ALKİM KAĞIT SANAYİ VE TİCARET
ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH -
THE TURKISH TEXT IS AUTHORITATIVE)

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Alkim Kağıt Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Alkim Kağıt Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2017 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 notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

Key audit matter	How our audit adressed the key audit matter
Recoverability of trade receivables: Trade receivables amounting to TL24.557.116 from non-related parties as of 31 December 2017 are material to the financial statements. However, the Company management takes into account the guarantees received from its customers, past collection performance and maturity analysis of receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. Related assumptions are sensitive to expected market conditions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: - The Company's credit risk management policy, including credit limit and collection management, were reviewed and assessed. - Investigations were made to determine whether there were any disputes or lawsuits regarding the collectability of trade receivables from non-related parties, and evaluations of the ongoing lawsuits were obtained from the Company's legal counsellors. - The aging of trade receivable balances from non-related parties and aging model were analysed. - The reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. - Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. - The subsequent collections were tested on a sample basis. - The guarantee letters received from customers were tested on a sample basis. - The compliance of the disclosures of recoverability of trade receivables from non-related parties in the d financial statements with the relevant accounting standards was evaluated. In the result of audit procedures due to recoverability of trade receivables, no material finding issued.

4. Other Matter

The financial statements of the Company as of 31 December 2016 and for the year then ended were audited and by another audit firm whose audit report dated 28 February 2017 expressed an qualified opinion.

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

6. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2018.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Baki Erdal, SMMM
Partner

İstanbul, 28 February 2018

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
INDEX TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF BALANCE SHEETS
AT 31 DECEMBER 2017 AND 2016

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

	Note	31 December 2017	31 December 2016
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	65.441.709	67.768.102
Trade receivables		24.559.238	29.720.295
- Trade receivables from related parties	5	2.122	-
- Trade receivables from third parties	6	24.557.116	29.720.295
Other receivables		125.395	377.802
- Other receivables from third parties		125.395	377.802
Inventories	7	40.201.877	24.419.274
Prepaid expenses		1.852.031	1.274.503
- Prepaid expenses to related parties	5	1.130.159	-
- Prepaid expenses to third parties	8	721.872	1.274.503
Other current assets		13.272.202	12.623.531
- Other current assets from third parties	15	13.272.202	12.623.531
TOTAL CURRENT ASSETS		**145.452.452**	**136.183.507**
NON CURRENT ASSETS			
Investments in associates accounted for using equity method	3	512.276	413.897
Property, plant and equipment	9	29.015.437	30.810.564
- Land		2.906.021	2.906.021
- Land improvements		742.539	783.148
- Buildings		3.288.358	3.528.727
- Machinery and equipments		19.764.692	22.879.815
- Vehicles		714.729	85.228
- Furniture and fixtures		1.202.071	560.615
- Construction-in-progress		397.027	67.010
Intangible assets	10	146.322	33.796
Prepaid expenses	8	1.261.074	1.812.056
- Prepaid expenses to third parties		1.261.074	1.812.056
TOTAL NON-CURRENT ASSETS		**30.935.109**	**33.070.313**
TOTAL ASSETS		**176.387.561**	**169.253.820**

These financial statements at 1 January - 31 December 2017 and for the year then ended were approved for issue by the Board of Directors of Alkim Kağıt Sanayi ve Ticaret A.Ş. on 28 February 2018. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF BALANCE SHEETS
AT 31 DECEMBER 2017 AND 2016

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

	Note	31 December 2017	31 December 2016
LIABILITIES			
CURRENT LIABILITIES			
Short-term borrowings	11	19.237.281	17.619.910
- Short-term borrowings to third parties		19.237.281	17.619.910
- Bank borrowings		19.237.281	17.619.910
Other financial liabilities	11	2.053.121	-
Short-term portion of long-term borrowings	11	2.263.140	4.487.332
- Short-term portion of long-term borrowings to third parties		2.263.140	4.487.332
- Bank borrowings		2.263.140	4.487.332
Trade payables		13.334.288	10.855.448
- Trade payables due to related parties	5	1.115.926	1.041.535
- Trade payables due to third parties	6	12.218.362	9.813.913
Payables related to employee benefits	13	1.783.878	1.411.293
Deferred income	8	1.700.536	371.070
- Deferred income from third parties		1.700.536	371.070
Current income tax liability	21	1.928.849	3.191.911
Short term provisions		361.937	113.609
- Provision for employee benefits	13	245.822	-
- Other short term provisions	12	116.115	113.609
Other current liabilities		87.978	42.586
- Other current liabilities due to third parties		87.978	42.586
TOTAL CURRENT LIABILITIES		**42.751.008**	**38.093.159**
NON-CURRENT LIABILITIES			
Long-term borrowings	11	-	2.111.520
- Long-term borrowings to third parties		-	2.111.520
- Bank borrowings		-	2.111.520
Long-term provisions for employee termination benefits	13	5.243.519	5.362.034
Deferred income tax liabilities	21	202.364	332.470
TOTAL NON-CURRENT LIABILITIES		**5.445.883**	**7.806.024**
TOTAL LIABILITIES		**48.196.891**	**45.899.183**
EQUITY			
Share capital	16	52.500.000	52.500.000
Adjustment to share capital	16	32.414.361	32.414.361
Restricted reserves	16	8.421.546	5.296.522
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		(2.056.708)	(2.222.994)
- Actuarial loss arising from defined benefit plans		(2.056.708)	(2.222.994)
Retained earnings		9.629.078	8.911.882
Net profit for the year		27.282.393	26.454.866
TOTAL EQUITY		**128.190.670**	**123.354.637**
TOTAL EQUITY AND LIABILITIES		**176.387.561**	**169.253.820**

The accompaying notes are an integral part of these financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note	1 January - 31 December 2017	1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	17	235.732.825	176.747.377
Cost of sales (-)	17	(195.884.054)	(143.050.209)
GROSS PROFIT		**39.848.771**	**33.697.168**
Marketing expenses (-)	18	(6.239.169)	(6.371.848)
General administrative expenses (-)	18	(5.653.789)	(4.480.007)
Research and development expenses (-)		(82.514)	(70.731)
Other income from operating activities	19	22.466.026	19.785.168
Other expense from operating activities (-)	19	(13.633.408)	(4.648.429)
OPERATING PROFIT		**36.705.917**	**37.911.321**
Income from investment activities		209.779	56.384
Share of results of investment-in-associates	3	98.379	91.369
OPERATING PROFIT BEFORE FINANCE INCOME/ (EXPENSE)		**37.014.075**	**38.059.074**
Financial income	20	4.128.625	2.633.288
Financial expense (-)	20	(6.832.043)	(7.610.420)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**34.310.657**	**33.081.942**
Tax expense of continuing operations		(7.028.264)	(6.627.076)
- Current period tax expense	21	(7.199.941)	(6.196.138)
- Deferred tax income / (expense)	21	171.677	(430.938)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**27.282.393**	**26.454.866**
PROFIT FOR THE YEAR		**27.282.393**	**26.454.866**
Earnings per Share		**0,0052**	**0,0050**
- Earnings per 1 Kr number of 100 shares from continuing operations	22	0,0052	0,0050
OTHER COMPREHENSIVE INCOME/ LOSS			
Other Comprehensive Income that will not be reclassified to Profit or Loss			
Gains (losses) on remeasurements of defined benefit plans	13	207.857	(1.525.465)
Gains (losses) on remeasurements of defined benefit plans, tax effect	13	(41.571)	305.093
OTHER COMPREHENSIVE INCOME/ LOSS		**166.286**	**(1.220.372)**
TOTAL COMPREHENSIVE INCOME		**27.448.679**	**25.234.494**

