

Annual Report
2015





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www.kartonsan.com.tr

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Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. AGENDA FOR THE 2015 ANNUAL GENERAL MEETING TO BE HELD ON 29 MARCH 2016

1. Opening the Meeting and Electing the Presiding Committee,
2. Reading and Deliberating the Board of Directors' Report Concerning 2015 Operations,
3. Reading and Deliberating the Independent Auditors' Report Concerning 2015 Operations,
4. Reading, Deliberating, and Approving the 2015 Balance Sheet and Income Statement,
5. Acquitting Company Directors of their Fiduciary Responsibilities for the Company's 2015 Operations,
6. Providing Information about Donations Made in 2015 and Setting Limits on such Donations in 2016,
7. Approving, Discussing any Changes in, and Approving or Rejecting the Board of Directors' Proposal Concerning Distribution of 2015 Profits and the Date of their Distribution,
8. Determining Remuneration to be paid to the Members of the Board of Directors,
9. As Required by Capital Markets Board Corporate Governance Principles, Electing and Approving Members of the Board of Directors, at Least Two of Whom Must be Independent Directors,
10. Informing the General Assembly about the Principles Governing the Emolument of Company Directors and Senior Managers,
11. Presenting, Pursuant to the Turkish Commercial Code (Statute 6102), for the General Assembly's Approval the Independent Auditors Selected by the Board of Directors to Audit the Company's 2016 Financial Statements and Reports Pursuant to the Capital Markets Law (Statute 6362),
12. Informing the General Assembly, Pursuant to Articles 395 And 396 of the Turkish Commercial Code and to Relevant Capital Markets Laws and Regulations, that Company Shareholders, Directors, and Senior Managers who are in Control of the Company's Management As Well As their Spouses and their First- or Second-Degree Relations, Whether by Blood or Marriage, May Engage in Transactions that May Involve Conflicts of Interest and/ or their Competing with the Company or with its Subsidiaries or Affiliates; Obtaining the General Assembly's Approval for these Individuals' Involvement in such Dealings.
13. Requests and Comments.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.
Prof. Dr. Bülent Tarcan Caddesi No. 5, Engin Pak İş Merkezi, Kat 3; Gayrettepe 34349-İstanbul, Turkey

İstanbul Trade Registry
Trade Registration No: 95860/41270

Corporate Profile

Kartonsan has moved forward towards its growth targets, focusing on customer satisfaction and high quality standards in production in all circumstances since its establishment.

The leading coated cardboard producer in Turkey and the 4th biggest in Europe

Kartonsan was established in 1967 and began its production in 1970. Kartonsan is the leading coated cardboard producer in Turkey and the 4th biggest in Europe. According to data gathered in 2015, Kartonsan commands a 31% share of the coated cardboard market in Turkey.

Kartonsan is a brand that creates value for its stakeholders, setting itself apart from its international competitors with its products, competitive quality standards, superior customer satisfaction and with its production, trade and logistics capacity.

Kartonsan was founded under challenging market conditions at a time when paper production was a state-controlled business. Kartonsan is the “first” private producer of coated cardboards in Turkey.

In its 45th year of establishment, Kartonsan is moving forward with a sense of responsibility in the sector, balancing its stakeholders’ interests with social responsibility, protecting its leadership and setting an example as a corporate identity.

Economical, environmental and social sustainability are the cornerstones of Kartonsan’s strategy

The main aim of Kartonsan is to protect its stakeholders’ interests and ensure a sustainable total performance within the scope of an economical and commercial cycle.

At Kartonsan, economical, environmental and social sustainability is accepted as the formula for a long-term healthy performance.

Production power supported by expertise, experience and technology, as well as strong corporate competencies and efficient human resources are among the most important factors and the founding principles for Kartonsan, which shape its pathway and competitive structure.

The environment and protecting the environment is very important for Kartonsan

Kartonsan, operating within the scope of Integrated Management System, accepts the protection of the environment as a basic concept within the scope of its economical and commercial activities.

As a responsible producer, Kartonsan uses the maximum amount of recycled paper in its production, demonstrating the highest respect for nature.

Kartonsan recycles up to 99% of its paper in the coated cardboard production process, whilst employing the latest modern techniques to purify and re-use the wastewater produced from its facilities. Kartonsan also produces its own energy and utilizes turbine exhaust gases effectively to produce steam.

Kartonsan’s Contribution to Society

Kartonsan believes that the sustainability of a social structure is of key importance for the prosperity of the future generations. Kartonsan invests in the society and the community that it belongs to, and shares the created value with all of its stakeholders. Kartonsan’s contribution to society reveals itself with the employment opportunities that it creates, with the direct and indirect taxes it pays, with the synergy it has created within the supply chain and with the social responsibility work and activities that it undertakes.

Pak Group is Kartonsan’s principal shareholder

Kartonsan shares trade on the BIST National Market under the KARTN ticker and its principal shareholder is Pak Group, which holds a 75.21% stake in Kartonsan. Kartonsan’s assets reached TL 358.9 million (USD 123.2 million) at the end of 2015, according to the independently audited and consolidated financial statements. Detailed information regarding Kartonsan shares is presented on page 116 of this report.

Kartonsan's Production Power

438,660 m²

Total Area

338,674 m²

Open Space

99,986 m²

Enclosed Area

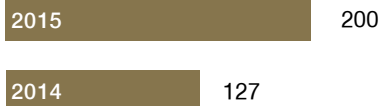
BM1: 80,000 tons
BM2: 160,000 tons
Production Capacity

Product Range

- Normprint
- Exprint
- Luxtriplex

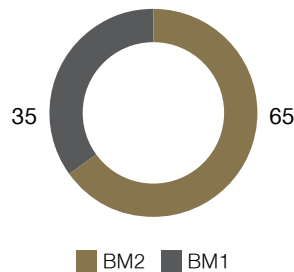
Total Production

(thousand tons - gross)



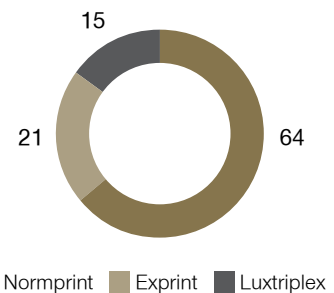
Breakdown of Production

(%)



Breakdown of Production

(%)



10,000 m³

Daily Capacity of Waste Treatment Facilities

187 million kWh/year

Electricity Generation Capacity

325 tons

Cellulose (Market Pulp)

203,000 tons

Waste Paper

15 tons

Maximum Grinding Roll Weight

In 2015 Kartonsan began to receive the positive feedback of all its investments, mainly the Expansion and Modernization Project.



Kartonsan Quality in Production

As Europe's 4th biggest manufacturer of coated cardboard, Kartonsan will continue to develop and expand its product portfolio in accordance with customer demands.

Kartonsan's production power and product range

Kartonsan, developing its product portfolio in accordance with market demands and customer expectations, has a competitive structure with its production, trade and logistics. Kartonsan products are sold to millions of customers in 27 countries.

With its professional management and corporate management structure, its experience in the sector and its effective human resources and latest technology, Kartonsan is focused on sustainable growth.

With the expansion investment completed in 2014, Kartonsan's annual production capacity has reached 240,000 tons (BM1 and BM2) and the main products are made out of coated cardboard manufactured from recycled paper and generally referred to in the industry as 'duplex (gd)' and 'triplex (gt)' coated cardboard. Kartonsan products are used in various sectors such as food, pharmaceuticals, cosmetics, advertising and promotion.

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

Kartonsan holds the responsibility of being the 4th largest coated cardboard producer in Europe and will continue to develop its production range in accordance with market demand and customer expectations in 2016 and in the coming years.

Kartonsan's product portfolio and Characteristics

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

NORMPRINT

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

EXPRINT

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

LUXTRIPLEX

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

Kartonsan and Sustainability

With a corporate identity of responsibility to the economy, the environment and society, Kartonsan continues to operate and conduct its activities in line with this awareness

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

With a corporate identity of responsibility to the economy, the environment and society, Kartonsan continues to operate in line with this awareness.

Kartonsan's core and constant targets include using the maximum amount of waste paper in producing coated cardboard and minimizing the negative effects of its production cycle on the environment.

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

When the global scope and developed countries are considered, paper and cardboard producers are now more focused on the use of waste paper for production and on developing sustainable forest projects.

Kartonsan contributes to this global effort by using the maximum amount of recycled paper (waste paper) in producing coated cardboard.

The Company used a total of 203,000 tons of waste paper according to 2015 data. The usage rate of waste paper in Kartonsan for the year 2015 was 98 to 100%, exceeding the average use in Europe.

Kartonsan supports work and activities which are aimed at the protection and development of forested land and attaches importance to the effective use of forestry resources. Kartonsan has held the FSC-CoC certification since 2011, and acts in line with the requirements for using the forestry resources effectively.

In addition, Kartonsan has completed the necessary steps for the establishment of the ISO 50001 Energy Management Standard in 2014 within the scope of its energy efficiency strategy and received the Energy Management System Certificate in 2015.

The Expansion and Modernization Project, completed in 2014, has also contributed greatly to Kartonsan's energy efficiency and its capacity and efficiency in recycling wastewater.

With the completion of the final investment, the proportion of water that is recycled at Kartonsan has gradually increased from 30% to 60%.

Kartonsan started using the MBR (Membrane Biological Reactor) system in 2015, which allows approximately 3,200 m³ of the wastewater to be reused every day. The project has transformed Kartonsan's treatment plant into one of the most modern treatment facilities in the Turkish paper sector.

Within the scope of sustainability, Kartonsan continued to work in cooperation with suppliers, municipalities and waste paper collection organizations in 2015.

Kartonsan will continue to achieve maximum recycling rates with systematic work and by decreasing the consumption of natural resources as well as by using recycled materials at a maximum rate in the coming years, as it has in the past.

Kartonsan from Past to Present

Kartonsan is the pioneer and leader brand in the coated cardboard market in Turkey since its establishment in 1967.

1970

Kartonsan begins manufacturing coated cardboard for making boxes.

1980

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

1985

Kartonsan's waste treatment plant becomes operational.

1986

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

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

1993

Computer-controlled production lines are installed.

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

1995

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

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

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

1996

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

1997

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

2002

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

2003

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

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

2006

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

2009

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

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

2010

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

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

2011

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

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

2012

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

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

2013

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

2014

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

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

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

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

2015

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

In 2015, Kartonsan's production volume reached 200,013 tons, marking the highest volume since its establishment.

Kartonsan reached its highest ever production volume in 2015 with total production of 200,013 tons.



Kartonsan

in Figures



Financial Highlights

(TL Thousand)	2014	2015
Total Net Sales	199,846	269,535
Total Exports	54,434	87,230
Total Assets	332,029	358,951
Net Profit	19,433	21,699

Earnings per Share (Consolidated / USD 1 par Value per Share)	2014	2015
Ordinary Shares	6.84996	7.64846
Preferred (Group A) Shares	6.84996	7.64846

Key Ratios

Liquidity Ratios	2014 (%)	2015 (%)
Current Ratio	1.31	1.69
Acid Test Ratio	0.66	0.84
Cash Ratio	0.07	0.08

Profitability Ratios	2014	2015
Pre-Tax Profit / Net Sales	0	8
Pre-Tax Profit / Shareholders' Equity	7	8

Financial Structure Ratios	2014 (%)	2015 (%)
Total Liabilities / Shareholders' Equity	28	28
Short-Term Debt / Shareholders' Equity	26	25
Long-Term Debt / Shareholders' Equity	1	3

During 2015, Kartonsan achieved its sales volume target for the year. The production of Kartonsan was 200,013 tons and total sales (coated cardboard sales) was 180,166 tons.

Net Sales
TL 269.5 million

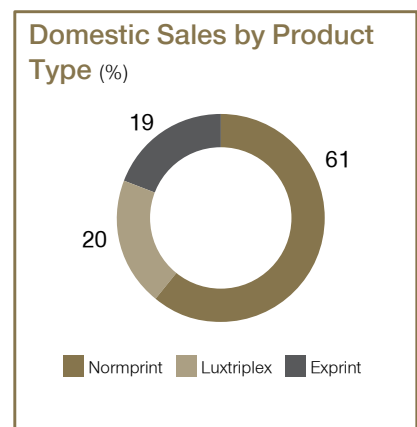
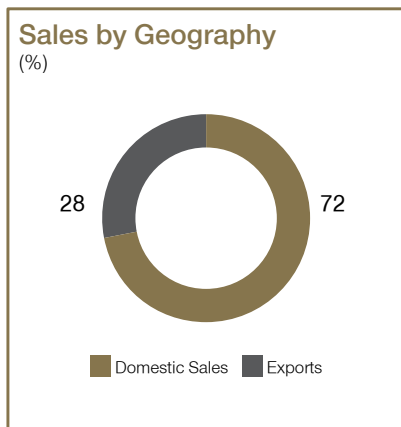
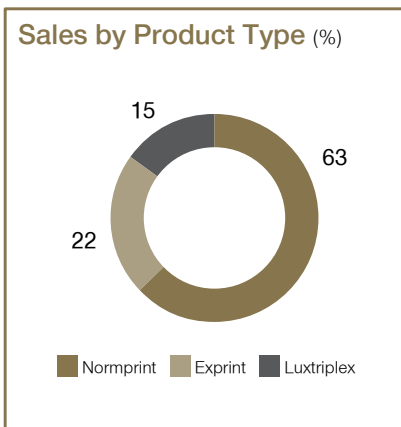
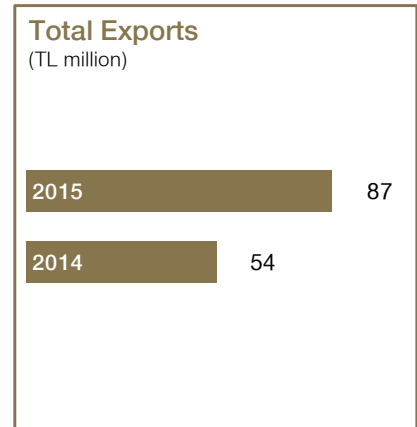
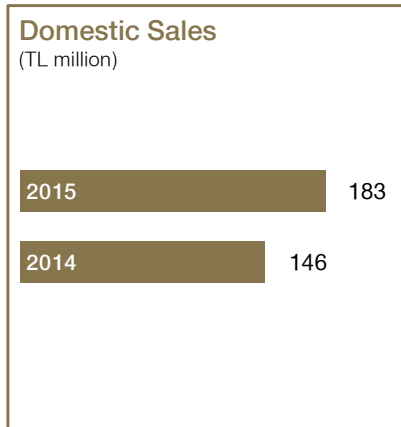
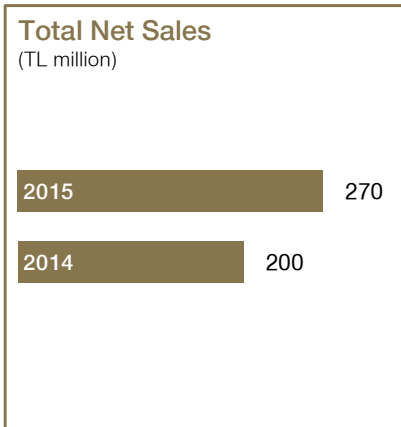
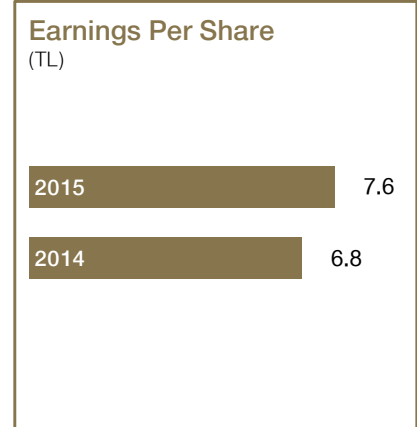
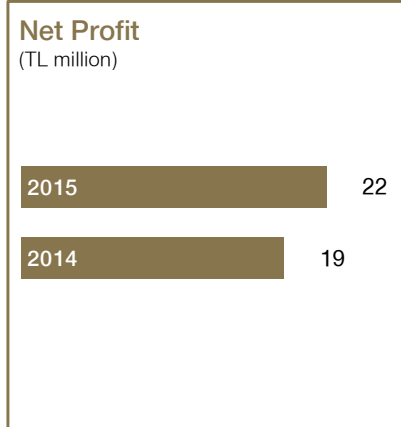
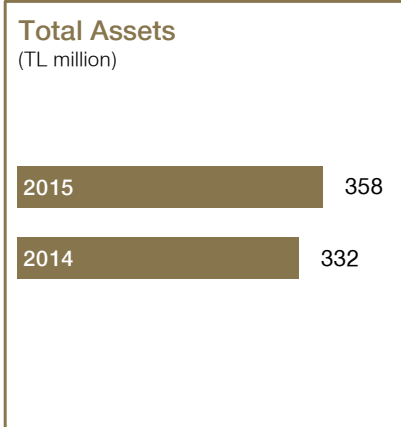
Kartonsan realized consolidated commercial turnover of TL 269.5 million in 2015.

