expense

	January 1 - December 31, 2016	January 1 - December 31, 2015
Research and development expenses	**70.731**	63.880
Marketing, selling and distribution expenses	**6.371.848**	4.761.824
General administrative expenses	**4.480.007**	4.251.299

	January 1 - December 31, 2016	January 1 - December 31, 2015
Research and development expenses:		
Personnel	**70.731**	63.880
	70.731	63.880

	January 1– December 31, 2016	January 1– December 31, 2015
Marketing, selling and distribution expenses:		
Transportation	**3.292.162**	2.743.329
Personnel expense	**1.442.038**	1.307.947
Taxes and funds	**673.595**	49.574
Commission	**207.873**	36.182
Advertising	**170.375**	242.087
Travel	**94.971**	75.731
Insurance	**62.149**	40.586
Rent	**60.000**	42.300
Communication expenses	**54.274**	34.267
Depreciation and amortization	**29.101**	33.617
Other	**285.310**	156.204
	6.371.848	4.761.824

23. Operating expense (continued)

	January 1 - December 31, 2016	January 1 - December 31, 2015
General administrative expenses:		
Personnel expense	**3.089.122**	2.845.525
Consultancy	**643.549**	373.020
Advocacy, litigation and enforcement cost	**179.629**	428.694
Travel expenses	**138.677**	87.039
Depreciation and amortization	**80.335**	78.319
Taxes and funds	**55.017**	207.385
Communication	**8.249**	15.193
Other	**285.429**	216.124
	4.480.007	4.251.299

24. Expenses by nature

	January 1 - December 31, 2016	January 1 - December 31, 2015
Raw materials	**102.085.534**	95.496.454
Energy	**14.829.124**	13.492.392
Personnel expense	**15.016.737**	12.050.860
Depreciation and amortization	**6.338.236**	6.357.757
Transportation	**3.292.162**	2.767.121
Cost of commercial goods sold	**1.984.112**	740.225
Spare part	**1.671.185**	1.428.356
Consumable materials	**1.222.467**	1.034.248
Maintenance and repair	**1.160.395**	862.112
Insurance expense	**923.231**	896.155
Subcontract labor expense	**809.893**	581.500
Consultancy	**744.237**	373.020
Advertising	**170.375**	242.087
Other	**3.725.107**	2.684.581
	153.972.795	139.006.868

25. Other operating income/ (expense)

a) Other operating income:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Foreign exchange gain on receivable and payables	**7.689.615**	9.626.826
Deposit interest income	**1.635.653**	191.314
Scrap sales income	**127.508**	102.119
Electricity sales income	**315.933**	71.371
Compensation income from insurance companies	**88.846**	60.983
Interest income	**2.501**	6.286
Other	**38.069**	23.810
	9.898.125	10.082.709

a) Other operating expense:

	January 1 - December 31, 2016	January 1 - December 31, 2015
Provision expenses for doubtful receivables (Note 6)	**-**	11.735.332
Foreign exchange loss from receivable and payables	**1.517.002**	2.778.993
Litigation provision expense (Note 15)	**78.186**	93.923
Other	**50.915**	28.454
	1.646.103	14.636.702

26. Gain and loss from investment activities

	January 1 – December 31, 2016	January 1 – December 31, 2015
Gain from investment activities		
Gain on sale of tangible assets	**56.384**	8.585.394
	56.384	8.585.394

27. Finance income/expenses

	January 1 – December 31, 2016	January 1 – December 31, 2015
Finance income		
Foreign exchange gain	**10.202.976**	1.732.815
	10.202.976	1.732.815
Finance expense		
Foreign exchange loss	**7.209.439**	5.434.883
Interest expenses from loan	**770.019**	718.835
	7.979.458	6.153.718

28. Taxes

	January 1 – December 31, 2016	January 1 – December 31, 2015
Provision for current income tax expense	**6.196.138**	-
Less: Prepaid income taxes	**(3.004.227)**	(27.683)
Current income tax (assets)/liabilities	**3.191.911**	(27.683)

For the period January 1 - December 31, 2016 tax expenses in the statement of comprehensive income is as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Current income tax expense	**(6.196.138)**	-
Deferred tax expense	**(430.938)**	(988.405)
Total tax expense reported in the statement of profit or loss	**(6.627.076)**	(988.405)

28. Taxes (continued)

Corporation tax is payable at a rate of 20% for 2016 (2015- 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.