The accompanying notes are an integral part of these financial statement.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017 AND 2016

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

				Other Accumulated Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss	Retained Earnings		
	Share Capital	Adjustment to Share Capital	Restricted Reserves	Gains (Losses) on Remeasurements of Defined Benefit Plans	Retained Earnings	Profit for the year	Total Equity
1 January 2016	**52.500.000**	**32.414.361**	**5.296.522**	**(1.002.622)**	**(1.208.843)**	**10.120.725**	**98.120.143**
Transfers	-	-	-	-	10.120.725	(10.120.725)	-
Total comprehensive income / (loss)	-	-	-	(1.220.372)	-	26.454.866	25.234.494
- Profit for the year	-	-	-	-	-	26.454.866	26.454.866
- Other comprehensive loss	-	-	-	(1.220.372)	-	-	(1.220.372)
31 December 2016	**52.500.000**	**32.414.361**	**5.296.522**	**(2.222.994)**	**8.911.882**	**26.454.866**	**123.354.637**
1 January 2017	**52.500.000**	**32.414.361**	**5.296.522**	**(2.222.994)**	**8.911.882**	**26.454.866**	**123.354.637**
Transfers	-	-	-	-	26.454.866	(26.454.866)	-
Dividend	-	-	3.125.024	-	(25.737.670)	-	(22.612.646)
Total comprehensive income / (loss)	-	-	-	166.286	-	27.282.393	27.448.679
- Profit for the year	-	-	-	-	-	27.282.393	27.282.393
- Other comprehensive loss	-	-	-	166.286	-	-	166.286
31 December 2017	**52.500.000**	**32.414.361**	**8.421.546**	**(2.056.708)**	**9.629.078**	**27.282.393**	**128.190.670**

The accompanying notes are an integral part of these financial statements.

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**20.739.743**	**23.081.732**
Profit for the year			
Profit from Continuing Operations		27.282.393	26.454.866
Adjustments Related to Reconciliation of Net Profit for The Year		**9.077.892**	**6.427.480**
Adjustments for tax expense	21	7.028.264	6.627.076
Adjustments for depreciation and amortisation expense	9,10	5.810.793	6.338.236
Adjustments for interest expense and interest gain		(806.978)	(875.990)
Adjustments for interest gain	20	(1.661.790)	(1.635.653)
Adjustments for interest expense	20	859.556	770.019
Unincurred finance cost from futures	6	(69.631)	(47.799)
Unearned finance income from futures		64.887	37.443
Adjustments for undistributed profits of investments accounted for using equity method	3	(98.379)	(91.369)
Adjustments for undistributed profits of associates	3	(98.379)	(91.369)
Adjustments for provisions		704.781	744.839
Adjustments for provisions related with employee benefits	13	704.781	744.839
Adjustments for fair value loss (reversal)		(7.540)	7.659
Adjustments for decrease in fair value of inventories	7	(7.540)	7.659
Adjustments for losses (gains) arised from sale of fixed assets		(209.779)	(56.384)
Adjustments for losses (gains) arised from sale of tangible assets		(209.779)	(56.384)
Adjustments for (reversal of) lawsuit and/or penalty provisions		-	78.186
Adjustments for unrealized foreign currency translation differences		(3.343.270)	(6.344.773)
Changes in Working Capitals		**(6.471.051)**	**(5.934.476)**
Adjustments related to decrease/ (increase) in trade receivables		6.406.367	**(8.217.793)**
Decrease (increase) in trade receivables from related parties	5	(2.122)	2.185
Decrease (increase) in trade receivables from non-related parties		6.408.489	(8.219.978)
Adjustments related to decrease/ (increase)in inventories		(15.685.063)	1.150.663
Adjustments related to decrease/ (increase) in other receivables		252.407	(271.288)
Decrease (increase) in other receivables related with operations from non-related parties		252.407	(271.288)
Decrease (increase) in prepaid expenses	8	(578.897)	251.824
Adjustments for increase (decrease) in trade payable		1.678.685	785.520
Increase in trade payables to related parties	5	74.391	86.964
Increase (decrease) in trade payables to non-related parties	6	1.604.294	698.556
Increase (decrease) in payables related to employee benefits	13	372.585	258.824
Increase (decrease) in deferred income	8	1.329.466	(127.176)
Other adjustments for other increase (decrease) in working capital		(246.601)	234.950
Decrease (increase) in other assets related with operations		(515.231)	224.745
Increase (decrease) in other payables related with operations		268.630	10.205
Cash Flows from Operations		**29.889.234**	**26.947.870**
Payments related with provisions for employee benefits	13	(686.488)	(889.594)
Income taxes refund (paid)		(8.463.003)	(2.976.544)

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

ALKİM KAĞIT SANAYİ VE TİCARET ANONİM ŞİRKETİ
STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM INVESTING ACTIVITIES		**(1.693.907)**	**(577.756)**
Interest received		1.691.105	1.460.851
Cash outflows due to purchase of fixed assets		(4.269.061)	**(**1.205.301)
Cash outflows due to purchase of tangible assets	9	(4.157.559)	(1.179.908)
Cash outflows due to purchase of intangible assets	10	(111.502)	(25.393)
Cash inflows from sales of fixed assets		331.698	62.971
Repayments from loans and cash advances given		552.351	(896.277)
Other repayments from loans and cash advances given		552.351	(896.277)
CASH FLOWS FROM FINANCING ACTIVITIES		**(25.552.543)**	**(13.125.843)**
Cash outflows from financial borrowings		(34.092.730)	(27.829.961)
Paybacks of borrowings		(34.092.730)	(27.829.961)
Cash inflows from financial borrowings		31.902.184	15.272.500
Cash inflows from loans		31.902.184	15.272.500
Dividends paid		(22.612.646)	-
Interest Paid		(749.351)	(568.382)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**(6.506.707)**	**9.378.133**
Effect of currency translation differences on cash and cash equivalents		4.209.629	9.769.153
Net increase (decrease) in cash and cash equivalents	4	(2.297.078)	19.147.286
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**67.572.875**	**48.425.589**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**65.275.797**	**67.572.875**

The accompanying notes are an integral part of these financial statements.

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Alkim Kağıt San. ve Tic. A.Ş. ("the Company") is the production and sale of woodfree paper, coated paper and photocopy paper, electricity and heat energy production to meet its own needs, sales in case of production surplus. Alkim Alkali Kimya A.Ş. ("Alkim Kimya"), which has a share of 79,93% of the Company. Alkim Kimya is the main shareholder of the Company (Note 16).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 20,00% (31 December 2016: 20,00%) of its shares are quoted on the Borsa Istanbul ("BIST"). The Company is registered with the Capital Markets Board ("CMB").

The average number of personnel is 192 as of 31 December 2017 (31 December 2016: 169 personnel).

The company's registered office address is Organized Industrial Zone Kirovasi Mevkii Kemalpaşa - Izmir.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

The financial statements are presented in accordance with the "Announcement on TAS Taxonomy" issued by the POAASA on 2 June 2016 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

The Company maintains its books of account and prepares its statutory financial statements in accordance with the principles and conditions set forth by the CMB, the Turkish Commercial Code ("TCC"), the tax legislation and the requirements of the Uniform Chart of Accounts issued by the Ministry of Finance.

These financial statements have been prepared under historical cost conventions except for financial assets and financial liabilities which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS/TFRS. The Company's functional and reporting currency is Turkish Lira ("TL").