Net Profit
TL 21.7 million

Kartonsan wrote a consolidated net profit of TL 21.7 million and a gross profit margin of 9%.

Total International Sales
TL 87.2 million

Kartonsan recorded direct exports of 50,016 tons in 2015, with exports accounting for 28% of total sales.



Message from the Chairman

For Kartonsan, 2015 was the first full year of operation following its investments, and the outcome of the investment proved a success in regard to the projects planned. Despite the difficulties in the market, our Company was able to generate long-lasting value for its stakeholders.

Dear stakeholders,

The Federal Reserve (Fed) finally raised its policy rate by 25 basis points, for the first time in 10 years, with a decision taken in December 2015.

This small quarter point increase in interest rates may have been considered an insignificant step in the global markets, but it will have a profound bearing on the direction of the world economy in the short- and long-term.

After the outbreak of the 2008 crisis, there was a shift in global capital from developed world to developing economies with the expectation of sustainable income generation. However, after around 8 years, there has been a flight to safety again. In 2015, the deceleration in growth performances of developing economies was an inevitable outcome of global capital output.

The economic recovery continues in the United States of America, and the Eurozone is now reaping the fruit of the successful policies undertaken by the European Central Bank (ECB).

The Eurozone economy, at last, showed signs of recovery and there was an increase in the production of capital goods and consumer durables goods in 2015. In line with expectations, it was announced that the quantitative easing programme, initiated by the European Central Bank in 2015, would continue until September 2016, supporting the economic system. A policy revision by the European Central Bank will help support the positive developments in the Eurozone and contribute to economic growth.

Emerging economies generally exhibited a deceleration in growth.

The growth performance of emerging economies in the last 2 years would indicate that internal factors were not sufficient to ensure sustainable growth.

Alongside geopolitical factors, external factors such as the monetary policies implemented by the central banks of developed countries and the trade trends affected the economic performance of developing countries. On the other hand, the volatility in financial markets and the significant improvement in developed economies seen during 2015 precipitated a loss of value in the currencies of developing countries.

A more apparent slowdown in economic growth in China in 2015.

The economic progress in China, the world's second largest economy, has had a significant effect on global markets during 2015. The financial bubble in China's capital markets have popped towards the autumn season and created a wave affecting equity markets around the world. Three consecutive devaluations of the yuan and the problems faced by the housing and banking industry raise concerns towards China.

China has posted rapid growth in the last 10 years and it is now going through a process of balancing its market economy conditions. The deceleration of growth in China and the downward trend and decrease in general demand have also caused a decrease in production levels.

Any softening in growth in an economy such as China, where there is high production capacity, also affects and damages global growth through demand for commodities.

“With the capacity it had reached by the end of 2015, Kartonsan is the 4th largest producer in Europe, and is focused on growth.”

Will 2016 follow 2015?

As part of the inflation/deflation dilemma that the world has now been facing for some time, deflationary trends will remain significant and growth will be somewhat weak due to the struggle between recession and growth.

In terms of economical blocs, the economical recovery is expected to continue in the economies of developed countries in 2016 and beyond, while developing economies will feel more pressure given their structural problems and tighter capital flows.

Turkey's economy posted 4% YoY growth in the 3rd quarter of 2015.

As one of the world's developing economies, Turkey's economy experienced volatility in 2015 as a result of the conflicts taking place in Iraq and Syria and the associated geopolitical risks. In addition, the tensions with Russia and the volatility in international financial markets also put some pressure on Turkey's economy. The two general elections held during the year in June and November, and the failure to bring inflation to its target as well as the rapid fluctuation in interest rates had a depressing effect on the economic system in 2015.

Despite the negative conditions, the Turkish economy posted 4% growth in the 3rd quarter of 2015, in contrast to the market expectation of 2.8% growth.

This result indicates the strong structural dynamics of Turkish economy, the strength of the financial system and the country's sustainable growth potential, despite the difficulties and fluctuations in the global and national conjuncture.

Dear stakeholders,

In the second part of my message, I would like to talk to you about my views regarding Kartonsan's position, performance, strategy and future.

We are moving towards the 50th anniversary of our establishment.

Kartonsan will be celebrating its 50th year in 2017, and it continues to be a value-generating company for the leaders of the sector as well as for its stakeholders.

Kartonsan has identified its strategy as “to be one of the leading producers of coated cardboard in Europe for the medium term and long term” and it is the 4th biggest producer in the region with its production capacity.

The objectives of our Company, as the leader of Turkey's coated cardboard sector, are as follows:

- To develop and sustain its current global and national position in every aspect,
- To carry forward its exemplary identity with new and contemporary practices in Turkish industry and
- To continue its sustainable development, whilst considering the common interests of all of its stakeholders.

Human resources, corporate management and environment form the basis of Kartonsan's sustainability approach and its long-term growth strategy.

Our human resources are the most important asset. We owe our good reputation and our firm position to the efforts of our employees.

As we focus on the future, we are dedicated to developing our human resources further and to equipping ourselves with the most up-to-date competences. We will continue to invest further in human resources.

At Kartonsan, we have the understanding that the steps we take and the principles we implement are cornerstones for the sector, and they are known as the best practices. Kartonsan is committed to fulfilling the requirements of legislation regulating business life and will continue to implement best practices that will set an example for the Turkish industry in terms of health and safety at work as well as union relations, with the approach of investing in people, and we will continue to supervise, improve and develop further.

Message from the Chairman

Another issue that we place emphasis on within the scope of creating value for our shareholders and stakeholders is corporate management practices. We attach importance to being transparent in our relations with investors and are keen to be known as a trustworthy merchant, completely fulfilling the requirements of business life.

Kartonsan's usage rate of waste paper has exceeded average rates in Europe and its water treatment plant with the latest technology is among the achievements in the environmental context. One thing I would like to touch on within this context is that the facility for waste paper collection and decomposition has been in active use since the 2nd half of 2015.

Our Company is very sensitive when it comes to effective use of energy and diversifying its sources of energy. For many years, Kartonsan has been producing its own energy and selling excess energy, creating value for the Turkish economy as well as for the companies own partners and employees.

Our qualifications and behavioral patterns have a special place in the hearts and minds of Kartonsan employees, customers and business partners.

The characteristics we have at Kartonsan our part of our DNA and we establish the route we will follow for the future towards our growth. The issues I have outlined above also form a strong basis for growth.

Looking to the future

Although there is volatility in the global and national environment, our projections for the future are still positive. We are aware of the great potential in and around Turkey and we are developing scenarios according to these projections.

2016 is very likely to be the beginning of a long-term process. As I outlined in the first part of my message, the world economy undergoing a transition to a new cycle. This mega trend affects the vision of coated cardboard sector and brings about change to the trading equilibrium. In this process, when competition is becoming more intense, supply and demand components are changing and commodity prices balancing in new ranges, primarily for the energy sector and waste paper prices.

Kartonsan is focused on a strong future, backed by the increasing support of its shareholders and stakeholders, and the choices that it makes. As a profitable and effective company, Kartonsan possesses all of the components necessary to move forward.

On behalf of myself and the Board of Directors, I would like to thank our team for their dedicated hard work and our customers for their trust, their faith in us and for their loyalty.

Kartonsan will continue to move forward in 2016 and in the coming years with its strong vision, its flexible corporate structure and its superior production potential. It will remain a leading brand with its market shares and its professional management team.

Yours sincerely,



Ünal Bozkurt
Chairman

Kartonsan Board of Directors

Ünal Bozkurt

Chairman

Aslı Balkır

Deputy Chairman

Süleyman Kaya

Deputy Chairman

Mehmet İmregün

Board Member

Hatice Canan Pak İmregün

Board Member

Sinan Ercan Gülçur

Board Member

Babür Gökçek

Board Member

Haluk İber

Board Member

Ali Ersin Güredin

Independent Board Member

Tamer Koçel

Independent Board Member

Message from the CEO

Dear stakeholders,

The developments in the global sphere and in the cardboard sector have been in line with our projections.

The disintegration in the global cardboard sector gained pace in 2015. Far Eastern producers have been heading towards new strategies, and there has been an increase of coated cardboard consumption and prices, primarily in the European market and in developed markets.

The main factors affecting the coated cardboard sector in Turkey for 2015 were the two general elections, in June and November, as well as the volatility in interest rates. In addition, the rigidity in raw material prices have been a key marker of market conditions.

Apart from the quiet Ramadan period, the main factors affecting demand for cardboard and prices were the run-up to the June elections as well as the inconclusive coalition process and the early elections in November, along with the associated uncertainty. The volatility in interest rates has been one of the main factors affecting competition in the coated cardboard sector, especially during the second half of 2015. The fall in value of the Turkish Lira has been an advantage for the local producers, which have become more competitive than imports. Chromo board imports from the Far East decreased during this period.

Towards the autumn, there was an increase in sales on the back of seasonal demand and consumption, and there was an improvement in demand that had been pent-up during the summer period. The change has been ongoing since the November elections, and the fall in interest rates has strengthened the competitive power of imported cardboards.

Considering the total capacity of coated cardboard production in Turkey, Kartonsan completed its capacity increase investment, adding 50,000 tons to the total capacity. In Europe as a whole, the total capacity increased by 90,000 tons as a result of the investment realized in the facilities of two producers. The 2% growth in Europe's chromo board consumption, according to CEPI data, was behind the decision to raise capacity and approximately 50,000 tons of extra board produced was consumed. The remainder affected the sector balance as excess supply.

Kartonsan has addressed all of the variables in the markets in a very accurate and attentive manner, and 2015 was a year of success for the Company's sustainable financial and operational performance.

In 2015, the production capacity of coated cardboard in Kartonsan reached 200,013 tons. 2015 was a successful year for our Company after the investment period, and its market share in Turkey increased to 31%.

As the 4th largest coated cardboard producer in Europe, our Company takes pride in holding the leading position in the coated cardboard sector in Turkey. I would like to thank the management team and employees of our Company for the dedication and hard work they put in to bring about this sustainable performance.

Kartonsan's total product sales reached 180,000 tons in 2015, with the Company realizing total revenue of TL 269.5 million and a gross profit margin was 9%. Its consolidated net profit came in at TL 21.7 million.

The Company generated a return on equity of 8% and a return on assets of 6%. Our consolidated earnings per TL 1 nominally valued share was approximately TL 7.65.

Our Company continued to undertake investments in 2015 in line with its projected strategic planning. The follow-up projects for the extension investment we finalized in 2014 and the periodical investments we undertook in 2015 amounted to TL 2.9 million.

Record high exports in 2015

Kartonsan exported 25% of its production in 2015, reaching USD 28 million of exports. Kartonsan accelerated work on developing itself in international markets as well as meeting the demands of domestic customers in 2015.

Our Company exported 50,000 tons of products in 2015, a record high figure in Kartonsan's history, with the number of countries we export to reaching 27.

“2015 has been a successful year for Kartonsan after the investment period and its market share in Turkey has increased to 31%.”

When it comes to international sales, the focus was on increasing the share of sales to Egypt in total exports as the country was unable to acquire sufficient volumes of products due to the increasing demand in Europe, especially during the first half of the year. The cooperation with customers in other countries such as Bulgaria, Greece, Ukraine, France, Italy, Spain, Portugal, the United Kingdom and Azerbaijan has been ongoing.

Kartonsan is positioned as a strong producer in terms of competitiveness and logistics thanks to Turkey's geopolitical position with its proximity to Europe, the Mediterranean and Black Sea regions. In parallel with the expected changes in demand for coated cardboards in Turkey and around the region, our target is to introduce the Kartonsan brand to more customers and to become a brand that is used on a daily basis by consumers.

In 2016...

We foresee ongoing fluctuations in market conditions and exchange rates during 2016, and our main target is to increase our total production of coated cardboards to an annual capacity of 225,000-230,000 tons.

We believe we will be able to make effective use of the investment we undertook in the expansion and reflect it to our performance. We finalized 2015 with a production capacity of 200,000 tons. The actual improvements during the last quarter of 2015 indicate that we will be able to reach our production targets in 2016. We will need to take the necessary steps aimed at increasing efficiency as soon as possible and carry forward our production to a more effective cycle.

One of the issues we will consider in 2016 concerns raw material supplies. We will continue to adopt a proactive strategy in cooperation with our subsidiary, Dönkasan, to minimize the effect of increasing prices and the bottleneck in waste paper supply on our production.

Dear stakeholders,

As we move towards our 50th year; we are in the process of building Kartonsan's future...

Kartonsan is a company working with short-term, mid-term and long-term targets, and develops its strategies under this perspective. Accordingly, as we move towards 2020, marking our 50th year, we are focused on building cornerstones for the future.

Kartonsan is now preparing for a journey towards overall excellence, primarily for its operational processes. We are dedicated to restructuring and strengthening Kartonsan when needed, taking into consideration the management system together with all its components in line with the market, sector and global competition conditions. Another aim we have within the scope of this effort is to complete the process of obtaining the EFQM Excellence Award and to share our success with all Kartonsan stakeholders.

For short-term and long-term goals, quality has been the primary priority for Kartonsan. We are planning to increase customer and employee satisfaction for the coming period.

During the 45 years since our establishment, we have always sought to provide and present 'the best' for our customers and we will continue to do so with new and contemporary initiatives. Innovative and eco-friendly products that could meet market demand, lead to stronger logistic services and post-sales support are areas and aspects where we have sought to develop further.

Human resources, considered as the cornerstone of our journey to excellence, form the basis of our sustainability and our future. With this perspective, we evaluate employee satisfaction as a parameter that needs to be monitored and followed and we aim to initiate relevant activities within this context. We are looking into finding ways to include our employees in decision-making processes; the development of performance appraisal systems such as 5 S and 6 sigma are among our Company's priorities. We would like to use these systems in our day-to-day operations.

Message from the CEO

During the time that Hannibal Barca from Carthage was fighting the Romans together with his army supported by elephants, when he came to the Alps, he said "Either we find a new way, or we build a new one". Kartonsan is dedicated to discovering new ways of reaching its aims and developing innovative ideas that are needed and it has the required energy and financial resources to do so.

All these initiatives will create added value for Kartonsan's stakeholders and shareholders in the long-term and will help us build our Company's future.

Our targets and long-term perspective are a reflection of our trust in the future of Turkey's economy, in our sector and in Kartonsan's competence

Even if there is economic turmoil in the short-term, we believe our region will achieve rapid and sustainable growth in the coming years. Turkey, in the heart of this region, is a strong candidate to be a regional power in different sectors from energy to raw materials and has the infrastructure and financial resources to realize this. On the other hand Turkey is able to compete successfully in the markets around the world and delivers a good performance in terms of quality, price and services.

Our corporate target, as always, is to create value and to meet demand with our high-quality product range, logistical support and flexible service approach in domestic market as well as in the wider region.

We would like to thank everyone who has contributed to our performance and sustainability

In light of our values and the strategies we continue to develop, we will keep on creating value for our stakeholders and strengthen our position in global markets.

Our Company, moving towards the future with firm steps, will continue to strive to produce 'the best' for its shareholders, employees and for the whole of society. As one of the main players in Turkey's coated cardboard sector, Kartonsan continues to serve its customers with its products and to stand beside them, regardless of the market conditions.

Our main principles include transparency, accountability, responsibility to society and the environment, honesty and justice; these principles will remain the guidelines in all of our actions and practices as a strong reflection of our established corporate culture.

The continuous support of our stakeholders, shareholders, customers and employees will carry us forward successfully and will ensure that we use our self-confidence and power in the most efficient and productive manner in order to reach our aims.