The reconciliations of the taxation on income for the years ended December 31, 2016 and 2015 are as follows:

	January 1 – December 31, 2016	January 1 – December 31, 2015
Profit before tax	**33.081.942**	11.109.130
Statutory tax rate	**%20**	%20
Tax calculated on profit before tax	**(6.616.388)**	(2.221.826)
Effect of non-deductible expenses	**(25.267)**	(16.694)
Effect of income exempt from tax	**-**	1.249.341
Effect of profit or loss from investments accounted under equity method	**18.274**	13.587
Other	**(3.694)**	(12.813)
Total tax expense	**(6.627.076)**	(988.405)

Deferred 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% (2015 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2016 and 2015 were as follows:

	Taxable temporary differences		**Deferred tax assets / (liabilities)**	
	December 31, 2016	December 31, 2015	**December 31, 2016**	December 31, 2015
Difference on property, plant and equipment and intangible assets	**(8.113.580)**	(8.771.955)	**(1.622.716)**	(1.754.391)
Provision for employment termination benefits	**5.101.397**	3.632.005	**1.020.279**	726.401
Provision for unused vacations	**260.637**	349.319	**52.127**	69.864
Allowance for doubtful receivables	**-**	9.195	**-**	1.839
The effect of carried tax losses	**-**	3.137.865	**-**	627.573
Provision for inventory impairment	**92.288**	84.629	**18.458**	16.926
Other	**996.910**	525.816	**199.382**	105.163
Deferred tax liabilities, net	**(1.662.348)**	(1.033.126)	**(332.470)**	(206.625)

28. Taxes (continued)

The company has no amount (2015: TL 1.882.912) for delayed tax asset related to its financial losses to be deducted from the taxable profits for the following years.

The distribution of the concerning financial losses subject to deduction through years is as follows:

Expiry date	December 31, 2016	December 31, 2015
2019	-	3.137.865
	-	3.137.865

The movement for deferred tax assets / (liabilities) can be analyzed as follows:

	2016	2015
As of January 1,	**(206.625)**	635.272
Accounted in the statement of profit or loss	**(430.938)**	(988.405)
Accounted in the statement of other comprehensive income/(expense)	**305.093**	146.508
As of December 31,	**(332.470)**	(206.625)

29. 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, and 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.

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 counter side (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.

29. Financial instruments and financial risk management (continued)

Credit risk intensification arises as a result of the fact that more than one counterparty has similar economic characteristics that will affect their ability to meet their contractual obligations due to similar business activities or activity in the same geographical region or changes in economic, political and other conditions. Concentration refers to the relative sensitivity of Company performance to developments affecting a particular sector.

It has clear requirements to focus on maintaining a diversified portfolio to prevent excessive risk concentration. Intensified credit concentration (credit) is controlled and managed in this direction.

The credit risk exposure in terms of financial instruments as of December 31, 2016 and 2015 were as follows:

December 31, 2016:

	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)	**-**	**29.720.295**	**-**	**377.802**	**67.701.035**	**97.799.132**
- The part of maximum credit risk covered with guarantees	**-**	**24.562.282**	**-**	**-**	**-**	**24.562.282**
A. Net book value of financial assets not due or not impaired (3)	**-**	**27.184.909**	**-**	**377.802**	**67.701.035**	**95.263.746**
B. Net book value of financial assets whose conditions are renegotiated,	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of financial assets impaired	**-**	**2.535.386**	**-**	**-**	**-**	**2.535.386**
- The amount covered by guarantees.		**(2.417.223)**	**-**	**-**	**-**	**(2.417.223)**
D. Net book value of financial assets impaired	**-**	**-**	**-**	**-**	**-**	**-**
- Past due (gross book value)	**-**	**32.704.995**	**-**	**-**	**-**	**32.704.995**
- Impairment (-)	**-**	**(32.704.995)**	**-**	**-**	**-**	**(32.704.995)**
- 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) Company's trade receivables arise from sales of coated paper, wood free offset paper and photocopy.
(2) Guarantees received and other factors that increase the credit quality are taken into consideration in the determination of related amount.
(3) Company management predict that they don't encounter a problem about the collection of related amount based on past experiences

29. Financial instruments and financial risk management (continued)

December 31, 2015:

	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)	-	21.099.696	-	106.514	48.386.276	69.592.486
- The part of maximum credit risk covered with guarantees	-	18.202.919	-	-	-	18.202.919
A. Net book value of financial assets not due or not impaired (3)	-	19.967.806	-	106.514	48.386.276	68.460.596
B. Net book value of financial assets whose conditions are renegotiated,	-	-	-	-	-	-
C. Net book value of financial assets impaired	-	1.569.954	-	-	-	1.569.954
- The amount covered by guarantees.	-	(438.064)	-	-	-	(438.064)
D. Net book value of financial assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32.704.995	-	-	-	32.704.995
- Impairment (-)	-	(32.704.995)	-	-	-	(32.704.995)
- 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) Company's trade receivables arise from sales of coated paper, wood free offset paper and photocopy.
(2) Guarantees received and other factors that increase the credit quality are taken into consideration in the determination of related amount.
(3) Company management predict that they don't encounter a problem about the collection of related amount based on past experiences

29. Financial instruments and financial risk management (continued)

	December 31, 2016	December 31, 2015
	Trade receivables	Trade receivables
	Third parties	Third parties
Overdue by 1-30 days	**2.503.181**	844.709
Overdue by 1-3 months	**26.719**	516.364
Overdue by 3-9 months	**5.486**	208.881
	2.535.386	1.569.954
The amount covered with guarantees	**(2.417.223)**	(438.064)

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, 2016 and 2015 are as follows:

December 31, 2016:

Contractual maturity dates	**Book 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	**24.218.762**	**24.349.436**	**130.149**	**22.096.619**	**2.122.668**
Trade payables to related parties	**1.041.535**	**1.093.387**	**786.771**	**306.616**	**-**
Trade payables to other parties	**9.813.913**	**9.861.712**	**9.861.712**	**-**	**-**
	35.074.210	**35.304.534**	**10.778.631**	**22.403.235**	**2.122.668**

29. Financial instruments and financial risk management (continued)

December 31, 2015:

Contractual maturity dates	Book 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	33.150.206	33.853.047	5.013.733	23.411.159	5.428.155
Trade payables to related parties	954.571	959.081	959.081	-	-
Trade payables to other parties	9.163.156	9.208.812	8.517.546	691.266	-
	43.267.933	44.020.940	14.490.360	24.102.425	5.428.155

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.

As of December 31, 2016 and 2015 the Company's foreign currency position summarized as below. The Company's hold foreign currency asset and liability amounts in foreign currency as follows:

	December 31, 2016	December 31, 2015
Assets	**79.262.227**	59.678.045
Liabilities	**(29.041.351)**	(39.715.991)
Net foreign currency position	**50.220.876**	19.962.054
Off- balance sheet items derivative instruments, net	-	-
Foreign currency position, net	**50.220.876**	19.962.054

29. Financial instruments and financial risk management (continued)

December 31, 2016		Foreign currency position	
	TL equivalent	USD	EUR
1. Trade receivables	22.699.280	6.258.387	181.882
2a. Monetary financial assets (cash, bank accounts included)	56.562.947	15.501.774	541.552
2b. Non-monetary financial assets	-	-	-
3. Other	-	-	-
4. Current Assets (1+2+3)	**79.262.227**	**21.760.161**	**723.434**
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	-	-	-
8. Tangible assets (5+6+7)	**-**	**-**	**-**
9. Total Asset (4+8)	**79.262.227**	**21.760.161**	**723.434**
10. Trade payable	5.110.791	1.418.498	32.026
11. Financial liability	23.930.560	6.800.000	-
12a. Monetary financial liabilities	-	-	-
12b. Non-monetary financial liabilities	-	-	-
13. Short term liabilities (10+11+12)	**29.041.351**	**8.218.498**	**32.026**
14. Trade payables	-	-	-
15. Financial liabilities	-	-	-
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
17. Long term liabilities (14+15+16)	**-**	**-**	**-**
18. Total Liabilities (13+17)	**29.041.351**	**8.218.498**	**32.026**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	**-**	**-**	**-**
19a. Asset nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**
19b. Liability nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**
20.Net foreign currency asset/(liability) position (9-18+19)	**50.220.876**	**13.541.663**	**691.408**
21. Net asset/(liability) position of foreign currency monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**50.220.876**	**13.541.663**	**691.408**
22. Fair value of financial assets for foreign currency hedge	**-**	**-**	**-**
23. Hedged amount of foreign currency assets	**-**	**-**	**-**
24. Hedged amount of foreign currency liabilities	**-**	**-**	**-**
25. Export	**19.430.436**	**5.521.265**	**-**
26. Import	**100.895.263**	**28.669.943**	**-**

As of December 31, 2016, the foreign exchange balances are valued with these exchange rates; TL 3,5192 = USD 1, TL 3,7099 = EUR 1 (December 31, 2015 – TL 2,9076 = USD 1, TL 3,1776 = EUR 1).