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations that are in progress and adopted by the Company at December 2017:

- Amendments to TAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017:

  TFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) Standards, amendments and interpretations applicable from 31 December 2017 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations effective after 1 January 2018:

- TFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

    - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
    - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- TFRSI 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

d) New and revised standards and interpretations issued by the IASB but not published by the POAASA:

- IFRS 10 and IAS 28 "Asset Sales or Contributions of Investor Entity to Associate or Joint Venture - Amendment"; The IASB has deferred the effective date of the amendments made in IFRS 10 and UIAS 28 in December 2015 for an indefinite period of time to be amended in accordance with the ongoing research project outputs on the equity method. However, it still permits early application.

- Annual Improvements - Period 2010-2012;

    - IFRS 13, "Fair Value Measurement"; Short-term trade receivables and payables with no interest rate on them, as explained in the Decision Reasons, can be shown in the invoice amount if the discount effect is insignificant. Changes will be applied immediately.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 37, not IAS 12 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

The Company will determine the effects of these amendments above on the financial statements and will apply after effective date. The amendments do not have significant impact on the Company's financial statements. New standards, amendments and interpretations issued and effective as of 31 December 2017 have not been presented since they are not relevant to the operations of the company or have insignificant impact on the financial statements.

2.3 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in statement of changes in equity and statement in comprehensive income. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2017 and 2016:

	Shareholding (%)	
Investments-in-associates	**31 December 2017**	**31 December 2016**
Alkim Sigorta Aracılık Hiz. Ltd. Şti. (Residing in Turkey)	50,00	50,00

Foreign currency translation

i) **Functional and presentation currency**

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TL"), which is the functional currency of the Company.

ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, within finance income and expense and other operating income and expense except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2.4 Comparative Information and restatement of prior year financial statements

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2017 on a comparative basis with balance sheet at 31 December 2016; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2017 on a comparative basis with financial statements for the period of 1 January - 31 December 2016.

In order to comply with the presentation of the current period financial statements, comparative information is reclassified when necessary and significant differences are disclosed. The reclassifications made in the profit and loss account of the Company as of 31 December 2016 are as follows:

- Foreign exchange gain amounting to TL 10.202.976 classified under finance income in the income statement for the period ended on 31 December 2016 are presented under other operating income.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

- Foreign exchange loss amounting to TL 3.002.326 included in financial expenses in the income statement for the period ended 31 December 2016 are presented under other operating expense.

- Electricity sales income amounting to TL 315.933 which is included in other operating income in the income statement for the period ending on 31 December 2016 are presented in the revenue line.

- Foreign exchange gain amounting to TL 2.633.288 subject to net presentation in the financial expenses in the income statement for the year ended 31 December 2016 are presented in the financial income.

2.5 Summary of Significant Accounting Policies

2.5.1 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination sales within the Company. At each balance sheet date any expenditure incurred but not yet invoiced is estimated and accrued.The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement (Note 17).

Revenue is recognized as follows:

Sales of goods:

Sales of goods are recognized when the Company delivers or sells products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured. It is the Company's policy to sell its products to the customers with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sales of services:

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest Income:

Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for receivables is the difference between the assets's carriying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and recognized as interest income.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.5.2 Inventories

Inventories of the Company consist of cellulose inventories, convolved or sized semi-finishing and fnished goods, chemicals, operating supplies and spare parts. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monhtly weighted average basis (Note 7).

2.5.3 Property and equipment

Property, plant and equipments acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any.

Property, plant and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

Buildings, land and land improvements and machinery and equipments are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

The advances given for the property, plant and equipment purchases are classified in prepaid expenses under the other non-current assets until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 9). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

	Rate (%)
Land and land improvements	2-13
Buildings	2-4
Machinery and equipments	4-25
Motor vehicles	10-25
Furniture and fixtures	5-50

Subsequent costs are included in the asset's carrying value recognised as seperate 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. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and re included in the related income and expense accounts, as appropriate (Note 19).

2.5.4 Intangible assets

Intongible assets consist of nights, information systems and computer software. Intangible assets acquired separately from business are carried at cost, less accumulated amortization and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives (5-15 years). If any impoirment occurs, the carrying amount of intangible assets are recorded at recoverable amounts.

2.5.5 Impairment of assets

Impairment of financial assets:

Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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,

- The Company, 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 reorganisation,

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

    (i) Adverse changes in the payment status of borrowers in the portfolio; and
    (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

Impairment of non-financial assets:

At each reporting date, the company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be masured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In the case of impairment according to TAS 39 'Financial instruments: Recognition and measurement', the investments are tested with comparing recoverable and carrying amount of impaired assets if there is and impairment according to TAS 36. Based on this, although accounted by using equity method and share of loss of investments have been recognised in financial statements, it should be assessed whether there is a requirement of recognising any impairment loss additional to loss recognised in accordance with TAS 39. Goodwill, accounted in investment in associates, does not recognized separately on the financial statements, so is not necessary to perform "Impairment of Assets" according to TAS 36. If there is any impairment,impairment loss is not distributed to any asset including goodwill which is cost of investment. Based on this, the impairment loss recognised in the prior financial statements are reversed in accordance with TAS36, after subsequent value increase.

2.5.6 Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 20). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 11).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.5.7 Trade payables

Trade payables are recognized at fair value on the date they are received and subsequently measured at amortized cost (Note 6).

2.5.8 Financial assets

The Company classifies its financial assets in the following categories: loans and receivables, available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. The Company management determines the classification of its financial assets at initial recognition. The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses.

i. Classification

- *Loans and receivables*

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables consist of trade receivables, due from receivables and cash and cash equivalents in the balance sheet.

- *Available-for-sale financial assets*

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets, unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The company management classifies these financial assets properly with acquisition date and reviews regularly.

ii. Recognition and measurement

All financial assets other than those at fair value through profit or loss are initially recognized at fair value, including acquisition costs (transaction costs), and subsequently measured at fair value. Financial assets classified as available-for-sale financial assets with a controlling interest of less than 20% of the Company's share capital are accounted for at market prices in the financial statements if they are traded in the stock exchange and in the absence of an active market, By using generally accepted valuation methods. Available-for-sale financial assets that are not traded on a stock exchange and whose fair value can not be measured reliably because other methods used in the calculation of fair value are not feasible or feasible, and where the fair value can not be measured reliably are those items acquired before 1 January 2005 For the items acquired after 1 January 2005, at the acquisition cost, which is expressed in terms of the purchasing power of TL at 31 December 2004, less any impairment, if any. The Company recognizes the gains and losses on its available-for-sale financial assets that are not permanent (significant long-term and not significant), directly in equity until they are derecognized from the financial statements.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Fair value changes of securities classified as available-for-sale are calculated as the difference between the fair value at the balance sheet date and the amortized cost of those financial assets. When the Company is entitled to receive dividends from available-for-sale financial assets, dividend income from available-for-sale financial assets is recognized in the statement of comprehensive income by being accounted for under income from investment activities.

When available-for-sale financial assets are derecognised from the financial statements, the related gains or losses that are reported in equity are transferred to the statement of comprehensive income. Loans and receivables are accounted for at their discounted values using the effective interest rate method.

2.5.9 Effects of currency differences

Transactions in foreign currencies have been translated into TL at the exchange rates at which the transaction was made. Monetary assets and liabilities denominated in foreign currencies are translated into TL using the exchange rates at the balance sheet date. Exchange differences arising as a result of these transactions are included in the comprehensive income table.

2.5.10 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 22).

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued 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 authorised for issue (Note 25).