Yours sincerely,



Haluk Iber

Member of Executive Board and General Manager

Kartonsan Senior Management

Haluk İber

General Manager

Ümit Özkan

Factory Manager

Güven Şanlı

Production Manager
(effective 01.02.2015)

Raşit Kemal Özkırım

Marketing Manager

Şadiye Başak Kaya

Human Resources & Quality Systems Manager

Ümit Dinçol

Production Services Manager

Atiye Tuğtekin

Procurements Manager

İlker Bodur

Technical Services Manager

Bülent Kuru

Financial Affairs Manager



Outlook for the Global Economy

16 December 2015: Fed decides to raise interest rates, as expected.

The Federal Reserve (Fed) raised rates by 25 basis points in the first rate hike after 10 years, with a decision taken on 16 December 2015.

The increase of interest rates was announced in the press conference where Fed Governor Janet Yellen spoke; Yellen stated that the Federal Reserve Bank was fully confident that the economy would continue to strengthen. She emphasized the reduction in risks in the global economy and the data indicating an improvement in the labor market. In the same speech, Yellen also stated that the increase in interest rates would be gradual, in line with economical growth and long-term inflation expectations.

The decision taken on 16th December was a widely expected step and was welcomed in the markets. The Dollar gained value, compensating for value losses in US treasury bonds.

USA: Sustainable Growth

The economic recovery continued in 2015. While the employment market improved, the rate of unemployment returned close to its pre-financial crisis figures. Furthermore, prices of commodities, especially oil, remained low and the dollar remained strong, signaling that inflation would remain below the 2% target.

The US economy grew by 2% in the third quarter of 2015 compared to the same period of the previous year.

Eurozone: A more positive backdrop than in 2014

The Eurozone, which had been posting a disappointingly slow recovery, offered a brighter outlook with its December 2015 macroeconomic data.

The decrease in energy prices and general level of prices kept inflation below the European Central Bank's (ECB) inflation target of 2%.

On the other hand, there was an increase in the production of capital goods and durable consumer goods which has led to an increase in industrial production. The December production PMI index appeared higher than expected which signaled a relative recovery in the Eurozone.

Expectations are that the asset purchase program of ECB, which began in early 2015 and is expected to continue until September 2016, will be revised to expand its scope and duration. This kind of policy revision will not only lever the positive improvements but will also benefit the sustainability of the recovery process.

On 16 December 2015, the Fed increased interested rates by 25 basis points, its first rate hike in ten years.

Developing countries: Issues surrounding structural factors.

It has been observed that in 2015, developing economies showed slower growth compared to previous years. When the growth composition of countries in this group was analyzed, it was observed that generally internal dynamics sporadically had insufficiencies in relation to growth.

Apart from the geopolitical factors, periodical factors and external factors such as the policies of Fed and other country national banks, the main factor is the structural differences and insufficiencies are the main factors in determining performance vulnerability in these countries. In the majority of developing countries, it is observed that the production and employment policies that promote productivity and international competition are lacking in these countries, which slows down growth.

The fluctuations in the financial markets and the relative recovery of developed economies in 2015 caused a significant capital outflow from these countries while their local currencies depreciated.

China: The recession is becoming evident.

The fluctuations in the Chinese market in 2015 affected both regional countries and global markets. After their stellar 150% Chinese stocks in the last year had caused a bubble. This bubble burst in Q3 2015 and global stocks were also affected. The Yuan was devalued three times in Q3 and is expected that this trend will continue in periods to follow.

The Chinese economy undergoing a transition where market economy conditions are being balanced.

The shifts and growth and consumption demand have caused a decrease in production in the world's second largest economy, China. This has resulted in prices of commodities, especially energy and metal, to decrease around the world. This has negatively affected commodity exporting county economies, stunting global growth.

The pressures on the Chinese market are expected to continue in 2016. Real estate, which forms a quarter of GDP in China, was further affected by the problems facing the banking system. With the Chinese Government's decisions, excess industry capacity is expected to be decreased, with real estate stock decreasing, precipitating a restructuring of financial risks with policies and measures introduced to decrease company expenditures.

Outlook for the Turkish Economy

Turkey: 24 quarters of uninterrupted growth

Turkey's economy grew by 4% in Q3 of 2015. Compared to the growth target of 2.8%, this growth rate was indicative of the Turkish economy's structural strength, as the country has maintained growth for 24 quarters after the global economic crisis.

Domestic consumption, which accelerated when compared to the second quarter of the year, also contributed greatly to the growth in Q3. Accordingly, GDP which is calculated based on production method; the services industry contributed the most to the 1.9 point growth in Q3. The increase in agricultural production and seasonal affects, agriculture contributed 1.6 points to the growth, being the largest contribution from agriculture in the last decade. The industrial and construction sectors contributed only 0.4 and 0.1 points to growth respectively.

Industrial production: Continuation of the strengthening trend.

The growth in industrial production continued in November 2015 with a 3.5% increase compared to the same month of the previous year, demonstrating that it was not merely seasonal growth. When the sub sectors of the industry are taken into account, the November 2015 data found a 6.6%

decrease in the quarrying sector index while industrial production sector index increased by 4.3% and the gas, steam and air-conditioning production and distribution sector index increased by 2.4%. Meanwhile the biggest decline in the Main Industry Groups compared to November of the previous year was consumer durable goods production, with a decrease of 6.5%.

Unemployment: Pressure continues.

The general unemployment in Turkey increased by 104,000 people in October 2015 when compared to October 2014, to reaching 3,147,000 people; the unemployment rate increased by 0.1 percentage points to reach 10.5%. Non-agricultural unemployment stood at 12.6% with youth unemployment of 19.3%.

The number of people in employment increased by 718,000 for October 2015 when compared to the same period of the previous year, to stand at 26,856,000, with the participation rate increasing by 0.5 percentage points to reach 46.2%. In the same period, the labor force increased by 0.6 points to reached 51.6%.

Current account deficit: Energy and commodity pricing support

According to the Turkish Statistical Institute's (TÜİK) November 2015 numbers, exports decreased by 10.2% and imports decreased by 25.3% with respect to their levels in the same month of the previous year. The foreign trade deficit narrowed by 25% in November 2015 when compared to its level in November 2014. The fall in energy and commodity prices played an important role in the narrowing in the foreign trade deficit. Meanwhile, in line with the improvement in the Eurozone, the outlook for exports turned positive.

Between January to October, foreign trade deficit decreased by 24.9% compared to its level in the same period of the previous year, to USD 25.4 billion. The 12 month cumulative foreign trade deficit stood at USD 38.1 billion, its lowest for 5 years.

The foreign trade deficit, which had been expected to be less than 5% of GDP by the end of 2015, is estimated to have been slightly higher due to the level of GDP, increasing geopolitical concerns and the tensions with Russia.

The strengthening trend in industrial production continued in November 2015; regardless of seasonality, industrial production increased by 3.5% compared to November 2014.

Producer and consumer inflation: The distinction becomes clearer

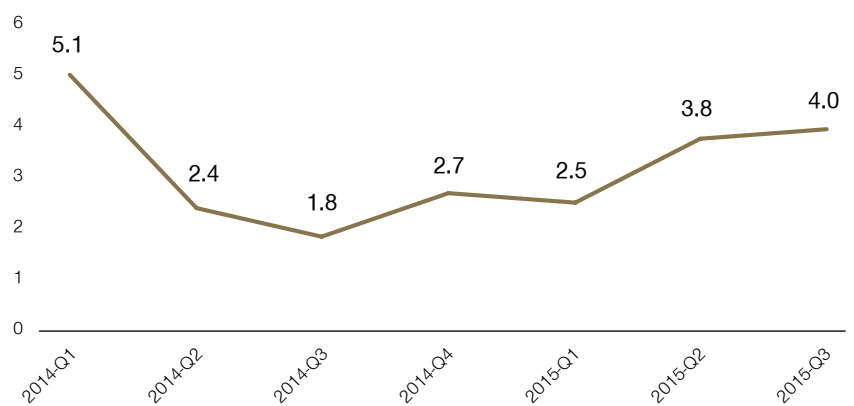
The 8.81% rate of CPI inflation at the end of 2015 was the highest inflation rate in the last four years. Meanwhile, the rate of domestic PPI inflation, which has been decreasing since October, ended the year at 5.71%, its lowest for three years. The strong decrease in commodity prices, especially oil, was the main reason in the decline in domestic PPI inflation.

The core inflation indicators (H and I indices) have been increasing since August. Inflation for these indices was calculated as 9.27% and 9.51% respectively in December.

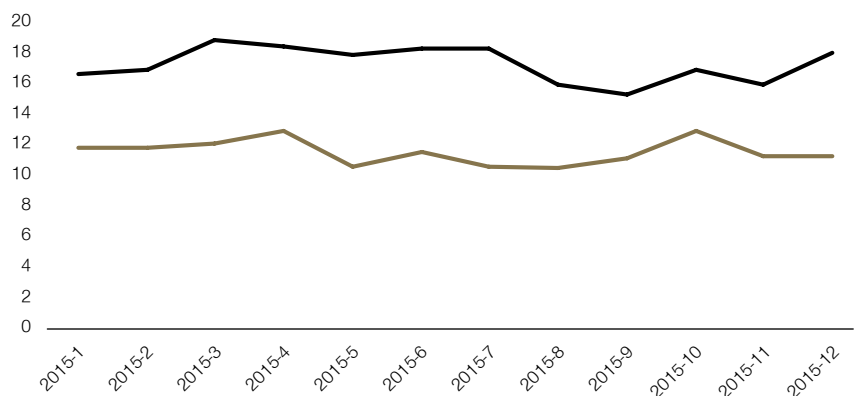
Following its meeting on 22 December 2015, the Central Bank of Turkey announced that while taking into account the effects of global market volatility on inflation expectations and the fluctuations in prices of energy and unprocessed foods, the Bank would maintain its solid stance on liquidity policies and that future monetary policy decision would continue to be based on the inflation outlook.

Sources: Turkish Statistical Institute, Central Bank of Turkey, Ministry of Economy, Istanbul Stock Exchange, IMF, OECD

GDP Growth (%)



Foreign trade by months, USD billion (FOB)
(— Export — Import)





Outlook for the Industry

In 2015, exchange rate fluctuations, competition from imported cardboard and waste paper prices were the main aspects affecting the chipboard sector.

The ECB's easing monetary policies increased Europe's demand for chipboard.

As of early 2015, cardboard factories in Europe starting increasing their factory capacity utilization.

Due to the ECB's success in easing monetary policies in a bid to revive the markets, growth in large and key European economies started to show some revival once again.

With growth accelerating, general consumption in the economy also increased, which precipitated an increase in cardboard consumption. The increase which began in Q1 continued to Q2 and orders to factories increased, as did the price of cardboard.

In the second half of the year, especially towards the end of summer, the decrease in demand caused a decrease in orders from European producers and factory capacities decreased. As a result, producers postponed price increases in order to strengthen their market share, and in large markets like Turkey, implemented price cuts.

A 90,000 tons increase in Europe's total capacity


Investments undertaken by two big producers in Europe increased annual capacity by 40,000 tons/year.

In 2015, chromo board production increased by around 90,000 tons in Europe. According to the CEPI, the 2% increase in cardboard consumption in 2015 absorbed roughly 50,000 tons of the oversupply while the remaining changed demand-supply balances to create excess supply.

China's economic shrinkage led to a decline in cardboard prices.

In contrast with developed economies, growth in developing economies slowed down in 2015.

China's economic difficulties and recession affected every sector, including chip board. The slower rate of growth in China caused a decrease in prices of cardboard, especially Bristol type cardboard.



With Kartonsan's capacity increase investment, Turkey's chromo cardboard production capacity increased by nearly 50,000 tons/year in 2015.

Turkey's chip board sector maintained its development within the volatile market.

Various internal and external factors affected the development of the chip board sector in 2015.

As we approached June elections in the first half of the year, domestic demand decreased; seasonal factors were also effective with markets subdued in the month of Ramadan. In this period, exchange rate movements moved turned the balance in favor of local chip board producers over imports. The strengthening USD was a significant factor in reducing dollar based imported cardboard sales. In this period, the steepest decline in imports was seen in imports of chromo board.

The fall in the value of the TL towards the end of the summer went some way towards regenerating pent-up demand and with seasonality, there was an increase in sales in Q3.

After the second general election of the year in November, Turkey's exchange rate leveled off and further supported European producers who had reduced their prices; hence, import orders began to increase. With imports entering Turkey, the competitive playing field in the local market turned against local producers.

The main dynamic affecting cardboard wrapping was general economic growth.

Factors like regional geopolitical issues, export issues and developments in global financial markets which affect the economy naturally affect the packing industry as well.

However, despite these issues, investments in the cardboard packing sector continue, and the Turkish cardboard packing sector has grown strongly in Europe with its quality and capacity.

In 2015, the main factor affecting the competitiveness of Chinese cardboards in the Turkish market was the Euro/Dollar exchange rate and sea freight prices. While the Euro/Dollar exchange rate worked against Chinese producers, freight prices fluctuated throughout the year and were generally low.

Other main factors that affected national production in 2015 were fluctuations in energy and waste paper prices. While energy prices decreased globally, producers who purchased in dollar terms suffered an increase in their expenses. In the waste paper market, the increased capacity in test-liner and fluting cardboard in Turkey caused an increase in waste paper demand which lead to an upward trend in prices.

50,000 tons increase in Turkey's total annual capacity

With Kartonsan's capacity increase investment, Turkey's chromo cardboard production capacity increased by nearly 50,000 tons/year in 2015.

Evaluation of 2015

ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

In 2015 the Turkish economy maintained its growth performance and the year was also success in terms of Kartonsan's operating cycle. Kartonsan is consistently and successfully developing its business capacity and exports, adding value first of all to its investors and to all its shareholders.

Kartonsan, which carefully followed global mega trends which affect the chromo cardboard industry, proactively updated its strategy and with a strong financial structure and high operational efficiency, once again notching up another successful year of operation.

Kartonsan reached its highest ever production in 2015.

Kartonsan's corporate goals include being the main supplier in the export market, both in Turkey and in the surrounding region, providing high quality and rapid service, to increase efficiency in the production processes, increase its capacity with its regional supplier approach and to provide sustainable high profitability to its shareholders.

After the completion of the extension and modernization project in 2014, 2015 has been a year of optimization for Kartonsan.

Kartonsan was able to reach its targets in 2015, especially during the second half of the year in terms of production capacity and product sales; despite the difficult and inconsistent economical conditions. With its successful financial

and operational performance, the Company was able to create long-term value and continued to grow in a sustainable manner.

Kartonsan focused on reaching the maximum levels in production and developing efficiency; reaching its production targets as a result of a planned phase; in line with the increasing production capacity by 50,000 tons per year. As an outcome of all these efforts, the total production reached a record high of 200,013 tons in the second half of 2015.

This production level was the highest production capacity Kartonsan has reached since its establishment.

Financially, Kartonsan was able to meet all of its operational targets in 2015, primarily in regards to sales and exports.

A 31% market share in 2015

Kartonsan remained the leader of Turkey's coated cardboard market in 2015 with its strategy focused on sustainable growth as well as its strong and high-quality product range and competitive production capacity.

With its ability to reflect the market dynamics in the Turkish economy to its strategy, Kartonsan is aware that our country differs from others in terms of sustainable growth performance. In 2015, its turnover, sales volumes and export capacity were higher than in 2014.

After the investment, Kartonsan's sales have increased gradually in accordance with the plan in 2015. The Company's consolidated sales revenue stood at TL 269.5 million.

In 2015, Kartonsan planned sales opportunities inside and outside Turkey with a flexible approach and all demands coming from the international and domestic market were met without any problems in stock management.

Domestic sales accounted for 72% of Kartonsan's sales in 2015.

With its wide-range product selection, Kartonsan continued to meet the packaging needs of many different products from different sectors. In 2015, Kartonsan was able to balance its market share at a level of 31%, despite the pressure brought about by the volatilities in global markets, volatile exchange rates and the competition from imported goods in the domestic market and rigidity in raw material prices.

Most of the Kartonsan products used in daily life are based on food products and there are other packaged goods such as medicine, detergent, matches, perfumery, textile, lamination, stationery items, book and notebook covers, glass goods and small white goods that Kartonsan covers.

Record breaking exports

As Europe's 4th largest coated cardboard producer, Kartonsan reached the highest export volume in its history. Kartonsan's exports increased from 27,000 tons in 2014 to 50,000 tons in 2015. Kartonsan's export revenues also reached USD 28 million in 2015. The share of exports in total sales jumped to 28%.

Kartonsan attained its highest ever export volumes in 2015 with 50,000 tons of its products exported, generating USD 28 million in export revenues.