29. Financial instruments and financial risk management (continued)

December 31, 2015		Foreign currency position	
	TL equivalent	USD	EUR
1. Trade receivables	16.595.756	5.583.551	113.615
2a. Monetary financial assets (cash, bank accounts included)	42.175.051	14.365.899	127.380
2b. Non-monetary financial assets	-	-	-
3. Other	26.160	50	8.187
4. Current Assets (1+2+3)	**58.796.967**	**19.949.500**	**249.182**
5. Trade receivables	-	-	-
6a. Monetary financial assets	-	-	-
6b. Non-monetary financial assets	-	-	-
7. Other	881.078	303.026	-
8. Tangible assets (5+6+7)	**881.078**	**303.026**	**-**
9. Total Asset (4+8)	**59.678.045**	**20.252.526**	**249.182**
10. Trade payable	6.236.817	2.142.460	2.329
11. Financial liability	27.911.081	9.599.354	-
12a. Monetary financial liabilities	334.412	115.013	-
12b. Non-monetary financial liabilities	-	-	-
13. Short term liabilities (10+11+12)	**34.482.310**	**11.856.827**	**2.329**
14. Trade payables	-	-	-
15. Financial liabilities	5.233.680	1.800.000	-
16a. Other monetary liabilities	-	-	-
16b. Other non-monetary liabilities	-	-	-
17. Long term liabilities (14+15+16)	**5.233.680**	**1.800.000**	**-**
18. Total Liabilities (13+17)	**39.715.990**	**13.656.827**	**2.329**
19. Net asset/(liability) position of off-balance sheet derivative instruments (19a-19b)	**-**	**-**	**-**
19a. Asset nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**
19b. Liability nature net foreign currency asset/(liability) position of off-balance sheet derivative instruments	**-**	**-**	**-**
20.Net foreign currency asset/(liability) position (9-18+19)	**19.962.055**	**6.595.699**	**246.853**
21. Net asset/(liability) position of foreign currency monetary items (=1+2a+5+6a-10-11-12a-14-15-16a)	**19.054.817**	**6.292.623**	**238.666**
22. Fair value of financial assets for foreign currency hedge			
23. Hedged amount of foreign currency assets	**-**	**-**	**-**
24. Hedged amount of foreign currency liabilities	**-**	**-**	**-**
25. Export	**7.772.076**	**2.673.021**	**-**
26. Import	**96.452.166**	**33.172.433**	**-**

29. Financial instruments and financial risk management (continued)

December 31, 2016			**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	**4.765.582**	**(4.765.582)**	**-**	**-**
2-T he part hedged for USD risk (-)	**-**	**-**	**-**	**-**
3- USD net effect (1 +2)	**4.765.582**	**(4.765.582)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR – net	**256.505**	**(256.505)**	**-**	**-**
5- The part hedged for EUR risk (-)	**-**	**-**	**-**	**-**
6- EUR net effect (4+5)	**256.505**	**(256.505)**	**-**	**-**
Total (3+6)	**5.022.087**	**(5.022.087)**	**-**	**-**

December 31, 2015			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	1.829.643	(1.829.643)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD net effect (1 +2)	1.829.643	(1.829.643)	-	-
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR – net	75.839	(75.839)	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR net effect (4+5)	75.839	(75.839)	-	-
Total (3+6)	1.905.482	(1.905.482)	-	-

29. 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.

	Interest rate position	
	December 31, 2016	December 31, 2015
Financial instruments with fixed interest rate		
Financial assets	**66.508.442**	47.203.725
Financial liabilities	**24.218.762**	8.789.796
Financial instruments with floating interest rate		
Financial liabilities	**-**	24.360.410

Since the Company has no financial liabilities with floating interest rates as of December 31, 2016, there is no interest rate sensitivity. (2015, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 243.604)

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

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

29. Financial instruments and financial risk management (continued)

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 have been used in the estimation of fair value of financial instruments whose fair value can be determined.

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.

30. Subsequent events

None.

31. 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 (2015 – None).