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 that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.5.12 Provisions, contingent liabilities and contingent assets

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 recognise contingent assets and liabilities (Note 11). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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. Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognized for future operating losses.

i. Employee benefits - defined benefit obligation (Provision for employment termination benefits)

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. All actuarial gains and losses are recognized in other comprehensive income.

ii. Unused vacation provision

The Company recognizes a liability and an expense for unused vacation of the employees as of balance sheet date.

2.5.13 Related parties

a) A person or a member of his or her immediate family is deemed to be associated with the Company if:

The person in question,

(i) in the case of possession of control or joint control over the Company,
(ii) if it has significant influence over the Company,
(iii) is a member of key management personnel of the Company or a subsidiary of the Company.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

b) If any of the following conditions exist, the entity is deemed to be associated with the Company:

(i) If the business and the company are members of the same group.
(ii) The operator is an affiliate or a business partner of the other business (or a member of a group that is also a member of another business).
(iii) If both businesses are partnerships of the same third party.
(iv) One of the businesses is a third-party business partner and the other is a third-party affiliate.
(v) In the event of an employee having benefit plans provided after leaving the Company in relation to the employees of the Company or an enterprise associated with the Company. If there is such a plan of the company itself, sponsor employers are also associated with the Company
(v) The operator is controlled or jointly controlled by a person described in (a).
(i) has a significant effect on the business of a person identified in (i) or is a member of the key management personnel of the said entity (or its parent company)

Transactions with a related party are transfers between a reporting entity and a related party, irrespective 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 to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not material, segment reporting is not applicable.

2.5.15 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

Deferred income 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 be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income 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 utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly.

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.5.16 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and equipments 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 statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.5.17 Trade receivables and impairment

Trade receivables arising from the provision of goods directly to a debtor are carried at amortized cost using the effective interest method. Short-term trade receivables with no stated interest rate are measured at the invoice amount if the interest accrual effect is insignificant.

A credit risk provision for trade receivables is established if there is an indication that the Company will not be able to collect the amounts due. In other words, the amount of this difference is the difference between the recorded value of the receipt and the possible amount of receivable. Amount is the amortized cost of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated transaction.

If the amount of the impairment decreases due to a situation occurring after the write-down, the amount is reflected in other income in the current period.

2.5.18 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established.

2.5.19 Offsetting

Financial assets and liabilities are shown in the balance sheet when there is a legally enforceable right to net off, with the power to enforce sanctions, and when there is an intention to collect / pay such assets or liabilities on a net basis or to concurrently conclude them.

2.5.20 Critical accounting estimates and judgements

Preparation of financial position statements (balance sheet) requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.6 Significant accounting estimates and assumptions

The preparation of financial statements requires the use of estimates and assumptions that could affect the amounts of assets and liabilities reported at the balance sheet date, the explanations of contingent assets and liabilities and the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, actual results may differ from these assumptions. The Company's significant accounting assumptions and estimates are:

- The Company management believes that there is no risk of collection of overdue receivables due to past experiences and related with the related customers. The Company has made provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivables other than the doubtful receivables.

2.7 Compliance decleration to resolutions published by POAASA and TAS/TFRS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2017		31 December 2016	
	TL	**(%)**	**TL**	**(%)**
Alkim Sigorta	512.276	50,00	413.897	50,00
	512.276		**413.897**	

Movement in investments-in-associates during the years 2017 and 2016 are as follows:

	2017	**2016**
1 January	**413.897**	**322.528**
Share of profit of investments-in-associates - net	98.379	91.369
31 December	**512.276**	**413.897**

NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

Condensed financial statements of investments-in -associates are as follows:

	2017	2016
Total assets	3.486.932	2.794.576
Total liabilities	2.462.381	1.966.783
Total equity	1.024.551	827.793
Net sales	576.602	492.126
Net profit of the year	196.758	182.737

Details of nature of business and business location of investment-in-associate of the Company as of 31 December 2017 and 2016 are as follows:

Associate	Nature of business	Business location
- Alkim Sigorta	Insurance	Turkey

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in hand	17.807	15.659
Banks	65.423.902	67.701.035
- Time deposits	64.111.033	66.508.442
- Demand deposits	1.312.869	1.192.593
Other (*)	-	51.408
Cash and cash equivalents	**65.441.709**	**67.768.102**
Less: Time deposit interest accruals	(165.912)	(195.227)
Cash and cash equivalents for the cash flow statement	**65.275.797**	**67.572.875**

As of 31 December 2017 the effective weighted average interest rates of time deposits are 12,2% for TL and between 4,75% - 3,25% for USD (31 December 2016: USD 2,80% - 3,50% p.a.) , maturity periods are less than one month (31 December 2016: 1 day and 31 days).

(*) Other cash equivalents include credit card receivables with an average maturity of 1 month (31 December 2016: 1 month).

Based on the independent data with respect to the credit risk assessment of the banks,at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date.

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2017 and 2016 are as follows:

a) Trade receivables from related parties-current:

	31 December 2017	31 December 2016
Alkim Kimya (1)	1.466	-
Sodaş Sodyum A.Ş. (3)	656	-
	2.122	**-**

b) Prepaid expenses to related parties:

Alkim Sigorta (2)	1.130.159	-
	1.130.159	**-**

c) Trade payables to related parties:

Alkim Sigorta (2)	1.108.385	1.037.760
Alkim Kimya (1)	7.541	3.775
	1.115.926	**1.041.535**

d) Product sales:

	1 January - 31 December 2017	1 January - 31 December 2016
Alkim Kimya (1)	10.043	36.915
Sodaş Sodyum A.Ş. (3)	9.198	900
	19.241	**37.815**

e) Service purchases:

Alkim Sigorta (2) (**)	1.354.022	1.122.400
Alkim Kimya (1) (*)	102.107	110.668
Sodaş Sodyum A.Ş. (3)	19.900	15.000
	1.476.029	**1.248.068**

(1) Shareholder of the Company
(2) Subsidiary of the Company
(3) The company in which the company shareholders own

(*) There are various service purchases and accounted under general administrative expenses.
(**) There are insurance service purchases and accounted under general administrative expenses.

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

f) Dividends to related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Alkim Kimya	17.606.965	-
Other	4.642.302	-
	22.249.267	**-**

At the Ordinary General Assembly Meeting as of 28 March 2017, it was decided to distribute as gross dividend to shareholders amounting TL 22.028.375 and TL 220.392 to Board of Directors.

g) Key management compensation:

Key management includes members of board of directors, general manager and general manager assistant. The compensation paid or payable to key management are shown below:

Short-term benefits	3.037.911	2.077.988
	3.037.911	**2.077.988**

NOT 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties:

	31 December 2017	31 December 2016
Customer current accounts, net	19.302.103	25.304.197
Cheques and notes receivable, net	5.255.013	4.416.098
Doubtful receivables (*)	32.704.995	32.704.995
	57.262.111	62.425.290
Less: Provision for doubtful receivables	(32.704.995)	(32.704.995)
	24.557.116	**29.720.295**

(*) As of 31 December 2017 and 31 December 2016 provisions for doubtful receivables consist of trade receivables from the Company's customer İnterpap Dış Ticaret ve Mümessilik Anonim Şirketi ("İnterpap") that are past due and legal proceeding started. T.C. İstanbul 13. Basic Commercial Court has decided bankruptcy of İnterpap in the process decided to initiate legal proceedings for the Company's overdue current accounts and cheques total amounting to USD 13.273.594. In accordance with the adjudication order, Interpap's bankruptcy was opened with İstanbul 1. Bankruptcy Department's No. 2015/8 estate and the Company registered for all trade receivables in September 2015. Expert reports submitted to the file as a result of the expert examination conducted by the Bankruptcy Department revealed that company partners made money transfers through irregular transactions. Upon this report, the bankruptcy desk was found to have committed a criminal offense to the Istanbul Chief Public Prosecutor's Office on fraudulent bankruptcy. The indictment was prepared and the indictment prepared by the prosecutor's office was accepted by the Istanbul 19th High Criminal Court. Istanbul 19th High Criminal Court convicted of fraudulent bankruptcy and a criminal case was filed with the file no. 2016/287 E. There is a personal bail of a total of TL 30.000.000 which the Company has obtained from the partners of the Interpap company. Since the legal process related to the commercial receivables from Interpap has continued, the Company has initiated legal proceedings regarding the commercial receivables for the personal bail obtained from the partners of Interpap firm and the proceedings are continuing.