Kartonsan products are exported to more than 20 countries in 3 continents. Kartonsan exports to Bulgaria, Greece, Ukraine, France, Italy, Spain, Portugal, the United Kingdom and Azerbaijan, and these countries have a high share in international markets. Thanks to Kartonsan's pro-active strategy, Egypt's share in sales has increased as the country was unable to receive sufficient volumes due to the increasing demand in Europe, especially during the first half of the year.

Kartonsan aims to establish long-term relations with the printing houses that produce cardboard packaging in export markets, and aims to be a permanent supplier for these printing houses. In line with the stated aims, Kartonsan develops solutions in line with its customers' needs with a high-quality and effective service approach. The Company moves forward with a focus on performance efficiency, ensuring appropriate transportation conditions.

Kartonsan will continue its efforts to boost exports in 2016 and in the coming years, thus minimizing the effects of volatility in the markets and taking the necessary steps to implement its export strategy whilst projecting resilience and competitiveness.

Normprint remains the most popular product

As the leader of Turkey's coated cardboard sector for the last 45 years, Kartonsan has a product line that is always in demand by customers in both domestic and export markets.

Within the scope of quality-focused and innovative product commitment, Kartonsan works to provide better conditions for its customers.

The majority of the research and development activities are carried out to offer sustainable and innovative products to customers; there are also efforts to increase efficiency, effectiveness, customer satisfaction and profitability by using all types of natural resources with an optimal productivity.

In 2015, the highest selling coated cardboard among Kartonsan products was again Normprint, with a 65% share, followed by Luxtriplex and Exprint, with 20% and 15% shares. Normprint cardboard remained the most popular product throughout the year. Demand for Normprint is high, predominantly for its use in fresh fruit crate exports and increased use in other areas.

Marketing and sales practices that support and develop customer satisfaction

Kartonsan's primary and constant aim is to meet the demands of domestic and foreign customers on time and without any reserve.

Kartonsan, which believes in the fair sharing of the value addition produced and long term customer relations, will maintain its responsible producer stance by constantly following market conditions.

With its many years of established business relations with its customers, Kartonsan follows and monitors market conditions very closely and regularly, maintaining the satisfaction of its customers who also are one of the main

stakeholder groups. Within the scope of business relations, Kartonsan is also carrying out commercial practices that will protect its customers from the negative aspects of market conditions.

In 2015, Kartonsan continued its initiatives to increase customer satisfaction, aiming to optimize the delivery and payment processes for customers and to maximize added value.

In parallel with Kartonsan's increasing production capacity, discount campaigns have been implemented in the domestic market as part of efforts to increase sales. This approach won the acclaim of customers and contributed to customer satisfaction.

Kartonsan continued to offer door-to-door delivery sales in 2015 and also continued to offer its customers the option to pay in multiple installments in credit card payments.

Kartonsan's 2016 Objectives

2016 will be the year when Kartonsan receives the fruit of its investments to expand.

In the year 2016, Kartonsan aims to;

- **Break new records for production and sales,**
- **Develop export and international market capacity,**
- **Increase customer satisfaction,**
- **Continue to work on quality improvement,**
- **To fully comply with occupational health and safety principles,**
- **To use environmental management systems effectively.**

Kartonsan and the Environment

Climate change and the cardboard industry

One of the most important and clearest threats facing our planet is climate change, which has been proven with scientific data. It is also a great consideration for cardboard industry.

Correctly identifying these risks for the short, medium and long term and appropriately incorporating and managing them into workflows is fundamental for success. Only producers who are able to overcome these challenges will be able to meet the constantly changing market demands, be in line with legal boundaries and carry their competitive power into the future.

Our planet has undergone rapid climate change in the last 30 years. According to the scientific measurements, the air temperature has increased by 0.74°C in the last century. The 10 warmest years on record globally were all in the 2000s and 2014 was the warmest year in historical records. There has been a 13.3% decrease in the extent of polar ice the Arctic Region in the last 10 years. The concentration of Carbon Dioxide in the atmosphere is at its highest in the last 650,000 years.

According to a report published by the Intergovernmental Panel on Climate Change (IPCC), the main reason for the observed global warming is related to the activities conducted by people and the greenhouse gases released into the atmosphere. The increased concentration of greenhouse gases in the atmosphere will affect global climate change and our planet's climate system through warming, which could lead to catastrophes and changes that are unrecoverable.

In order to slow down climate change, the primary action that should be taken is to decrease greenhouse gas emissions. This situation, which threatens the future and sustainability of humanity, is a risk that is not insignificant and it is a priority for all economic actors.

When this issue is considered with respect to the cardboard industry, the sector has been seen to be taking action and important steps to minimize the possible effects of its production on the environment and on climate change. As well as decreasing greenhouse gas emissions, the use of waste paper as a raw material (instead of cellulose - market pulp) during the production of cardboard plays a vital role. Coated cardboard producers in developed and developing countries demonstrate systematic efforts on issues such as sustainable forest management, the use of waste paper and renewable energy.

In practices of cardboard production linked to sustainability, maximum care and attention should be taken in regard to raw materials and waste. This would require an approach where there is close and constructive cooperation between stakeholders, including suppliers.

Another important action to consider is to support international cooperation and global initiatives and to take part in these planned activities. It is only possible to eliminate risk and to tackle climate change with the full contribution of the coated cardboard industry.

In 2015, Kartonsan used 230,000 tons of waste paper for the production of coated cardboard.

As an environmentally aware producer, Kartonsan is committed to working in line with legislation and ensures that its activities do not cause environmental

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

Kartonsan uses 98 to 100% of waste paper in its production of coated cardboard. The Company used 203,000 tons of waste paper in 2015 during the production processes.

Kartonsan also holds an Environmental Permit and License awarded by the Ministry of Environment and Urbanization. The Company also works in cooperation with its subsidiary, Dönkasan, for the supply and management of waste paper.

The basic indicators of Kartonsan's cellulose (market pulp) – waste paper usage is shown in the table below.

Kartonsan's use of Cellulose (market pulp) and Recovered Paper (tons)			
	Total gross production	Total cellulose (market pulp) consumption	Total waste paper consumption
2009	138,773	2,348	145,846
2010	169,633	2,092	180,654
2011	177,003	2,452	175,690
2012	174,573	1,223	172,544
2013	171,243	868	169,175
2014	126,954	500	130,139
2015	200,013	325	203,000

Developments in energy production and efficiency

Since 1997, Kartonsan has invested in additional cooling and caldrion systems for its initiative to generate electricity and steam using a minimum amount of clean natural resources in its cogeneration plant. The relevant work was carried out in 2015.

In 2014 the capacity increase for two turbines was completed and the capacity per turbine was increased from 5.2 MW to 5.5 MW as a part of the expansion and modernization project.

Kartonsan first used the MBR system in the coated cardboard sector in Turkey in 2015, which allowed a minimizing of the use of fresh water in the production process.

The capacity increase for the 3rd turbine was completed in 2015 and the project related to the 4th turbine is planned to be realized in 2016. Once the project is complete, a total increase of 1.2 MW in power will have been realized.

In order to avoid energy bottlenecks and decreased turbine productivity in the warm months of the summer, a chiller project, which cools the turbine air, was completed. With this project, air that enters the turbine is cooled to 15°C and lower temperatures, hence increasing productivity. This application is expected to increase power production by 2 MW in the summer months.

Improvements in Kartonsan's wastewater treatment facility

In 2014, Kartonsan increased the capacity of its wastewater treatment facility to 10,000 m³/day, and within the scope of a new project completed in 2015, Kartonsan started using the MBR system, marking a new initiative in Turkey for the coated cardboard sector.

With this system, an average of 3,200 m³ of wastewater was recycled per day, achieving a reduction in the use of fresh water.

According to data gathered in 2015, Kartonsan recycles 30% of the water it uses. The aim is to increase this proportion to 60%. According to 2015 data, water consumption per ton of production varies between 7-8 m³ at

Kartonsan. A target has been set to reduce this to 5-6 m³.

Kartonsan's Integrated Management System

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

Inspection for re-certification for the continuation of Kartonsan's Integrated Management System was successfully carried out between 9-12 November 2015.

ISO 50001 Energy Management System has been established in Kartonsan

Considered an important step in improving its energy efficiency, Kartonsan completed work on the establishment of the ISO 50001 Energy Management System. The project team completed the documentation and field practices required for the system in 2014; following the Bureau Veritas' inspection in November, the system was verified and certified in 2015. The

mid-term supervision was completed in November 2015.

In 2014, Kartonsan presented its action plan within the scope of the regulations related to greenhouse gas emissions as set out by the Ministry of Environment and Urbanization. The monitoring and follow-up activities were implemented in 2015.

FSC-CoC Certification Initiatives

In line with the FSC-CoC certification it has held since 2011, Kartonsan continues to fulfill the requirements in regards to using forest resources efficiently and effectively.

Kartonsan has finalized work on the system and processes in line with the new revision on FSC-CoC Certification published in 2015, after certain reviews. In addition, an evaluation was conducted by BM Trada in 2015 in regard to meeting system requirements. Kartonsan was given approval following the evaluation.

FSC-CoC Certification is an international standard used for;

- contributing to the correct management of forest resources in the world,
- defining methods and standards for this,
- ensuring that certified forest products are used with certified and properly managed goods and
- avoiding the use of any uncertified forest products in any phase of the supply chain.

Kartonsan and Human Resources

Qualified human resources are one of Kartonsan's key advantages in a competitive environment.

Kartonsan's success is based on Human Resources that;

- dedicate themselves to a corporate culture,
- believe in the power of production,
- search and find ways of improvement, besides producing and
- accept progression as a responsibility towards the society.

In addition to ensuring a secure, healthy and sustainable work environment, Kartonsan also rewards success and supports the continuous development of its employees, contributing to their career goals and encouraging them to take the initiative.

Kartonsan had 262 employees at the end of 2015, of which 89 were white-collar employees, with 173 blue-collar employees. Of its employees, 21 were female and 241 were male. All employees are on a full-time contract.

As of the end of 2015 Kartonsan had:

- 12 employees aged 25 or under
- 117 employees aged between 26-35
- 80 employees aged between 36-45
- and 53 employees aged 46 and over.

Training initiatives at Kartonsan

Considering its employees' roles, career progress and continuous development, Kartonsan provides opportunities for training and development programs in the relevant areas.

With a variety of training programs, Kartonsan aims to cover and include any type of developmental needs and to create a structure for sustainable performance development.

Kartonsan training programs are identified in line with the Company's needs and activities and contribute to the personal development of employees as well as their career goals.

In 2015, a total of 55 training activities were completed and these training activities covered Occupational Health and Safety, personal development and topics related to legal and technical areas.

As of 2015, a total of 6,620 hours of training were provided at Kartonsan, including staff working for the contractor. A total of 16.35 man-hours of training was provided per employee.

Union relations in Kartonsan

Standing as an example for Turkish industry for many years, Kartonsan has a long tradition of union relations.

Union relations are an essential medium for Kartonsan in the establishment of a dialogue with its employees, as the primary stakeholder group.

Collective bargaining for the period of 2014-2016 was completed on 22 March 2015 and the CAO (Collective Labour Agreement) agreement for the new term was signed with the Selüloz Labor Union.

As of December 2015, 162 employees at Kartonsan were members of a union.

Occupational health and safety at Kartonsan

The Human Resources and Quality Systems Department and Production Services Department at Kartonsan are responsible for occupational health and safety matters. Kartonsan's unwavering goal is to meet all the criteria related to occupational health and safety, under all circumstances.

The Kartonsan Board of Occupational Health and Safety continued its effective activities in 2015. In this context, measures were taken to prevent work-related accidents as well as to improve the current situation with checkups and medical screening of employees.



By the end of 2015, Kartonsan had 262 employees of which 89 were white-collar employees and 173 were blue-collar employees.

Within the scope of occupational health and safety, the physical conditions and technical infrastructure of the Kartonsan factory is periodically checked and problematic areas are defined and resolved with the development of warning systems.

Kartonsan’s Policy on Quality, the Environment, Energy and Occupational Health and Safety

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

- Continuously improving the effectiveness of its quality, environment, and occupational health and safety management systems through the use of the right human resources, appropriate technology, and essential financial resources;
- Continuously developing its product and service quality in line with customers’ wishes and expectations;
- Attaching importance to health and safety in all of its employees’ activities in order to prevent work-related accidents and illnesses and to be an organization which is transparent, participates and which learns and develops through constant training;

- Preventing environmental pollution, ensuring effective and productive use of natural resources, using recycled inputs and manufacturing recyclable products,
- Supporting designs which improve energy performance and the procurement of appropriate equipment and services to do so,
- Complying with the requirements of applicable laws and regulations and abiding by the criteria and prescriptions of the ISO 9001 Quality Management, ISO 14001 Environmental Management, ISO 50001 and OHSAS 18001 Occupational Health & Safety Assessment system standards;

- Engaging in multilateral communication in order to ensure the ongoing confidence and satisfaction of its customers, suppliers, employees, business partners and its community.

Kartonsan enriched its Integrated Management System which includes ISO 9001 Quality Management, ISO 14001 Environmental Management and OHSAS 18001 Occupational Health & Safety Assessment system standards by adding also ISO 50001 Energy Management System in 2015.

HR: Basic indicators*	2014	2015
Total number of employees	403	386
Contractor personnel	135	124
Kartonsan	268	262
Men	245	241
Women	23	21
Average age (years)	36.5	37.01
HR: Educational background indicators		
Master’s degree or doctorate	8	7
Bachelor’s degree	40	46
Vocational high school	63	58
High school	138	132
Elementary school	19	19
Competency in one foreign language	42	48
Competency in two or more foreign languages	6	5

* Number of persons unless otherwise stated.

Corporate Social Responsibility

In 2015, Kartonsan focused on education and the environment within the scope of social responsibility activities, contributing to social development.

Kartonsan shares the value it creates with society, as its stakeholder. The Company focuses on education and the environment when creating value for society.

Kartonsan continues to take part in social responsibility activities with an approach of creating value in the long-term for society. Education and the environment are two main fields in which Kartonsan undertakes social responsibility activities; contributing to the development of the society and supporting the progression of Turkey towards becoming a modern country.

Başiskele Primary School Project

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

Kartonsan Primary School - Kullar Village, Kocaeli

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

Cooperation with Kocaeli University

Kartonsan continued its cooperation with Kocaeli University in 2015. Within this scope, Kartonsan's workplace doctor provided 405 hours of applied and theoretical training to 9 students from the Faculty of Medicine at Kocaeli University.

ISG training was provided for 173 temporary staff members hired to work

in the field, who are employed by the subcontractor company. In addition, training programs were organized for ISG Expert candidates.

In another program conducted as part of cooperation with the university, 17 students from the Cellulose and Paper Technology Departments of Kocaeli University were given 37.5 hours of applied and theoretical training.

Support for recycling of packaging waste

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

Donations by Kartonsan (as of 31 December 2015)	
Donations to primary and secondary schools, and universities	TL 100,37
Donations to foundations (educational, sports, and social)	TL 41,900
Total	TL 42,000

SELKA İÇ VE DIŞ TİCARET A.Ş.

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

Kartonsan is a shareholder of SELKA with a 99.37% stake and provides logistics support to Kartonsan with its storage facility in Sefaköy, İstanbul.

SELKA İç ve Dış Ticaret A.Ş. achieved all of its sales targets in 2015 and sold a total of 34,000 coated cardboard boxes. The total revenue of the company in the same period was TL 46 million.

In 2015, SELKA İç ve Dış Ticaret A.Ş. undertook an investment in a shearing machine and began to offer a higher quality service to its customers, doubling its production capacity. The shearing machine holds the specification to gauge cuts from the coil.

DÖNKASAN

DÖNKASAN A.Ş., established in 1978, is involved in the collection of waste paper and sorting them according to their types as well as the preparation of waste paper for the production of paper and cardboard.

In 2015, the Kartonsan-Olmüksan International Paper partnership was ended and Kartonsan took over DÖNKASAN's assets and royalties.

Kartonsan held 50% of the shares of its jointly controlled entity, Dönkasan Dönüşen Kağıt Hammadde Sanayi ve Ticaret A.Ş. ("Defunct Dönkasan"), and as of 10 June 2015, it has been in the process of 'division' in accordance with the full-split process (details provided in Footnote 3; Notes on Financial Tables). As an outcome of the division, Kartonsan held 100% of the shares and Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. ("Dönkasan") was established.