NOT 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2017, the weighted average effective interest rates of trade receivables in TL, USD and EUR are 11,57%, 1,62% and 0,36%, respectively (31 December 2016: 11% 0,51% and 0,16% respectively) and the weighted average duration is 2 months (31 December 2016: 45 - 60 days).

Trade receivables as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Overdue	3.137.868	2.535.386
0 - 30 days due	9.714.972	6.152.726
31 - 60 days due	7.713.251	12.507.143
61 - 90 days due	2.000.073	1.162.895
91 - 120 days due	1.178.611	6.837.164
121 days and over	812.341	524.981
	24.557.116	**29.720.295**

The Company management believes that there is no collection risk of overdue receivables due to past experiences and related with the customer relationships. In addition, TL 1.534.546 portion of the receivables that are overdue but not yet reserved for impairment is secured by the guarantee letter.

As of 31 December 2017, trade receivables amounting to TL 4.505.813 are from a single customer and mainly consists of receivables matures on May 2018 (as of 31 December 2016, the amount of trade receivables are TL 16.093.307). Besides,the Company obtains 30% of sales in 2017 from the same customer (31 December 2016: 32%). As of 31 December 2017, there is a bank guarantee letter of TL 7.000.000 from this customer.

The Company reserved provision based on its past experience in collecting trade receivables. The management believes that there are no additional doubtful receivable.

b) Short-term trade payables to third parties:

	31 December 2017	31 December 2016
Supplier current accounts	12.287.993	9.861.712
Less: Unincurred finance cost	(69.631)	(47.799)
	12.218.362	**9.813.913**

As of 31 December 2017, the weighted average effective interest rates used in the calculation of the discounted carrying amount of trade payables are 13,41%, 1,04% and 0,37% for trade payables denominated in TL, USD and EUR respectively (31 December 2016: 9,5%, 0,10% and 0,04% for TL, USD and EUR payables, respectively) and the weighted average maturity is 30-60 days (31 December 2016: 30-60 days).

NOTE 7 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	8.383.842	4.586.946
Work in progress	5.583.829	3.520.601
Finished goods	3.372.488	2.881.596
Raw materials in transit	17.088.824	8.630.887
Other inventories	5.857.642	4.891.532
Provision for impairment of inventories (-)	(84.748)	(92.288)
	40.201.877	**24.419.274**

The costs of inventories recognised as expense and included in cost of sales amounted to TL 145.744.328 (31 December 2016: TL 102.085.534). Raw materials consist mainly of cellulose and chemical substances used in paper production. Other inventories mainly consist of spare parts. As of 31 December 2017, inventories amounting to TL 277.082 and inventories amounting to TL 84.748 were valued with net realizable value and remaining inventory items were valued with cost (31 December 2016: inventory amounting to TL 342.276 TL 92.288 net of recoverable amounts, while remaining inventory is valued at cost.

The movement of the allowance for impairment of inventories for the products for the accounting periods ending at 31 December is as follows:

	2017	2016
1 January	**92.288**	**84.629**
Charged/ (reserved) to the statement of comprehensive income- net	(7.540)	7.659
31 December	**84.748**	**92.288**

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2017	31 December 2016
Short-term prepaid expenses		
Advances given for inventories	590.025	100.709
Prepaid expenses for next months	131.847	1.173.794
	721.872	**1.274.503**
Long-term prepaid expenses		
Advances given for fixed assets	1.259.705	1.803.816
Prepaid expenses for next years	1.369	8.240
	1.261.074	**1.812.056**

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	31 December 2017	31 December 2016
Deferred income		
Advances received	1.700.536	371.070
	1.700.536	**371.070**

Advances received consist of payments received from customers for sales to be made in the subsequent periods and it is anticipated that such advances will close within one year.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the period 1 January - 31 December 2017 were as follows:

	1 January 2017	Additions	Disposals	Transfers(*)	31 December 2017
Cost:					
Land	2.906.021	-	-	-	2.906.021
Land and land improvements	1.749.343	47.590	-	-	1.796.933
Buildings	10.409.082	162.637	-	-	10.571.719
Machinery and equipment	97.095.560	93.793	-	1.907.703	99.097.056
Motor vehicles	669.172	742.221	(214.928)	-	1.196.465
Furniture and fixtures	3.153.191	849.560	(50.340)	-	3.952.411
Construction in progress	67.010	2.261.758	-	(1.931.741)	397.027
	116.049.379	**4.157.559**	**(265.268)**	**(24.038)**	**119.917.632**
Accumulated Depreciation:					
Land and land improvements	(966.195)	(88.199)	-	-	(1.054.394)
Buildings	(6.880.354)	(403.007)	-	-	(7.283.361)
Machinery and equipment	(74.215.745)	(5.116.619)	-	-	(79.332.364)
Motor vehicles	(583.944)	(9.475)	111.683	-	(481.736)
Furniture and fixtures	(2.592.577)	(189.429)	31.666	-	(2.750.340)
	(85.238.815)	**(5.806.729)**	**143.349**	**-**	**(90.902.195)**
Net book value	**30.810.564**				**29.015.437**

(*) It has been transferred to intangible assets.

A significant portion of the acquisitions that occurred during the year ended 31 December 2017 consist of machinery, plant and equipment investments in order to invest in the vacuum system of the Company.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment for the period 1 January - 31 December 2016 were as follows:

	1 January 2016	Additions	Disposals	Transfers(*)	31 December 2016
Cost:					
Land	2.906.021	-	-	-	2.906.021
Land and 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**
Accumulated Depreciation:					
Land and 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**

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL 5.630.958 (31 December 2016: TL 6.228.800), to general administrive expenses by TL 190.727 (31 December 2016: TL 80.335), to marketing expenses by TL 8.058 (31 December 2016: TL 29.101), to inventories by TL 23.754 (31 December 2016: TL 41.255).

As of 31 December 2017 and 2016, there are no pledges or mortgages on assets.

NOTE 10 - INTANGIBLE ASSETS

The movements of intangible assets for the period 1 January - 31 December 2017 were as follows:

	1 January 2017	Additions	Transfers(*)	31 December 2017
Cost:				
Rights - Software	760.692	111.502	24.038	896.232
Less: Accumulated amortisation	(726.896)	(23.014)	-	(749.910)
	33.796	**88.488**	**24.038**	**146.322**

(*) Transferred from property, plant and equipment assets.

NOTE 10 - INTANGIBLE ASSETS (Continued)

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

	1 January 2016	Additions	31 December 2016
Cost:			
Rights - Software	735.299	25.393	760.692
Less: Accumulated amortisation:	(715.685)	(11.211)	(726.896)
	19.614	**14.182**	**33.796**

As of 31 December 2017 and 2016, there are no pledges or mortgages on assets.

NOTE 11 - BORROWING AND BORROWING COSTS

a. Bank borrowings:

	31 December 2017	31 December 2016
Short-term borrowings	19.237.281	17.619.910
Short-term portion of long-term borrowings	2.263.140	4.487.332
Short-term financial liabilities	**21.500.421**	**22.107.242**
Long-term borrowings	-	2.111.520
Long-term financial liabilities	**-**	**2.111.520**
Total financial liabilities	**21.500.421**	**24.218.762**

	31 December 2017		31 December 2016	
	Effective weighted average interest rate p.a (%)	Amount	Effective weighted average interest rate p.a (%)	Amount
Short-term bank borrowings:				
USD borrowings	4,00	19.233.997	2,70	17.596.000
TL borrowings (without interest)	-	3.284	-	23.910
		19.237.281		**17.619.910**
Short-term portion of long-term bank borrowings:				
USD borrowings (*)	3,50	2.263.140	3,50	4.487.332
		2.263.140		**4.487.332**
Long-term borrowings:				
USD borrowings (*)	-	-	3,50	2.111.520
	-	-		**2.111.520**

(*) Bank loans denominated in USD consist of fixed interest loans and no guarantees are given for these loans.

NOTE 11 - BORROWING AND BORROWING COSTS (Continued)

The original currency values of the related loans are presented in Note 23.

The fair value of bank loans approximates the carrying value.

b. Other financial liabilities:

	31 December 2017	31 December 2016
Other financial liabilities	2.053.121	-
Short-term financial liabilities	**2.053.121**	**-**

In 2017, the Company has other financial liabilities amounting to USD 544.320 equivalent of TL 2.053.121 in consideration of purchases of goods and services made by letter of credit and policies. The mentioned financial liability is due on 24 April 2018.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other short-term provisions

	31 December 2017	31 December 2016
Litigation provisions	113.609	113.609
Other provisions	2.506	-
	116.115	**113.609**

b) Guarantees received:

Letters of guarantee	15.637.182	18.620.824
Protection of trade receivables (*)	6.398.464	5.353.386
Guarantee notes	25.000	25.000
Guarantee cheques	613.504	563.072
	22.674.150	**24.562.282**

(*) Customer business refers to services from an international professional organization against receivables risks such as doubtful receivables, past due receivables, commercial and political risks.

c) Guarantees given:

Letters of guarantee (*)	23.283.092	17.208.922
	23.283.092	**17.208.922**

(*) A significant portion of the letters of guarantee given by the bank consist of guarantees given to the Ministry of National Education, the Customs Directorate, the Civil Court and İzmir Specialties.

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2017 and 2016 were as follows:

	31 December 2017	31 December 2016
A. Total amount of CPM given for the Company's own legal personality	23.283.092	17.208.922
B. Total amount of CPM given on behalf of fully 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 on behalf of other	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-
	23.283.092	**17.208.922**
The ratio of total amount of other CPM to Equity	%0	%0

d) Contingent assets:

The sum of the personal bails obtained from the shareholders of Interpap is TL30.000.000. As of December 31, 2017, the legal process related to the trade receivables of Interpap has been continued by the Company Management. Therefore, legal proceedings have been initiated within the scope of the lawsuits related to commercial receivables for this personal guarantee received from Interpap firm shareholders.

NOTE 13 - EMPLOYEE BENEFITS

a) Payables for employee benefits

	31 December 2017	31 December 2016
Payables to personnel	1.016.133	777.774
Social security premium payables	394.737	322.675
Wage income tax	373.008	307.744
Other	-	3.100
	1.783.878	**1.411.293**

b) Short term provisions for employee benefits

Provisions for unused vacations	245.822	-
	245.822	**-**

NOTE 13 - EMPLOYEE BENEFITS (Continued)

c) Long term provisions for employee benefits

Provision for employment termination benefits	5.119.690	5.101.397
Provisions for unused vacations	123.829	260.637
	5.243.519	**5.362.034**

Under the Turkish Labour 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 reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL4.732,48 for each year of service as of 31 December 2017 (2016: TL4.297,21).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

TAS 19 requires the use of a number of actuarial valuation methods in the calculation of the provision for the Company's long-term employee termination benefit liability in accordance with the Employee Benefits Standard. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

Discount rate (%)	4,69	4,20
Probability of retirement (%)	98,52	99,09

The basic assumption is that the ceiling set for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation.

Effective from 1 January 2018, the termination indemnity ceiling has been increased from TL 4.732,48 to TL 5.001,76.

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

1 January	**5.101.397**	**3.632.005**
Interest cost	518.286	399.520
Actuarial (gains)/ losses	(207.857)	1.525.465
Paid during the year	(686.488)	(889.594)
Annual charge	394.352	434.001
31 December	**5.119.690**	**5.101.397**

NOTE 14 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Raw materials and materials	(145.744.328)	(102.085.534)
Personnel	(17.711.053)	(15.016.737)
Energy	(13.584.616)	(14.829.124)
Depreciation and amortization	(5.810.793)	(6.338.236)
Cost of trade goods sold	(4.924.703)	(1.984.112)
Transportation	(3.238.493)	(3.292.162)
Operating supplies	(2.311.914)	(1.222.467)
Repair and maintenance	(1.807.873)	(1.160.395)
Spare parts	(1.544.042)	(1.671.185)
Outsourced labor costs	(1.366.757)	(809.893)
Insurance	(1.209.237)	(923.231)
Consultancy	(796.170)	(744.237)
Advertisement	(335.158)	(170.375)
Other	(7.474.389)	(3.725.107)
	(207.859.526)	**(153.972.795)**

NOTE 15 - OTHER ASSETS

	31 December 2017	31 December 2016
Value added tax ("VAT") receivable	10.828.210	8.922.562
VAT receivable	2.330.327	3.629.171
Advances given for business	10.317	17.118
Other	103.348	54.680
	13.272.202	**12.623.531**

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The compositions of the Company's share capital at 31 December 2017 and 2016 were as follows:

	31 December 2017		31 December 2016	
Shareholder	**Ownership rate(%)**	**Ownership amount (TL)**	**Ownership rate (%)**	**Ownership rate (TL)**
Alkim Kimya	79,93	41.962.500	79,93	41.962.500
Public quotation	20,00	10.500.000	20,00	10.500.000
Other	0,07	37.500	0,07	37.500
Paid-in capital	**100**	**52.500.000**	**100**	**52.500.000**
Capital adjustment differences (*)		32.414.361		32.414.361
		84.914.361		**84.914.361**

(*) Adjustment to share capital represents the difference between the inflation adjusted amounts of the cash and cash equivalents of the paid-in capital and the amounts before the inflation adjustment.

NOTE 16 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

As of 31 December 2017, the company's capital consists of 5.25 billion shares (2016: 5.25 billion shares). As of 31 December 2017, the shares are valued at 0.01 TL per share (2016: 0,01 TL per share).

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2017, the restricted reserves of the Company amount to TL8.421.546 TL (2016: TL5.296.522).

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of their articles of association and their previously publicly declared profit distribution policies.

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Inflation adjustment differences of shareholders' equity and bonus share capital increase of extraordinary reserves; cash profit distribution or loss deduction. However, equity inflation adjustment differences will be subject to corporation tax if used for cash profit distribution.

Since the General Assembly for 2017 has not been made yet, no profit distribution decision has been taken.