With the new set-up, DÖNKASAN provides 2,000 tons of waste paper to Kartonsan. Kartonsan's aim is to develop DÖNKASAN further in the coming years and to increase its collection capacity.

Corporate Governance and Financial Information



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



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

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

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

1. We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret A.Ş. (the "Company") and its Subsidiary (collectively referred to as the "Group") for the period ended 31 December 2015.

Board of Directors' responsibility for the Annual Report

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

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Group's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Group's consolidated financial statements that are subject to independent auditor's report dated 12 February 2016 and presented fairly.

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

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

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

Opinion

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

Other Responsibilities Arising From Regulatory Requirements

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

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



Cihan Harman SMMM
Partner

Istanbul, 7 March 2016

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Financial Statements as at 31 December 2015 Together with
Independent Auditor's Report

(Originally Issued in Turkish)

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Independent Auditor's Report



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

1. We have audited the accompanying consolidated financial statements of Kartonsan Karton Sanayi ve Ticaret A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of balance sheet as at 31 December 2015 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Kartonsan Karton Sanayi ve Ticaret A.Ş. and its subsidiaries as at 31 December 2015 and their performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Independent Auditor's Report



Reports on Independent Auditor's Responsibilities Arising from Other Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 12 February 2016.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

A handwritten signature in black ink, appearing to read 'Cihan Harman', with a long, sweeping underline that extends to the right and then loops back down to the left.

Cihan Harman, SMMM
Partner
Istanbul, 12 February 2016

Kartonsan Karton Sanayi ve Ticaret A.Ş.

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Kartonsan Karton Sanayi ve Ticaret A.Ş.

Consolidated Statements of the Financial Position at 31 December 2015 and 2014 (Balance Sheets)

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

Convenience Translation into English of Consolidated Financial Statements (Originally Issued in Turkish)

	Notes	Audited 31 December 2015	Audited 31 December 2014
ASSETS			
Current assets			
Cash and cash equivalents	6	5,497,163	4,617,633
Trade receivables			
- Due from related parties	7	2,302,867	895,638
- Other trade receivables	8	38,014,394	24,678,505
Other receivables			
- Other receivables	10	3,883,848	6,226,580
Inventories	11	59,088,348	44,043,802
Prepaid expenses	19	2,071,429	2,327,124
Other current assets	19	7,008,501	6,251,371
Total current assets		117,866,550	89,040,653
Non-current assets			
Other receivables			
- Other receivables	10	14,920	13,560
Investments accounted for under equity accounting	4	-	10,152,612
Investment properties	12	229,270	229,270
Property, plant and equipment	13	219,951,014	211,964,823
Intangible assets			
- Other intangible assets	14	1,559,142	1,774,697
Prepaid expenses	19	1,634,277	854,829
Deferred income tax assets	26	17,696,131	17,998,327
Total non-current assets		241,084,754	242,988,118
Total assets		358,951,304	332,028,771

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Consolidated Statements of the Financial Position at 31 December 2015 and 2014 (Balance Sheets)

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

Convenience Translation into English of Consolidated Financial Statements (Originally Issued in Turkish)

	Notes	Audited 31 December 2015	Audited 31 December 2014
LIABILITIES			
Current liabilities			
Short term financial liabilities	9	43,965,205	20,362,275
Trade payables			
- Due to related parties	7	677,280	16,483,346
- Other trade payables	8	20,330,392	27,473,162
Liabilities for employee benefits		247,292	199,876
Other payables			
- Due to related parties	7	8,733	8,333
- Other payables	10	2,651,133	2,465,307
Current income tax liabilities	26	139,138	9,076
Short term provisions			
- Short term provisions for employee benefits	16, 18	551,204	417,652
- Other short term provisions	16	1,219,276	696,273
Total current liabilities		69,789,653	68,115,300
Non-current liabilities			
Long term provisions			
- Long term provisions for employee benefits	18	5,385,355	3,725,824
- Deferred income tax liabilities	26	2,293,500	-
Total non-current liabilities		7,678,855	3,725,824
EQUITY			
Equity attributable to owners of the parent		281,417,071	260,133,258
Paid-in capital	20	2,837,014	2,837,014
Adjustment to paid-in capital	20	93,298,657	93,298,657
Share premiums/discounts		7,529	7,529
Other comprehensive income/expense not to be reclassified to profit or loss			
- Other losses	20	(846,814)	(450,983)
Legal reserves	20	25,795,815	25,788,466
Retained earnings		138,626,096	119,219,148
Net income for the year		21,698,774	19,433,427
Non-controlling interest		65,725	54,389
Total equity		281,482,796	260,187,647
TOTAL LIABILITIES AND EQUITY		358,951,304	332,028,771

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Consolidated Statements of the Comprehensive Income For the Periods Ended 31 December 2015 and 2014

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

Convenience Translation into English of Consolidated Financial Statements (Originally Issued in Turkish)

	Notes	1 January - 31 December 2015	1 January 31 December 2014
Sales	21	269,535,442	199,846,452
Cost of sales (-)	21	(245,598,030)	(182,051,961)
Gross profit		23,937,412	17,794,491
Share of profit/(loss) of investments accounted for under equity method	4	(430,424)	(38,579)
General administrative expenses (-)	22	(10,778,210)	(9,440,578)
Marketing expenses (-)	22	(12,027,376)	(9,626,822)
Other operating income	24	14,377,269	11,107,777
Other operating expenses (-)	24	(12,967,328)	(8,844,071)
Operating profit		2,111,343	952,218
Income from investing activities	25	24,645,415	5,557,778
Expenses from investing activities (-)	25	(557,756)	(3,340,855)
Operating profit before financial expense		26,199,002	3,169,141
Financial expenses (-)		(5,066,427)	(2,202,224)
Profit before tax from continued operations		21,132,575	966,917
Tax expense from continued operations (-)	26	578,443	18,473,622
- Taxes on income (-)	26	(494,363)	(272,218)
- Deferred income tax credit	26	1,072,806	18,745,840
Profit for the period		21,711,018	19,440,539
Attributable to:		21,711,018	19,440,539
- Non-controlling interest		12,244	7,112
- Equity holders of the parent		21,698,774	19,433,427
Other comprehensive income	20	(494,039)	(70,648)
Other comprehensive income of associate accounted for under equity accounting	4, 20	(47,712)	(120,046)
Total comprehensive income		21,169,267	19,249,845
Attributable to		21,169,267	19,249,845
- Non-controlling interest		12,244	7,112
- Equity holders of the parent		21,157,023	19,242,733
Earnings per share	27	7.64846	6.84996
- Earnings per share from continued operations	27	7.64846	6.84996

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Consolidated Statements of the Comprehensive Income For the Periods Ended 31 December 2015 and 2014

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

Convenience Translation into English of Consolidated Financial Statements (Originally Issued in Turkish)

Audited	Paid-in capital	Adjustment to share capital	Share premiums/ discounts	Other losses	Legal reserves	Retained earnings		Attributable to equity holders of the parent	Non-controlling interest	Total equity
						Retained earnings	Net income for the year			
1 January 2014	2,837,014	93,298,657	7,529	(260,289)	24,897,857	93,308,885	35,795,269	249,884,922	55,632	249,940,554
Transfers	-	-	-	-	890,609	34,904,660	(35,795,269)	-	-	-
Total comprehensive income	-	-	-	(190,694)	-	-	19,433,427	19,242,733	7,112	19,249,845
Dividends	-	-	-	-	-	(8,994,397)	-	(8,994,397)	(1,103)	(8,995,500)
Change in ownership interests in subsidiaries that do not result in loss of control	-	-	-	-	-	-	-	-	(7,252)	(7,252)
Balances as of 31 December 2014	2,837,014	93,298,657	7,529	(260,289)	25,788,466	119,219,148	19,433,427	260,133,258	54,389	260,187,647

Audited	Paid-in capital	Adjustment to share capital	Share premiums/ discounts	Other losses	Legal reserves	Retained earnings		Attributable to equity holders of the parent	Non-controlling interest	Total equity
						Retained earnings	Net income for the year			
1 January 2015	2,837,014	93,298,657	7,529	(450,983)	25,788,466	119,219,148	19,433,427	260,133,258	54,389	260,187,647
Transfers	-	-	-	-	7,349	19,426,078	(19,433,427)	-	-	-
Decreases due to the remeasurement of joint venture (Note 3)	-	-	-	145,920	-	-	-	145,920	-	145,920
Total comprehensive income	-	-	-	(541,751)	-	-	21,698,774	21,157,023	12,244	21,169,267
Dividends	-	-	-	-	-	(19,130)	-	(19,130)	(908)	(20,038)
Balances as of 31 December 2015	2,837,014	93,298,657	7,529	(846,814)	25,795,815	138,626,096	21,698,774	281,417,071	65,725	281,482,796

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Consolidated Statements of the Cash Flows For the Periods Ended 31 December 2015 and 2014

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

Convenience Translation into English of Consolidated Financial Statements (Originally Issued in Turkish)

	Notes	1 January- 31 December 2015	1 January - 31 December 2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		(14,986,943)	33,225,300
		21,711,018	19,440,539
Adjustments to reconcile net profit:			
Adjustments for depreciation and amortization	23	25,261,283	13,444,681
Adjustments for changes in provisions		1,112,733	604,495
Adjustments for interest income and expenses		1,030,530	(3,247,465)
Adjustments for tax expenses	26	(578,443)	(18,473,622)
Gains from sales of tangible assets	25	(560,321)	(35,508)
Other adjustments	3, 25	(22,781,166)	-
Changes in net working capital:			
Decreases/(increase) in inventories		(11,291,051)	284,456
Increases in trade receivables		(5,994,008)	5,206,564
Increases in trade payables		(23,454,871)	22,621,618
Decreases in other payables		47,416	10,733
Other increases/decreases in net working capital		(270,790)	(5,650,037)
Cash flows from operating activities			
		(15,767,670)	34,206,454
Interest paid		(4,607,627)	(2,652,811)
Interest received		5,752,655	4,459,607
Taxes paid	26	(364,301)	(2,787,950)
CASH FLOWS FROM INVESTING ACTIVITIES			
		(5,303,152)	(100,168,522)
Purchases of shares of subsidiary		-	(7,252)
Proceeds from sale of tangible and intangible assets	13	634,448	37,559
Purchases of tangible and intangible assets	13, 14	(5,586,186)	(101,306,819)
Advances given		(779,448)	(854,829)
Interest received		293,517	1,962,819
Other cash inflows	3	134,517	-
CASH FLOWS FROM FINANCING ACTIVITIES			
		21,169,625	10,552,053
Interest paid		(2,207,797)	(432,092)
Cash inflows related to borrowings		32,689,460	19,979,645
Cash outflows related to borrowings		(9,292,000)	-
Dividends paid		(20,038)	(8,995,500)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES			
		879,530	(56,391,169)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	6	4,617,633	61,008,802
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	6	5,497,163	4,617,633

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

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NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

As explained in Note 3, in accordance with the contract dated 31 March 2015 and signed between Kartonsan and Olmuksan International Paper Ambalaj Sanayi ve Ticaret A.Ş. ("Olmuksan"), it has been decided to transfer all assets and liabilities of Dönkasan Dönüşen Kağıt Hammadde Sanayi ve Ticaret A.Ş. ("Annulled Dönkasan") over their net carrying values to two new companies to be established by way of a full split. The split of transaction has been completed and registered as of 10 June 2015. As result of the split off, Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. ("Dönkasan"), 100% of which owned by Kartonsan, has been established. The principal activity of Dönkasan is to purchase, classify, bale, pack, store waste of every kind of paper, cardboard, metallic glass etc., to subcontract and/or be a subcontractor to these activities and to perform marketing activities.

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

As of 31 December 2015, the number of employees of the Group is 320 (31 December 2014: 281) excluding the subcontracted employees

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2016-03 on 12 February 2016 and signed on its behalf by, Haluk İber, General Manager and Board Member and Ünal Bozkurt, Vice Chairman of the Board of Directors.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of presentation

2.1.1 Applied financial reporting standards

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

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

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

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

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2.1.2 Functional and presentation currency

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

2.1.3 Comparatives and restatement of prior periods' financial statements

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

2.1.4 Consolidation

Consolidation Principles

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

Subsidiaries

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

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

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

Company	Partnership Structure of the Company				
	Equity	31 December 2015		31 December 2014	
		Direct and indirect ownership rate	Effective ownership rate	Direct and indirect ownership rate	Effective ownership rate
Selka	1,250,000	99.37%	99.37%	99.37%	99.37%
Dönkasan ⁽¹⁾	93,152	100.00%	100.00%	-	-

⁽¹⁾ As explained in Note 3, it was established as of 10 June 2015 by the transfer of all assets and liabilities of Annulled Dönkasan as a result of split of Annulled Dönkasan. It has been included in the consolidation starting from 10 June 2015

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Joint ventures

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

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

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

	10 June 2015 (*)		31 December 2014	
	Annulled Dönkasan	Registered TL	Annulled Dönkasan	Registered TL
	Ownership (%)	Registered TL	Ownership (%)	Registered TL
Kartonsan	50.00	75,000	50.00	75,000
Other	50.00	75,000	50.00	75,000
Total equity	100.00	150,000	100.00	150,000

(*) As explained in Notes 3 and 4, it has been annulled as of 10 June 2015 by way of full split. It has been included in the consolidation by equity accounting until 10 June 2015

Deferred income tax assets

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

Investment incentive

As explained in Note 15, Based on the assessments made and the tax law numbered 5520, article 32/A, the Group recognised deferred income tax asset amounting to TL 19,321,297 (31 December 2014: TL 19,087,543) for the corporate tax exemption of 15% over the investment amounting to TL 128,808,644 (31 December 2014: TL 127,250,288) which is covered by incentive certificate (Note 26). Where the final investment amount covered by the incentive certificate is different from the amounts that were initially estimated, such differences will impact the deferred income tax asset.

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2.2 Changes in TAS/TFRS

The Company adopted the standards, amendments and interpretations published by the POA and which are mandatory for the accounting periods beginning on or after 1 January 2015.

a) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2015:

Amendment to IAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual improvements 2012; is effective for annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project that affect 7 standards:
 - TFRS 2, "Share-based payment"
 - TFRS 3, "Business Combinations"
 - TFRS 8, "Operating Segments"
 - TFRS 13, "Fair value measurement"
 - TAS 16, "Property, plant and equipment" and TAS 38, "Intangible assets"
 - Consequential amendments to TFRS 9, "Financial instruments", TAS 37, "Provisions, contingent liabilities and contingent assets", and
 - IAS 39, Financial Instruments - Recognition and measurement'
- Annual improvements 2013; is effective for annual periods beginning on or after 1 July 2014. The amendments include changes from 2011-12-13 cycle of the annual improvements project that affect 4 standards:
 - TFRS 1, "First Adoption of IFRS"
 - TFRS 3, "Business Combinations"
 - TFRS 13, "Fair Value Measurement"
 - TAS 40, "Investment Properties"

b) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2015, but not effective yet:

- Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- Amendments to IAS 16 'Property, plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items

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- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
 - Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
 - Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
 - IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
 - IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
 - IAS 19, 'Employee benefits' regarding discount rates.
 - IAS 34, 'Interim financial reporting' regarding disclosure of information
 - Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.
 - Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
 - IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 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.
 - IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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.

The company will apply changes above after evaluating the effects of these changes on its operations. The interpretations and standards above are not expected to have a significant effect on financial statements.

2.3 Changes in accounting policies

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

2.4 Changes in accounting estimates and errors

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

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

The significant estimates used in preparation of interim financial statements of the period between 1 January and 31 December 2015 are consistent with the estimates in preparation of financial statements of the period between 1 January and 31 December 2014. Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements.

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2.5 Summary of significant accounting policies

Offsetting

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

Revenue recognition

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

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

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

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

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

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

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

Inventories

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

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The costs of inventories are determined on monthly moving weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale (Note 11).

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Property, plant and equipment

Property, plant and equipment are stated in the consolidated financial statements at their acquisition costs less accumulated depreciation and any impairment losses if exists.

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

Type	2015 Rate (%)	2014 Rate (%)
Buildings	2 - 2.5	2 - 2.5
Leasehold Improvements	4 - 6.67	4 - 6.67
Plant, Machinery and Equipment	6.67- 25	6.67- 25
Furniture and Fixtures	20 - 25	20 - 25
Vehicles	20-25	20-25

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

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

Intangible Assets

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

Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that a depreciable asset may be impaired. If any such indication exists, the recoverable amount of such asset is estimated. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

Impairment of Assets

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

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Leases

Finance Lease:

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

Group as a lessee:

Operating lease

An operating lease is a lease that lessor does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. The Group's most important operating lease is for its headquarters. The rent expense relating to the headquarters amounting to TL 532,884 (2014: TL 501,024) is accounted for under operating expenses.

Cash and cash equivalents

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

Trade receivables

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

Trade payables

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

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

Foreign currency transactions

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

Earnings per share

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

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

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Subsequent events

Subsequent events are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue. When there is new evidence that such events existed at the balance sheet date or such events arose after the balance sheet date, the Group discloses such events in the notes financial statements

The Group adjusts the amounts recognized in the financial statements to reflect the adjusting events after the date of balance sheet (Note 30).

Provisions, contingent liabilities and contingent assets

The Group provides for its obligations in the financial statements when it is a present obligation from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed to determine whether it become probable that an outflow of resources embodying economic benefits will be required. If it became probable that an outflow of resources embodying economic benefits will be required to settle the contingent liabilities, such contingent liabilities are provided for in the financial statements in the period when the probability changed except for the cases where the amount of the obligation cannot be measured with sufficient reliability.

The Group discloses the contingent liabilities in the notes to the financial statements when an outflow of resources embodying economics become probable but the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed in the notes where an inflow of economic benefits is highly probable.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received and the amount of the reimbursement is calculated reliably. The reimbursement shall be treated as a separate asset (Note 16, 17)

Related parties

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

Government grants and assistance

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

Income taxes

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. The tax expense for the period comprises current income tax expense and deferred tax expense (or deferred tax income).

Current income tax

Current income tax payable is calculated on the taxable income for the period. Taxable income excludes income which is taxable or expenses which are deductible in other years and permanently non-deductible or non-taxable item, therefore it differs from the reported income in the statement of comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

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Deferred income tax

Deferred income tax liabilities or assets are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. Deferred income tax liabilities and assets are not recognised on temporary differences if they arise from the initial recognition of an asset or liability that does not affect either accounting nor taxable profit or loss except for goodwill and business combinations

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

The carrying amount of deferred income tax assets are reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred income tax asset to be utilised.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The tax impact of the Group's estimated methods to recover the carrying amounts of its assets or to settle its liabilities are taken into consideration in the calculation of deferred income taxes (Note 26).

Current and deferred income taxes

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

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

Offsetting income tax assets and liabilities

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

Retirement and employment termination benefits

In accordance with Turkish Labour Law, employment termination benefits are provided in the financial statements when the termination indemnities become eligible. In accordance with revised TAS 19 "Employee Benefits", such payments are classified as defined retirement plans.

The provision for employment termination benefits in the consolidated financial statements is the present value of the future liability which will be paid for the retired personnel calculated using a discount rate adjusted for the inflation. The interest cost associated with the provision for employment termination benefits is accounted for as part of the employment termination expenses in the current period results (Note 18).

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Cash flow statement

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

Investment properties

The Group's investment properties comprise of land.

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

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

Equity and dividends

Ordinary shares are classified as equity. Dividends payable are recognized as an appropriation of profit in the period in which they are declared. (Note 20)

NOTE 3 - BUSINESS COMBINATIONS

In accordance with the contract dated 31 March 2015 and signed between Kartonsan and Olmuksan, it has been decided to transfer all assets and liabilities of Annulled Dönkasan over their net carrying values to two new companies to be established by way of a full split. The split of transaction has been completed and registered as of 10 June 2015. As result of the split off, Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. ("Dönkasan"), 100% of which owned by Kartonsan, has been established.

In the consolidated financial statements, Annulled Dönkasan that has been accounted for according to equity method until 10 June 2015, is remeasured by its fair value as of 10 June 2015 and the difference between the carrying value and fair value of previously held shares of annulled Dönkasan is recognised as fair value gain under income from investment activities in other comprehensive income statement. Annulled Dönkasan's fair value at the date of split is determined by an independent valuation firm and based on the best estimates of the Company management.

The transaction of the full split of Annulled Dönkasan by its assets and liabilities was accounted for as a business combination in the scope of IFRS 3. These assets and liabilities are accounted for at fair value determined as of 10 June 2015.

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

	10 June 2015
Cash and cash equivalents	134,517
Trade receivables	6,772,707
Other receivables	3,150
Inventories	3,737,919
Other current assets	63,610
Tangible and intangible assets	27,519,860
Current liabilities	(205,470)
Trade payables	(106,215)
Other payables	(488,688)
Provisions	(3,268,188)
Deferred tax liabilities	(1,498,512)
Net assets	32,664,690
Fair value of share previously held by Group prior to split (50%)	37,335,000
Goodwill	4,670,310

The details of the fair value difference is calculated as a result of business combinations are as follows:

Book value of the net assets of the joint venture management (Note 4)	19,475,207
Ownership rate	50%
The carrying value of the joint venture (Note 4)	(9,737,604)
Other comprehensive income (Note 20)	(145,920)
The fair value of the shares held by the Group prior to split	37,335,000
Fair value gain resulting re-measurement of the joint venture (Note 25)	27,451,476
Goodwill impairment (Note 25) ⁽¹⁾	(4,670,310)
	22,781,166

⁽¹⁾ The goodwill calculated is reassessed by the Group management and the impairment of goodwill was recognized as expense in the consolidated financial statements.

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NOTE 4 - INVESTMENTS ACCOUNTED FOR UNDER EQUITY ACCOUNTING

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

	10 June 2015	31 December 2014
Cash and cash equivalents	279,581	111,574
Trade receivables	11,833,736	17,124,568
Other receivables	9,357	1,279
Inventories	4,699,461	5,453,131
Other current assets	123,116	170,449
Current assets	16,945,251	22,861,001
Short term borrowings	(250,081)	(580,028)
Trade payables	(307,462)	(5,063,262)
Other current liabilities	(873,053)	(900,263)
Total current liabilities	(1,430,596)	(6,543,553)
Non-current assets	5,469,829	5,655,201
Non-current liabilities	(1,509,277)	(1,667,426)
Net assets	19,475,207	20,305,223
Investments accounted for under equity accounting (50%)	9,737,604	10,152,612

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A summary of the appraised equity method are included in the financial statements Annulled Dönkasan the profit or loss and other comprehensive income are as follows:

	10 June 2015	31 December 2014
Sales	27,142,370	71,788,825
Cost of sales (-)	(26,662,864)	(69,955,733)
General administrative expenses (-)	(1,300,917)	(1,964,567)
Other operating income - net	(91,734)	331,268
Profit before tax	(913,145)	199,793
Tax expense	178,553	(69,806)
Loss for the period	(734,592)	129,987
Other comprehensive (expense)/income (after tax)	(95,421)	(240,091)
Total comprehensive (expense)/income	(830,013)	(110,104)
Share of (loss)/profit of associates (50%)	(367,296)	64,994

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

	2015	2014
1 January	10,152,612	10,207,664
Actuarial gains (Note 20)	(47,712)	(120,046)
Share of current period profits from the investments valued by the equity method	(367,296)	64,994
Disposals from the investments using the equity method as a result of business combination (Note 3)	(9,737,604)	-
31 December	-	10,152,612

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

Share of current period profits/(losses) from the investments valued by the equity method	(367,296)	64,994
Inventory profit elimination	(63,128)	(103,573)
Share of (loss)/profit from the investments accounted for under equity method	(430,424)	(38,579)

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NOTE 5 - SEGMENT REPORTING

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash in hand	119,387	77,149
Due from banks		
- Demand deposits - TL	479,737	546,250
- Demand deposits - Foreign currency	326,087	537,323
- Time deposits - TL	4,470,500	3,412,210
Credit card receivables	101,452	44,701
Total	5,497,163	4,617,633

Average maturity of time deposits is 4 days as of 31 December 2015 (31 December 2014: 1 day).

The annual interest rate of time deposits that are TL denominated and amounted to TL 4,470,500 as of 31 December 2014 ranged 11.25% (31 December 2014: TL 3,412,210) (31 December 2014: 10%).

Cash and cash equivalents include the following for the purposes of the statements of cash flow at the end of 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Cash and cash equivalents	5,497,163	4,617,633
Interest accrual (-)	-	-
Cash and cash equivalents in the statement of cash flow	5,497,163	4,617,633

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2015	31 December 2014
a) Trade receivables due from related parties		
Mell Macedonian Paper	2,302,867	895,638
Total	2,302,867	895,638
b) Trade payables due to related parties		
Oycan İth. İhr. ve Tic. A.Ş.	647,943	-
Ece Plaza Yönetim Hizmetleri A.Ş.	24,540	24,169
Pak Holding A.Ş.	4,547	154,842
Pak Gıda Üretim ve Paz. A.Ş.	250	563
Dönkasan Dönüşen Kağıt, Ham. San. Tic. A.Ş.	-	15,236,334
Hüseyin Kalkavan İnşaat A.Ş.	-	1,067,438
Total	677,280	16,483,346
c) Short-term payables (Note 9)		
Oycan ithalat İhracat ve Ticaret A.Ş.	13,927,000	8,707,000
Pak Holding A.Ş.	-	9,292,000
Total	13,927,000	17,999,000
d) Other payables due to related parties		
Shareholders (Dividend)	8,733	8,333
Total	8,733	8,333
e) Sales of goods and services to related parties		
Mell Macedonian Paper	6,456,802	2,597,439
Dönkasan	193,871	1,101,488
Hüseyin Kalkavan İnşaat A.Ş.	-	13,035
Pak Holding A.Ş.	-	1,473
Total	6,650,673	3,713,435
f) Purchases of goods and services from related parties		
Dönkasan Dönüşen Kağıt Ham. San. Tic. A.Ş.	25,068,094	54,018,032
Mell Macedonian Paper	10,424,713	16,088,119
Oycan İth, İhracat ve Tic. A.Ş. (**)	1,476,713	-
Ece Plaza Yönetim Hizmetleri A.Ş. (**)	776,008	717,106
Pak Holding A.Ş. (**)	669,775	153,323
Pak Gıda Üretim ve Paz. A.Ş.	7,359	6,775
Hüseyin Kalkavan İnşaat A.Ş.	-	6,799,451
Total	38,422,662	77,782,806

(*) It consist of reflection Legal consultancy services

(**) It consist of rent and dues of Pak İş Merkezi

(***) It consist of interest related to loans

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g) Key management benefits

	31 December 2015	31 December 2014
Key management benefits	1,431,117	1,212,492

Key management benefits between during the reporting period 2015 and 2014 are short term benefits and include wage and salaries, premiums, termination benefits and other payments. Post-employment benefits, share-based payments and other long-term benefits are not available in top management benefits at the reporting period 2015 and 2014.

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties	31 December 2015	31 December 2014
Receivables	38,515,374	25,040,455
Note receivables	958,876	729,787
Less: unearned finance expense	(403,163)	(239,243)
Less: Provision for doubtful receivables	(1,056,693)	(852,494)
Total	38,014,394	24,678,505

Average maturity of trade receivables are 31 days (31 December 2014: 38 days), the effective interest rates are as follows:

	31 December 2015	31 December 2014
TL receivables	10.00%	10.00%

Maximum credit risk value at the balance sheet date is as much as the net book value of receivables groups defined above. Group holds mortgages and other guarantees obtained for trade receivables that are about TL 21,183,432 at the end of reporting period 2015 (31 December 2014: TL 15,276,713).

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

	2015	2014
1 January	852,494	772,612
Provision for doubtful receivables acquired through business combinations	20,923	-
Increase during year	255,924	89,218
Collections	(72,648)	(9,336)
31 December	1,056,693	852,494

b) Trade payables to third parties	31 December 2015	31 December 2014
Payables	20,449,321	27,689,449
Less: unearned finance expense	(118,929)	(216,287)
Total	20,330,392	27,473,162

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NOTE 9 - SHORT TERM FINANCIAL LIABILITIES

	31 December 2015	31 December 2014
Short-term borrowings (Note 7)	43,962,430	17,999,000
Short-term finance lease liabilities	-	1,967,784
Other financial liabilities	2,775	395,491
Total	43,965,205	20,362,275

a) Short-term borrowings (Note 7)

	31 December 2015		31 December 2014	
	TL	Interest rate (%)	TL	Interest rate (%)
USD borrowings	14,254,715	1.50	9,292,000	3.00
Euro borrowings	15,780,715	0.75	-	-
TL borrowings	13,927,000	13.90	8,707,000	10.50
Total	43,962,430		17,999,000	

b) Short-term finance lease liabilities

	31 December 2015			31 December 2014		
	Minimum finance lease payment	Interest	Total Liability	Minimum finance lease payment	Interest	Total Liability
Finance lease liabilities	-	-	-	1,994,284	(26,500)	1,967,784
Total	-	-	-	1,994,284	(26,500)	1,967,784

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

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

	31 December 2015	31 December 2014
a) Other short term receivables from third parties		
VAT receivables from tax office	3,837,265	6,195,680
Receivables from personnel	46,583	30,900
Total	3,883,848	6,226,580

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

	31 December 2015	31 December 2014
b) Other long term receivables from third parties		
Deposits and Guarantees Given	14,920	13,560
Total	14,920	13,560

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c) Other payables to third parties	31 December 2015	31 December 2014
Taxes, dues and fees payable	1,560,729	1,731,644
Order advances received	623,324	382,395
SSI premiums payable	454,414	341,607
Other miscellaneous payables	12,666	9,661
Total	2,651,133	2,465,307

NOTE 11 - INVENTORIES

	31 December 2015	31 December 2014
Raw materials and supplies	20,414,948	21,348,177
Work-in-process	820,716	228,637
Finished goods	34,512,512	19,143,808
Trade goods	4,177,040	4,238,752
Provision for impairment on inventories (-)	(836,868)	(915,572)
Total	59,088,348	44,043,802

Cost of inventories is about TL 139,140,761 were recognised within cost of sales at the reporting period between 1 January - 31 December 2015 (1 January - 31 December 2014: TL 123,047,991) (Note 21 and 23).

Movements in provision for impairment on inventories:

	2015	2014
1 January	(915,572)	(30,385)
Realized due to sale of inventory	915,572	30,385
Current period provisions (-)	(836,868)	(915,572)
31 December	(836,868)	(915,572)

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

	31 December 2015	31 December 2014
Cost	(7,145,516)	(3,879,978)
Net realizable value	6,308,648	2,964,406
Provision	(836,868)	(915,572)

There are no inventories pledged as security for the liabilities.

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

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NOTE 12 - INVESTMENT PROPERTIES

Investment property amounting to TL 229,270 (31 December 2014: TL 229,270), there is no movement relating to investment properties during the period (1 January - 31 December 2014: None).

Investment properties are carried at cost in the financial statements. The fair value of the investment properties is TL 249,000. The fair values of the investment properties were estimated by the Group management taking into consideration the values determined in the appraisal report dated 22 February 2008 prepared by TSKB Gayrimenkul Değerleme A.Ş., which is licensed by CMB. The fair value determined by TSKB Gayrimenkul Değerleme A.Ş. is TL 249,000 and the Group management is in the opinion that there are no changes in the fair value of the investment properties since 22 February 2008.