NOTE 17 - REVENUE AND COST OF SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Domestic sales	219.847.317	161.067.320
Export sales	17.758.450	16.640.424
Gross Sales	**237.605.767**	**177.707.744**
Less: Discounts	(652.404)	(818.279)
Returns	(1.220.538)	(142.088)
Net Sales	**235.732.825**	**176.747.377**
Cost of Sales	**(195.884.054)**	**(143.050.209)**
Gross Profit	**39.848.771**	**33.697.168**

NOTE 18 - GENERAL ADMINISTRATIVE EXPENSES / MARKETING EXPENSES

a) General administrive expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Personnel	(4.206.594)	(3.089.122)
Consultancy	(679.057)	(643.549)
Depreciation and amortization	(190.727)	(80.335)
Transportation	(143.680)	(138.677)
Taxes, duties and charges	(74.552)	(55.017)
Litigation	(26.655)	(179.629)
Communication	(10.028)	(8.249)
Other	(322.496)	(285.429)
	(5.653.789)	**(4.480.007)**

b) Marketing expenses:

Transportation	(3.238.493)	(3.292.162)
Personnel	(1.553.211)	(1.442.038)
Advertisement	(335.158)	(170.375)
Commission	(215.025)	(207.873)
Taxes, duties and charges	(167.543)	(673.595)
Insurance	(155.527)	(62.149)
Travel	(119.425)	(94.971)
Rent	(60.000)	(60.000)
Communication	(31.378)	(54.274)
Depreciation and amortization	(8.058)	(29.101)
Other	(355.351)	(285.310)
	(6.239.169)	**(6.371.848)**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreing exchange gain	19.647.994	17.892.591
Interest income on bank deposits	1.661.790	1.635.653
Interest income on term sales	691.198	2.501
Scrap sales income	194.894	127.508
Insurance claims indemnity	113.049	88.846
Other	157.101	38.069
	22.466.026	**19.785.168**

NOTE 19 - OTHER OPERATING INCOME AND EXPENSES (Continued)

b) Other operating expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Foreing exchange loss	(12.817.714)	(4.519.328)
Interest expense on term sales	(762.736)	-
Litigation expenses	-	(78.186)
Other	(52.958)	(50.915)
	(13.633.408)	**(4.648.429)**

NOTE 20 - FINANCIAL INCOME/ EXPENSES

a) Financial income

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gain	4.128.625	2.633.288
	4.128.625	**2.633.288**

b) Financial expense

Foreign exchange loss	(5.686.107)	(6.840.401)
Interest expense	(859.556)	(770.019)
Other	(286.380)	-
	(6.832.043)	**(7.610.420)**

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2017	31 December 2016
Provision for corporate tax	7.199.941	6.196.138
Less: Prepaid corporate tax	(5.271.092)	(3.004.227)
Current income tax liabilities	**1.928.849**	**3.191.911**

Taxation on income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current period corporate tax	(7.199.941)	(6.196.138)
Deferred tax income/(expense)	171.677	(430.938)
Total tax expense	**(7.028.264)**	**(6.627.076)**

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%.

Corporation tax is payable at a rate of 20% for 2017. (2016: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2016: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2016: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during when the tax authorities have the right to examine tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

In Corporate Tax Law, there are many exemptions for corporations, those related to the Company are explained below:

According to the Law No. 5520 on Corporate Income Tax, the exemption rate of the profits arising from the sale of the shares of the participations, real estates, preferential rights, founding sans and usufruct shares in the assets of the institutions for at least two full years is 75% To 50%. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected until the end of the second calendar year following the year in which the sale is made. Accordingly, the Company computes corporate tax and deferred tax calculations for earnings generated from the sale of immovable property for the years 2018, 2019 and 2020 to 22% of the remaining 50%, 20% of the remaining 50% for 2021 and subsequent periods.

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax. Accordingly, the aforementioned gains/ (losses) which have been included in trade profit/ (loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th article of and Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 10th article of Corporate Tax Law, has been taken into consideration in calculation of the Company's corporate tax.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Transfer pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit.

Reconciliations of taxation on income for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Profit before taxation income	34.310.657	33.081.942
Legal tax rate	%20	%20
Tax calculated at tax rates applicable to the profit	(6.862.131)	(6.616.388)
Tax adjustment effects:		
Non-deductible expenses	(42.831)	(25.267)
Effect of investments valued by equity method	19.676	18.274
Effect of non-taxable income under exception	3.658	-
Other	(146.636)	(3.695)
Total taxation expense	**(7.028.264)**	**(6.627.076)**

Deferred income taxation

The company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements. Deferred tax assets and liabilities are calculated on temporary differences that are expected to be realized or settled based on the taxable income in coming years under the liability method at 20% (31 December 2016: 20%).

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with this Act entering into force, deferred tax assets and liabilities are calculated with a tax rate of 22% for those periods when assets are realized or liabilities are fulfilled. Realisations of temporary differences for 2021 and subsequent periods will be calculated at 20%.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2017 and 2016 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable Cumulative Temporary Differences		Deferred Income Tax Assets/ (liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Differnces due to property, plant and equipment and intangible assets	6.551.217	8.113.580	(1.310.243)	(1.622.716)
Provision for employment termination benefits	(5.119.690)	(5.101.397)	1.023.938	1.020.279
Provision for unused vacations	(369.651)	(260.637)	73.930	52.127
Provision for impairtment in inventories	(84.748)	(92.288)	18.645	18.458
Other	43.170	(996.910)	(8.634)	199.382
Deferred income tax assets/ (liabilities)-net	**1.020.298**	**1.662.348**	**(202.364)**	**(332.470)**

Movements in deferred income tax liabilities can be analysed as follows:

	2017	2016
1 January	**(332.470)**	**(206.625)**
Credited to startement of comprehensive income	171.677	(430.938)
Credited to other comprehensive (income)/ loss	(41.571)	305.093
31 December	**(202.364)**	**(332.470)**

NOTE 22 - EARNING PER SHARE

Earning per share disclosed in the statement 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.

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.

NOTE 22 - EARNING PER SHARE (Continued)

		31 December 2017	31 December 2016
Net profit for the year	A	27.282.393	26.454.866
Weighted average number of shares	B	5.250.000.000	5.250.000.000
Earning per 100 shares with a Kr1 face value		**0,0052**	**0,0050**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

The Company activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk and price 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 over-all 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 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; and
- 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 and in turn credit risk arises from cash and cash equivalents, deposits in banks, trade receivables from related parties and other trade receivables, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers (excluding related parties) for dealing with credit risk. The Company manages this risk from dealers and direct customers by limiting the credit lines according to the amount of the guarantees received and updating these guarantees frequently. The credit quality of each customer is re-evaluated frequently on the basis of the financial position of the customer, past experiences and other factors. Trade receivables are evaluated by Company management on the basis of past experiences and current economic conditions. After required provision is booked for doubtful receivables, the net amount is recognized in the balance sheet.