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2015	Additions	Disposals	Transfers	Assets acquired through business combination	31 December 2015
Cost:						
Land	4,558,097	-	-	-	19,501,000	24,059,097
Land improvements	5,985,368	23,430	-	-	540,889	6,549,687
Buildings	44,191,732	-	-	-	3,028,250	47,219,982
Plant, machinery and equip.	487,862,198	3,899,086	(663,931)	2,866,316	2,088,311	496,051,980
Vehicles	770,518	-	(235,314)	-	989,500	1,524,704
Furniture and fixtures	12,195,984	301,194	(178,985)	153,071	60,160	12,531,424
Leasehold improvements	302,939	-	-	-	-	302,939
Other tangible assets	9,285	-	(9,000)	-	1,259,429	1,259,714
Construction in progress	1,973,244	1,232,393	-	(3,019,387)	-	186,250
	557,849,365	5,456,103	(1,087,230)	-	27,467,539	589,685,777
Accumulated depreciation:						
Land improvements	(4,446,048)	(180,362)	-	-	-	(4,626,410)
Buildings	(21,882,606)	(1,005,599)	-	-	-	(22,888,205)
Plant, machinery and equip.	(308,938,628)	(22,971,292)	642,552	-	-	(331,267,368)
Vehicles	(643,960)	(72,381)	198,367	-	-	(517,974)
Furniture and fixtures	(9,716,643)	(553,703)	172,184	-	-	(10,098,162)
Leasehold improvements	(247,372)	(25,605)	-	-	-	(272,977)
Other tangible assets	(9,285)	(54,382)	-	-	-	(63,667)
	(345,884,542)	(24,863,324)	1,013,103	-	-	(369,734,763)
Net book value	211,964,823				219,951,014	

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	1 January 2014	Additions	Disposals	Transfers (*)	31 December 2014
Cost:					
Land	4,435,502	122,595	-	-	4,558,097
Land improvements	5,438,013	542,694	-	4,661	5,985,368
Buildings	43,304,985	33,827	-	852,920	44,191,732
Plant, machinery and equipment	333,761,009	2,535,935	(97,511)	151,662,765	487,862,198
Vehicles	706,787	96,532	(32,801)	-	770,518
Furniture and fixtures	10,987,982	1,214,002	(6,000)	-	12,195,984
Leasehold improvements	302,939	-	-	-	302,939
Other tangible assets	9,285	-	-	-	9,285
Construction in progress	1,783,058	152,710,532	-	(152,520,346)	1,973,244
	400,729,560	157,256,117	(188,826)	-	557,849,365
Accumulated depreciation:					
Land improvements	(4,294,806)	(151,242)	-	-	(4,446,048)
Buildings	(20,948,513)	(934,093)	-	-	(21,882,606)
Plant, machinery and equipment	(297,438,141)	(11,597,998)	97,511	-	(308,938,628)
Vehicles	(590,856)	(83,854)	30,750	-	(643,960)
Furniture and fixtures	(9,241,759)	(480,884)	6,000	-	(9,716,643)
Leasehold improvements	(216,701)	(30,671)	-	-	(247,372)
Other tangible assets	(9,285)	-	-	-	(9,285)
	(332,740,061)	(13,278,742)	134,261	-	(345,884,542)
Net book value	67,989,499				211,964,823

(*) TL 2,169,707 of the transfer from construction in progress comprises the capitalisation of the investments related to the renewal and modernisation project of cartoon production line 2 of the Group (31 December 2014: None).

TL 23,865,610 of depreciation expense was included in cost of sales (1 January - 31 December 2014: TL 12,368,893), TL 269,069 of depreciation expense was included in marketing expense (1 January - 31 December 2014: TL 248,083), TL 728,645 of depreciation expense was included in general administrative expense (1 January - 31 December 2014: TL 661,766)

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NOTE 14 - INTANGIBLE ASSETS

	1 January 2015	Additions	Assets acquired through business combination	31 December 2015
Cost:				
Rights and computer software	3,061,619	130,083	52,321	3,244,023
	3,061,619	130,083	52,321	3,244,023
Accumulated amortization:				
Rights and computer software	(1,286,922)	(397,959)	-	(1,684,881)
	(1,286,922)	(397,959)	-	(1,684,881)
Net book value	1,774,697			1,559,142
	1 January 2014	Additions	Disposals	31 December 2014
Cost:				
Rights and computer software	2,337,313	724,306	-	3,061,619
	2,337,313	724,306	-	3,061,619
Accumulated amortization:				
Rights and computer software	(1,120,983)	(165,939)	-	(1,286,922)
	(1,120,983)	(165,939)	-	(1,286,922)
Net book value	1,216,330			1,774,697

All of the amortization expense amounted to TL 397,959 was included in cost of sales (1 January - 31 December 2014: TL 165,939)

NOTE 15 - GOVERNMENT GRANTS AND ASSISTANCE

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

Although the initial investment in the context of the investment certificate was TL 97,179,000. It has been revised as USD 40,550,017 imported machine and TL 41,579,415 domestic machine by Ministry of Economy as a result of the Group's application in 2015. As a result of revision, the total amount of investment covered by incentive certificate has increased to TL 137,000,000.

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

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These incentives document was amended in 2014 and 2015, the final document has encouraged C110178 numbers and dates of 6 February 2015. Regarding the scope of an investment incentive certificates are provided following incentives.

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

Based on the assessments made and the tax law numbered 5520, article 32/A, the Group recognised deferred income tax asset amounting to TL 19,321,297 (31 December 2014: TL 19,087,543) for the corporate tax exemption of 15% over the investment amounting to TL 128,808,644 (31 December 2014: TL 127,250,288) which is covered by incentive certificate (Note 26).

Investment is funded by equity and as of 31 December 2015 and 2014, the expenditure covered by incentive certificate and the advances given are shown below:

Expenditure	Currency type	31 December 2015		31 December 2014	
		Original amount	TL equivalent	Original amount	TL equivalent
Investment (*)	TL	-	128,808,644	-	127,250,288
Advances given	USD	-	-	5,339	12,381
Advances given	EUR	-	-	60,380	170,313
Total			128,808,644		127,432,982

(*) As of 31 December 2015, the total of the expenditure regarding the investment for cartoon production line numbered 2 is TL 148,934,622 (31 December 2014: TL 148,575,917) and TL 128,808,644 (31 December 2014: TL 127,250,288) of the expenditures is covered by incentive certificate.

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

i) Short term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for personnel unused vacations	409,489	312,611
Provision for personnel premiums	141,715	105,041
Total	551,204	417,652

ii) Other short term provisions

	31 December 2015	31 December 2014
Provision for commissions	518,929	275,508
Provision for export discount	303,764	86,580
Provisions for other payables and debts	396,583	334,185
Total	1,219,276	696,273

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

	2015	2014
1 January	696,273	1,018,442
Payments and released provisions	(696,273)	(1,018,442)
Additional provisions	1,219,276	696,273
31 December	1,219,276	696,273

b) Long term provisions

	31 December 2015	31 December 2014
Payments and released provisions	2,293,500	-
31 December	2,293,500	-

c) Contingent assets and liabilities

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favour of the Group as of 31 December 2015 are as follows:

1. The Group filed a lawsuit against Istanbul Metropolitan Municipality on Istanbul 4th Administrative Court with file number 2012/2331 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis, the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/5000 dated 16 August 2012. The lawsuit is still in progress. As per the assessments made, the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.
2. As a result of the tax inspection by Ministry of Finance related to 1 January-31 December 2007 fiscal period, tax and penalty assessments in the total amount of TL 14,928,436, which comprises of original corporate income tax amounting to TL 4,165,805 and tax penalty amounting to TL 10,762,631 was notified to the Group. The subject of this tax and tax penalty is the accounting applications relating the merger of Kartonsan and its subsidiary Selka Holding A.Ş. in the related year.
3. The Group filed a lawsuit on Istanbul 1st Tax Court with file numbers 2010/4108 E. for the cancellation of the payment orders amounting to TL 549,826 notified by Boğaziçi Kurumlar Tax Office relating to the VAT periods 3, 5, 6, 7, 8 and 11th in 2006. The court with file number 2010/2187 E. was concluded in favour of the Group and since the defendant appealed the decision, the case is currently at Supreme Court.
4. As a result of the tax inspection by Ministry of Finance related to 1 January-31 December 2007 fiscal period, tax and penalty assessments in the total amount of TL 14,928,436, which comprises of original corporate income tax amounting to TL 4,165,805 and tax penalty amounting to TL 10,762,631 was notified to the Group. The subject of this tax and tax penalty is the accounting applications relating the merger of Kartonsan and its subsidiary Selka in the related year.

Group Management is in the opinion that accounting applications that were criticized in Tax Inspection Reports are compliant with the legal arrangements and communiqué, circular and tax ruling of Ministry of Finance. Nonetheless, the Group plans to use its legal rights against the claims in the Tax Inspection Report. The Group did not provide provision in the consolidated financial statements since no reliable estimation could be made related to the cash outflows from the Group with respect to these tax inspections at the current stage. The Group has applied to Ministry of Finance for a settlement in January 2013 and the Ministry of Finance has set the date as 30 October 2014. As a result of the settlement discussions, the Ministry has decided to postpone the meeting. The Ministry is expected to set a new date.

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

The details of collaterals, pledges and mortgages received ("CPM") of the Group at 31 December 2015 and 2014 are as follows

	Original Currency	31 December 2015		31 December 2014	
		Original Amount	TL Equivalent	Original Amount	TL Equivalent
CPM Received	EUR	9,540,000	30,314,304	9,685,000	27,318,480
	TL	17,319,070	17,319,070	15,511,070	15,511,070
	USD	825,000	2,398,770	975,000	2,260,927
	STERLING	450,000	1,935,315		
Total			51,967,459		45,090,477

The details of collaterals, pledges and mortgages given ("CPM") of the Group at 31 December 2015 and 2014 are as follows:

	Original Currency	31 December 2015		31 December 2014	
		Original Amount	TL Equivalent	Original Amount	TL Equivalent
A. CPM given on behalf of the Company's legal personality Total amount	TL	8,871,978	8,871,978	8,658,679	8,658,679
	USD	5,055,300	14,698,790	-	-
	EUR	5,212,500	16,563,240	-	-
B. CPM given for continuation of ordinary economic activities on behalf of third parties		-	-	-	-
C. Total amount of other CPM given Total amount					
i. Total amount of CPM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which		-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of B		-	-	-	-
Total			40,134,008		8,658,679

The ratio of other CPMS given by the Group to equity of the Group is 0% as of 31 December 2015 (2014: 0%).

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NOTE 17 - COMMITMENTS

The Group's Commitments at 31 December 2015 and 2014 are as follows.

a) Raw materials purchase agreements

	31 December 2015	31 December 2014
In one year	2,056,257	2,782,408
Total	2,056,257	2,782,408

b) Machinery and equipment purchase agreements

	31 December 2015	31 December 2014
In one year	5,168,360	6,756,061
Total	5,168,360	6,756,061

c) Service purchase agreements

	31 December 2015	31 December 2014
In one year	2,273,678	1,501,170
Total	2,273,678	1,501,170

NOTE 18 - EMPLOYEE BENEFITS

Short term provisions for employee benefits

	31 December 2015	31 December 2014
Provision for personnel unused vacations	409,489	312,611
Provision for personnel premiums	141,715	105,041
Total	551,204	417,652

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

	2015	2014
1 January	417,652	456,705
Provision through business combination	122,727	-
Provision expense	428,477	417,652
Payments	(417,652)	(456,705)
31 December	551,204	417,652

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Long term provisions for employee benefits

	31 December 2015	31 December 2014
Provisions of termination benefits	5,385,355	3,725,824
Total	5,385,355	3,725,824

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

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

The amount payable consists of one month's salary limited to a maximum of TL 3,438.22 (31 December 2014: TL 3,438.22) for each period of service at 31 December 2015. The liability is not funded, as there is no funding requirement.

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

	31 December 2015	31 December 2014
Discount rate (%)	4.23	3.29
Rate used to estimate the probability of retirement (%)	97.25	97.25

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TL 4,092.53 for each period of service as of 1 January 2016 (1 January 2015: TL 3,541.37). The maximum liability is revised semi-annually.

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

	2015	2014
1 January	3,725,824	3,618,718
Severance pay provision		
Acquired through business combination	827,352	-
Service cost	1,272,890	531,186
Interest Cost	122,445	138,145
Actuarial Loss (Note 20)	617,549	88,310
Payments	(1,180,705)	(650,535)
31 December	5,385,355	3,725,824

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NOTE 19 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short term prepaid expenses	31 December 2015	31 December 2014
Advances given	1,639,908	1,815,696
Prepaid expenses	431,521	511,428
Total	2,071,429	2,327,124
b) Long term prepaid expenses	31 December 2015	31 December 2014
Advances given for Property, plant and equipment (*)	1,634,277	854,829
Total	1,634,277	854,829
c) Other current assets	31 December 2015	31 December 2014
VAT receivable	6,953,432	6,250,728
Other	55,069	643
Total	7,008,501	6,251,371

NOTE 20 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

Kartonsan's shareholders and their respective shareholding ratios at 31 December 2015 and 2014 are as follows:

	31 December 2015	Ratio (%)	31 December 2014	Ratio (%)
Pak Holding A.Ş.	975,590	34.39	975,590	34.39
Pak Gıda Üretim ve Pazarlama A.Ş.	593,059	19.91	561,741	19.91
Asil Gıda ve Kimya San. ve Tic. A.Ş.	564,903	19.80	564,903	19.80
Oycan İthalat İhracat ve Ticaret A.Ş.	403	1.23	35,000	1.23
Other shareholders (Publicly traded portion)	703,059	24.67	699,780	24.67
Paid-in capital	2,837,014	100.00	2,837,014	100.00
Adjustment to paid-in capital	93,298,657		93,298,657	
Total	96,135,671		96,135,671	

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

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In Accordance with the Company's Articles of Association

Number of Shares	283,701,421
Nominal Value of Each Share	0.01

Total Nominal Amount

2,837,014.21

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

b) Restricted reserves

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

The reserves mentioned above must be classified in "Restrictive Reserves" in compliance with CMB Financial Reporting Standards. The details of restricted reserves as of 31 December 2015 and 31 December 2014 are as follows

	31 December 2015	31 December 2014
Legal Reserves	23,480,472	23,473,123
Profit on Sale of Participation Shares and Real Estate Sale Exemptions to be Added to Capital	2,315,343	2,315,343
Total	25,795,815	25,788,466

c) Profit distribution

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

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

Total amount of the Group's net distributable profit and other liabilities may be subject to profit distribution as of 31 December 2014 is TL 152,853,283 (31 December 2014: TL 131,180,988). Total amount of the Group's other liabilities may be subject to profit distribution is limited to total amount of the Group's statutory statements. In the current year, the Group realised a loss of TL 14,722,754. Total amount of the Group's other liabilities may be subject to profit distribution in statutory statements as of 31 December 2015 is TL 63,524,655 (31 December 2014: TL 78,247,408) In calculation of the distributable profit, equity inflation adjustment differences and profit on real estate sale exemption that will be added to capital have not been taken into consideration.

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

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

	2015	2014
1 January	450,983	260,289
Decreases results of the re-measurement Of joint venture- net (Note 3)	(145,920)	-
Shares received from investments accounted for Using equity method- net (Note 4)	47,712	120,046
Actuarial losses (Note 18)	617,549	88,310
Actuarial losses- tax effect (Note 26)	(123,510)	(17,662)
31 December	846,814	450,983

NOTE 21 - SALES AND COST OF SALES

	1 January - 31 December 2015	1 January- 31 December 2014
Sales:		
Domestic Sales	199,363,497	154,802,744
Foreign Sales	87,229,627	54,433,699
Other Sales	3,631,013	3,591,398
Sales Returns (-)	(885,393)	(1,208,482)
Sales Discounts (-)	(10,355,914)	(9,192,681)
Other Discounts (-)	(9,447,388)	(2,580,226)
Sales, net	269,535,442	199,846,452
Cost of sales:		
Raw materials and supplies expenses	(139,140,761)	(123,047,991)
Employee benefits	(33,642,866)	(29,434,155)
General production overhead expenses	(24,263,569)	(12,534,832)
Depreciation and amortisation	(18,472,179)	(12,744,618)
Change in work-in process and finished goods	(10,640,615)	(13,778,783)
Cost of trade goods sold	(15,960,783)	12,408,345
Cost of other sales	(3,477,257)	(2,919,927)
Cost of sales	(245,598,030)	(182,051,961)
Gross profit	23,937,412	17,794,491

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NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

a) General administrative expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Employee benefits	(5,708,493)	(4,788,445)
Outsourced benefits and services	(1,395,336)	(669,331)
Provisions of termination benefits	(858,741)	(1,264,891)
Taxes, duties and charges	(728,645)	(661,766)
Depreciation and amortisation	(274,942)	(937,414)
Donation and aid expenses	(16,500)	(15,775)
Other	(1,795,553)	(1,102,956)
Total	(10,778,210)	(9,440,578)

b) Marketing expenses

	1 January - 31 December 2015	1 January - 31 December 2014
Transportation expenses	(8,360,824)	(6,074,950)
Employee benefits	(1,502,505)	(1,408,271)
Export expenses	(779,749)	(458,892)
Depreciation and amortization expenses	(269,069)	(248,083)
Other expenses	(1,115,229)	(1,436,626)
Total	(12,027,376)	(9,626,822)