Credit risk intensification arises as a result of the fact that more than one counterparty has similar economic characteristics that will affect the ability to meet 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. The credit concentration (credit) defined is controlled and managed accordingly.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The credit risk exposure in terms of financial instruments as of 31 December 2017 and 2016 were as follows:

31 December 2017:

	Receivables					
	Trade receivables (1)		Other receivables			
Credit risks exposed by types of financial instruments	**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**2.122**	**24.557.116**	**-**	**125.395**	**65.423.902**	**90.108.535**
- The part of maximum credit risk covered with guarantees	-	22.674.150	-	-	-	22.674.150
A. Net book value of financial assets not due or not impaired (3)	2.122	21.419.248	-	125.395	65.423.902	86.970.667
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	3.137.868	-	-	-	3.137.868
- The part covered by guarantees		(1.534.546)	-	-	-	(1.534.546)
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32.704.995	-	-	-	32.704.995
- Impairment (-)	-	(32.704.995)	-	-	-	(32.704.995)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) When determining the relevant amounts, factors that increase credit reliability such as the collateral received were not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016:

	Receivables					
	Trade receivables (1)		Other receivables			
Credit risks exposed by types of financial instruments	**Related party**	**Other Party**	**Related Party**	**Other party**	**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, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	2.535.386	-	-	-	2.535.386
- The part covered by guarantees		(2.417.223)	-	-	-	(2.417.223)
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	32.704.995	-	-	-	32.704.995
- Impairment (-)	-	(32.704.995)	-	-	-	(32.704.995)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) The Company's trade receivables arise from offset, photocopy and coated paper sales.
(2) When determining the relevant amounts, factors that increase credit reliability such as the collateral received were not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The maturity distribution of assets that have been outstanding but not impaired as at 31 December 2017 and 2016 are as follows:

	31 December 2017 Trade receivables Other parties	31 December 2016 Trade receivables Other parties
1-30 days overdue	2.876.276	2.503.181
1-3 months overdue	186.470	26.719
3-9 months overdue	75.122	5.486
	3.137.868	**2.535.386**
The amount covered by guarantees	**(1.534.546)**	**(2.417.223)**

b) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, 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 liquidity analysis in respect of categories of financial liabilities as of 31 December 2017 and 2016 are as follows:

31 December 2017:

Contractual maturity dates:	Carrying Value	Total Cash Outflows peir Agreement (=I+II+III)	Less Than 3 Months (I)	3 - 12 Months (II)	1 - 5 years (III)
Non-Derivative Financial Liabilities:					
Bank borrowings	21.500.421	22.365.371	-	22.365.371	-
Trade payables to related parties	1.115.926	1.121.753	1.121.753	-	-
Trade payables to third parties	12.218.362	12.282.166	11.958.567	161.799	161.800
Other financial liabilities	2.053.121	2.053.121	-	2.053.121	-
	36.887.830	**37.822.411**	**13.080.320**	**24.580.291**	**161.800**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016:

Contractual maturity dates:	Carrying Value	Total Cash Outflows peir 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 third parties	9.813.913	9.861.711	9.861.711	-	-
	35.074.210	**35.304.534**	**10.778.631**	**22.403.235**	**2.122.668**

c) Market risk:

i) Foreign currency risk:

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are closely monitored in Audit Committee and Board of Director's meetings and the foreign currency position of the Company and foreign exchange rates are closely followed up.

The following table summarizes the Company's foreign currency risk as of 31 December 2017 and 31 December 2016. The registered amounts of foreign currency assets and liabilities held by the Company are as follows according to foreign currency types:

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Foreign exchange risk management

31 December 2017	Foreign Currency Position			
	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	16.724.416	3.982.443	377.154	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	62.805.333	16.645.511	4.107	1.585
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	378.611	56.492	36.658	-
4. Current Assets (1+2+3)	**79.908.360**	**20.684.446**	**417.919**	**1.585**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**79.908.360**	**20.684.446**	**417.919**	**1.585**
10. Trade Payables	(8.698.101)	(2.177.945)	(106.967)	(101)
11. Financial Liabilities	(23.550.257)	(6.243.606)	-	-
12a. Other Monetary Liabilities	(1.428.437)	(378.705)	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(33.676.796)**	**(8.800.256)**	**(106.967)**	**(101)**
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)	**(33.676.796)**	**(8.800.256)**	**(106.967)**	**(101)**
19. Net Asset / (Liability) Position of Off - Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**46.231.564**	**11.884.190**	**310.952**	**1.484**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**45.852.953**	**11.827.698**	**274.294**	**1.484**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Amount of foreign currency denominated assets hedged	**-**	**-**	**-**	**-**
24. Amount of foreign currency denominated liabilities hedged	**-**	**-**	**-**	**-**
25. Export	**17.758.450**	**4.671.069**	**-**	**-**
26. Import	**137.210.102**	**37.611.833**	**-**	**-**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 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. Non-Current Assets (5+6+7)	**-**	**-**	**-**
9. Total Assets (4+8)	**79.262.227**	**21.760.161**	**723.434**
10. Trade Payables	5.110.791	1.418.498	32.026
11. Financial Liabilities	21.819.040	6.200.000	-
12a. Other Monetary Liabilities	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-
13. Short-Term Liabilities (10+11+12)	**26.929.831**	**7.618.498**	**32.026**
14. Trade Payables	-	-	-
15. Financial Liabilities	2.111.520	600.000	-
16a. Other Monetary Liabilities	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-
17. Long-Term Liabilities (14+15+16)	**2.111.520**	**600.000**	**-**
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. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**
20. Net Foreign Currency (Liability)/ Asset Position (9-18+19)	**50.220.876**	**13.541.663**	**691.408**
21. Net Foreign Currency Asset /Liability Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	**50.220.876**	**13.541.663**	**691.408**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**
23. Amount of foreign currency denominated assets hedged	**-**	**-**	**-**
24. Amount of foreign currency denominated liabilities hedged	**-**	**-**	**-**
25. Export	**19.430.436**	**5.521.265**	**-**
26. Import	**100.895.263**	**28.669.943**	**-**

At 31 December 2017, foreign currency denominated assets and liabilities are translated into the following currencies: TL 3,7719 = US $ 1, TL 4,5155 = € 1, (31 December 2016: TL 3,5192 = US $ 1, TL = 1 Euro).

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Exchange Rate Sensitivity Analysis Table**			
	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	4.482.598	(4.482.598)	-	-
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**4.482.598**	**(4.482.598)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/liability denominated in EUR - net	140.410	(140.410)	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**140.410**	**(140.410)**	**-**	**-**
Change of other currencies by 10% against TL				
7- Asset/liability denominated in other currencies- net	148	(148)	-	-
8- The part of other currency risk hedged (-)	-	-	-	-
9- Other foreign currency effect - net (7+8)	**148**	**(148)**	**-**	**-**
TOTAL (3+6+9)	**4.623.156**	**(4.623.156)**	**-**	**-**

31 December 2016	**Exchange Rate Sensitivity Analysis Table**			
	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- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (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 of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**256.505**	**(256.505)**	**-**	**-**
TOTAL (3+6)	**5.022.087**	**(5.022.087)**	**-**	**-**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk:

As of 31 December 2017 and 2016, the Company does not have variable interest rate financial instruments.

iii) Price risk:

The Company's operational profitability and cash inflows from its operations are affected by competition in the paper industry and change in raw material prices. The Company management manages the risk by regularly reviewing the prices and takes action for cost reduction to decrease the pressure of cost on the prices. The Company has not entered into derivative or other contracts to manage the risk These risks are monitored through regular meetings held by the Audit Committee and Company's Board of Directors of the Company.

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 and benefits for shareholders; 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. air 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 aquoted 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, judgement is neccessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not neccessarily indicative of the amounts the Company could realise in a current market exchange.

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Classification of financial instruments:

The Company classifies its financial assets and liabilities as loans and receivables. Cash and cash equivalents, trade receivables and other receivables, loans and receivables from the financial assets of the Company; and are carried at amortized cost using the effective interest method. The Company's financial liabilities consist of financial liabilities, other financial liabilities, trade payables and other liabilities and are classified as financial liabilities carried at amortized cost; and are carried at amortized cost using the effective interest method.

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.

NOTE 24 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. Cash and cash equivalents are presented at fair values. The fair values of trade receivables are considered to approximate their 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 and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

As of 31 December 2017 and 31 December 2016, assets and liabilities are not measured at their fair value.

NOTE 25 - SUBSEQUENT EVENTS

None.

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