NOTE 23 - EXPENSES BY NATURE

	1 January - 31 December 2015	1 January - 31 December 2014
Raw materials and supplies expenses	(139,140,761)	(123,047,991)
Outsourced benefits and services	(34,501,607)	(30,699,046)
Employee benefits	(25,683,177)	(18,941,334)
Depreciation and amortisation	(25,261,283)	(13,444,681)
Change in work-in process and finished goods	(15,960,783)	12,408,345
Cost of trade goods sold	(10,640,615)	(13,778,783)
Transportation expenses	(8,360,824)	(6,074,950)
Cost of other sales	(3,477,257)	(2,919,927)
Provisions of termination benefits	(1,395,336)	(669,331)
Export expenses	(779,749)	(458,892)
Taxes, duties and charges	(274,942)	(937,414)
Donation and aid expenses	(16,500)	(15,775)
Other expenses	(2,910,782)	(2,539,582)
Total	(268,403,616)	(201,119,361)

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NOTE 24 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2015	1 January - 31 December 2014
Other income from operating activities		
Foreign exchange gain (Trade receivables and payables)	6,465,766	4,582,436
Interest eliminated from sales	5,398,654	4,171,197
Profit on sales of property, plant and equipment	928,905	805,219
Late interest income	190,081	325,386
Other	1,393,863	1,223,539
Total	14,377,269	11,107,777
Other expenses from operating activities		
Foreign exchange gain (Trade receivables and payables)	(10,505,389)	(6,406,516)
Interest eliminated from purchases	(1,846,355)	(801,851)
Other	(615,584)	(1,635,704)
Total	(12,967,328)	(8,844,071)

NOTE 25 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2015	1 January - 31 December 2014
Income from investing activities		
Fair value gain resulting re-measurement of the joint venture (Note 3)	27,451,476	-
Goodwill impairment (Note 3)	(4,670,310)	-
Foreign exchange gain (other than trade receivables and payables)	1,010,411	3,767,313
Profit on sales of property, plant and equipment	560,321	35,508
Interest income	293,517	1,754,957
Total	24,645,415	5,557,778
Expenses from investing activities		
Foreign exchange loss (Trade receivables and payables)	(557,756)	(3,430,855)
Total	(557,756)	(3,430,855)

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

Current income tax liabilities at the balance sheet as of 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
Current income tax payable	494,363	272,218
Less: Prepaid taxes and funds	(355,225)	(263,142)
Current income tax liability	139,138	9,076

Tax expenses at the comprehensive income statement as of 31 December 2015 and 2014 are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Current income tax expense (-)	(494,363)	(272,218)
Deferred tax Income	1,072,806	18,745,840
Total tax expense	578,443	18,473,622

a) Corporate Income Tax

Corporate Income Tax Law numbered 5520 was published in the official gazette numbered dated 13 June 2006 and most clauses has come into effect from 1 January 2006. In Turkey, the corporation income tax rate of the fiscal year 2015 is 20% (31 December 2014: 20%).

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

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

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

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

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

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

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

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

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

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

Expected and actual tax expense reconciliations for the period between 1 January and 31 December 2015 and 2014 are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Profit before tax	21,132,575	966,917
Tax expense of the Group	(4,226,515)	(193,383)
The impact of adjustment on business combination	4,556,233	-
Investment incentive	233,754	19,087,543
Expenses not deductible for tax purposes	(95,055)	(707,582)
Income not subject to tax	27,994	287,044
Other	82,032	-
Total tax expense (income)	578,443	18,473,622

b) Deferred income taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates as of 31 December 2015 and 31 December 2014 are as follows.

	Cumulative Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Investment incentive	(128,808,644)	(127,250,288)	19,321,297	19,087,543
Carry forward tax losses	(34,936,814)	(21,821,044)	6,987,363	4,364,209
Provision for employee benefits	(5,385,355)	(3,725,824)	1,077,071	745,165
Inventories	(1,988,747)	(4,388,217)	397,749	877,643
Unearned financial income	(262,653)	(16,382)	52,531	3,277
Provision for doubtful receivables	(270,500)	(93,032)	54,100	18,607
Tangible and intangible assets	67,740,808	35,212,560	(10,768,694)	(7,042,512)
Other, net	(2,873,572)	278,029	574,714	(55,605)
Deferred Income Tax Liability, Net	17,696,131	17,998,327		

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

	2015	2014
1 January	17,998,327	(765,175)
Deferred income tax liabilities Acquired with business combination (Note 3)	(1,498,512)	-
Related with income statement	1,072,806	18,745,840
Actuarial losses that accounted for under equity (Note 20)	123,510	17,662
31 December	17,696,131	17,998,327

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2015	1 January - 31 December 2014
Net Income for the Period	21,698,774	19,433,427
Weighted average number of shares	2,837,014	2,837,014
Earnings per share	7.64846	6.84996

NOTE 28 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	31 December 2015	31 December 2014
Borrowings and receivables		
Cash and cash equivalents	5,497,163	4,617,633
Trade receivables	40,317,261	25,574,143
Total	45,814,424	30,191,776
Financial liabilities valued by effective interest rate		
Trade payables	21,007,672	43,956,508
Borrowings	43,965,205	20,362,275
Total	64,972,877	64,318,783

b) Fair value of financial instruments

Company has not fair value of financial asset and liability as of 31 December 2015 and 31 December 2014.

NOTE 29 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

29.1 Financial Risk Factors

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

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

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a) Market Risk

aa) Foreign currency exchange risk

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

Foreign currency position tables at the end of reporting period 2015 and 2014 are as follows:

31 December 2015

	TL Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	14,255,252	849,866	3,368,840	250,972
2a. Monetary Financial Assets	379,837	10,989	109,486	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	1,130,246	250,051	126,887	-
4. Total Current Assets (1+2+3)	15,765,335	1,110,906	3,605,213	250,972
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	1,570,846	540,255	-	-
8. Total Non-Current Assets (5+6+7)	1,570,846	540,255	-	-
9. Total Asset (4+8)	17,336,181	1,651,161	3,605,213	250,972
10. Trade Payables	9,198,436	1,675,244	1,338,785	13,192
11. Financial Liabilities	30,247,476	4,920,000	5,000,000	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	39,445,912	6,595,244	6,338,785	13,192
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities.	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	39,445,912	6,595,244	6,338,785	13,192
19. Net Asset/Liability position of off-the balance sheet derivatives (19a-19b)	-	-	-	-
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	(22,109,731)	(4,944,083)	(2,733,572)	237,780
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(22,109,731)	(4,944,083)	(2,733,572)	237,780
22. Fair value of financial derivate used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	77,192,415	9,173,757	16,300,147	602,151
26. Imports	21,910,955	1,679,562	5,625,004	106

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31 December 2014

	TL Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	9,094,219	884,450	2,468,638	22,241
2a. Monetary Financial Assets	545,604	44,898	156,491	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	1,389,807	87,360	420,898	-
4. Total Current Assets (1+2+3)	11,029,630	1,016,708	3,046,027	22,241
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	686,309	268,430	22,635	-
8. Total Non-Current Assets (5+6+7)	686,309	268,430	22,635	-
9. Total Asset (4+8)	11,715,939	1,285,138	3,068,662	22,241
10. Trade Payables	15,565,917	4,261,382	2,003,306	1,600
11. Financial Liabilities	11,259,783	4,062,400	645,066	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	26,825,700	8,323,782	2,648,372	1,600
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities.	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	26,825,700	8,323,782	2,648,372	1,600
19. Net Asset/Liability position of off-the balance sheet derivatives (19a-19b)	-	-	-	-
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	(15,109,761)	(7,038,644)	420,290	20,641
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(15,109,761)	(7,038,644)	420,290	20,641
22. Fair value of financial derivate used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	42,827,795	4,497,492	10,400,638	1,052,527
26. Imports	89,734,973	3,278,531	28,514,717	-

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Foreign currency sensitivity analysis tables at the end of reporting period 2015 and 2014 are as follows:

	31 December 2015			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%:				
1. Net Asset/Liability in USD	(1,440,971)	1,440,971	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	(1,440,971)	1,440,971	-	-
If EUR appreciated/(depreciated) against TL by 10%:				
4. Net Asset/(Liability) in EUR	(872,234)	872,234	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	(872,234)	872,234	-	-
If other foreign currencies appreciated/(Depreciated) against TL by 10%				
7. Net Asset/(Liability) in other foreign currencies	102,232	(102,232)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	102,232	(102,232)	-	-
Total (3+6+9)	(2,210,973)	2,210,973	-	-

	31 December 2014			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TL by 10%:				
1. Net Asset/Liability in USD	(1,635,596)	1,635,596	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	(1,635,596)	1,635,596	-	-
If EUR appreciated/(depreciated) against TL by 10%:				
4. Net Asset/(Liability) in EUR	117,200	(117,200)	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	117,200	117,200	-	-
If other foreign currencies appreciated/:(Depreciated) against TL by 10%				
7. Net Asset/(Liability) in other foreign currencies	7,420	(7,420)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	7,420	(7,420)	-	-
Total (3+6+9)	(1,510,976)	1,510,976	-	-

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a) Interest rate risk

The Group has an interest payment once a three months and variable rate financial loans. 1 percentage point change in interest rates creates TL 139,270 per loan interest cost for annual basis, while euro-denominated loans creates 50,000 Euro and US Dollar denominated loans USD 49,200 effect.

b) Credit risk

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

31 December 2015	Trade Receivables		Other Receivables		Deposits at Bank	Total
	Related Parties	Other	Related Parties	Other		
Maximum credit risk exposure at the reporting date (A+B+C+D) ^(*)	2,302,867	38,014,394	-	3,883,848	5,276,324	49,477,433
- Secured portion of the maximum risk by guarantees	-	21,183,432	-	-	-	21,183,432
A. Net book value of financial assets not due not impaired	2,302,867	26,367,140	-	3,883,848	5,276,324	37,830,179
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	3,341,628	-	-	-	3,341,628
C. Net book value of impaired assets	-	8,305,626	-	-	-	8,305,626
- Past due (gross book value)	-	9,362,319	-	-	-	9,362,319
- Impairment (-)	-	(1,056,693)	-	-	-	(1,056,693)
- Portion of the net value with guarantees	-	8,305,626	-	-	-	8,305,626
- Not Due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

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

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31 December 2014	Trade Receivables		Other Receivables		Deposits at Bank	Total
	Related Parties	Other	Related Parties	Other		
Maximum credit risk exposure at the reporting date (A+B+C+D) ⁽¹⁾	895,638	24,678,505	-	6,226,580	4,495,783	36,296,506
- Secured portion of the maximum risk by guarantees	-	15,276,713	-	-	-	15,276,713
A. Net book value of financial assets not due not impaired	895,638	16,660,928	-	6,226,580	4,495,783	28,278,929
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	2,185,099	-	-	-	2,185,099
C. Net book value of impaired assets	-	5,832,478	-	-	-	5,832,478
- Past due (gross book value)	-	6,684,972	-	-	-	6,684,972
- Impairment (-)	-	(852,494)	-	-	-	(852,494)
- Portion of the net value with guarantees	-	5,832,478	-	-	-	5,832,478
- Not Due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

⁽¹⁾ The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

Trade receivables amounted to TL 3,341,628 is overdue but not impaired as of 31 December 2015 (31 December 2014: TL 2,185,099). Trade receivables consists of independent receivables pays their past debts without delay. The maturity analysis of the assets which are past due but not impaired is as follows:

	31 December 2015	31 December 2014
Past due by 1-30 Days	1,704,117	706,304
Past due by 1-3 Months	1,453,167	983,330
Past due by 3-12 Months	184,344	495,465
Past due by 1-5 Years	-	-
Past due by over 5 Years	-	-
Total	3,341,628	2,185,099

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c) Liquidity risk

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

Analysis that shows the due dates of the non-derivative financial liabilities at the balance sheet as of 31 December 2015 and 2014 are as follows:

	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 year Years (III)	Over 5 Years (IV)
31 December 2015						
Non-derivative financial liabilities:						
Bank loans	30,038,205	30,250,251	2,775	30,247,476	-	-
Financial borrowings	13,927,000	13,927,000	-	13,927,000	-	-
Trade payables	21,007,672	21,126,601	21,126,601	-	-	-
Payables for employee benefits	247,292	247,292	247,292	-	-	-
Other payables	2,659,866	2,659,866	2,659,866	-	-	-
Total	67,880,035	68,211,010	24,036,534	44,174,476	-	-

	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 year Years (III)	Over 5 Years (IV)
31 December 2014						
Non-derivative financial liabilities:						
Bank loans	395,491	395,491	395,491	-	-	-
Finance lease liabilities	1,967,784	1,967,784	-	1,967,784	-	-
Financial borrowings	17,999,000	17,999,000	-	17,999,000	-	-
Trade payables	43,956,508	44,172,795	44,172,795	-	-	-
Payables for employee benefits	199,876	199,876	199,876	-	-	-
Other payables	2,473,640	2,473,640	2,473,640	-	-	-
Total	66,992,299	67,208,586	47,241,802	19,966,784	-	-

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29.2 Capital risk management

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

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

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

As of 31 December 2015 and 2014 net debt/total capital ratio is as follows:

	31 December 2015	31 December 2014
Total liabilities	77,468,508	71,841,124
Less: Cash and cash equivalents (Note 6)	(5,497,163)	(4,617,633)
Total liabilities	71,971,345	67,223,491
Total shareholders' equity	281,482,796	260,187,647
Total capital	353,454,141	327,411,138
Net debt/total capital ratio	20.36%	20.53%

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

NOTE 30 - EVENTS AFTER BALANCE SHEET DATE

None.

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2015 Profit Distribution Table

Based on the statements provided in the Article No: 25 of the Company's Articles of Association, the profit distribution proposal for 2015 is presented at the table below for your examination and approval.

(TL)

1. Paid-in/Issued Capital	2,837,014.21
2. General Legal Reserves (According to Legal Records)	2,593,834.25
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation	5% of the remaining profit after legal reserves and 10% of the paid-in capital are deducted from the net profit is distributed to the (Group A) privileged shareholders.

	According to CMB	According to Legal Records (LR)
3. Profit for the Period	21,132,575.00	-14,722,753.71
4. Taxes (-)	-578,443.00	0.00
Non-controlling Shares	21,698,774.00	-14,722,753.71
5. Net Profit for the Period ⁽¹⁾	0.00	0.00
6. Losses in Prior Years (-)	0.00	0.00
7. General Legal Reserves (-)	0.00	0.00
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	21,698,774.00	-14,722,753.71
9. Donations during the Year (+)	42,000.37	
10. Net Distributable Profit for the Period Including Donations	21,740,774.37	
11. First Dividend to Shareholders		
Cash		
Bonus Shares		
Total		
12. Dividends Distributed to Owners of Privileged Shares		
13. Other Dividends Distributed		
Members of the Board of Directors		
Employees		
Non-Shareholder Individuals		
14. Dividends Distributed to Owners of Redeemed Shares		
15. Second Dividend to Shareholders		
Cash		
Bonus Shares		
Total		
16. General Legal Reserves		
17. Statutory Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES	21,698,774.00	-14,722,753.71
20. Other Resources to be Distributed		
Prior Years' Profits		
Extraordinary Reserves		
Other Distributable Reserves According to Law and the Articles of Association		

⁽¹⁾ Net period profit is TL 21,711,018 (21,132,575+578,443) of which amount TL 12,244 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 21,698,774, is taken into consideration.

RATIO OF DIVIDENDS TABLE

GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
A	0.00	0.00	0.00000	0.0000000	0,000.00%
NET B	0.00	0.00	0.00000	0.0000000	0.00%
TOTAL	0.00	0.00		0.00	

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Other Disclosures Required by the Regulations

1) GENERAL INFORMATION

a) The Company's Field of Activity

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

Head Office:

Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. (Pak Business Center) No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL
Tel: (0-212) 273 20 00 Fax: (0-212) 273 21 70 Website: www.kartonsan.com.tr

Factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No: 300 41140 Kullar/Başiskele/KOCAELI
Tel: (0-262) 349 61 50 Fax: (0-262) 349 33 00

Sales Office:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İSTANBUL
Tel: (0-212) 598 95 35 Fax: (0-212) 598 95 36

Tax Office: Large Taxpayers

Tax Registration No: 5260057491

Trade Registration No: 95869/41270

Central Registration System No: 0526005749100010

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

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

Shares Representing Company's Paid-in Capital:

A Type Shares 200 Shares

B Type Shares 283,701,221 Shares

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

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

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

Title of Shareholder	31.12.2015	31.12.2015	31.12.2014	31.12.2014
	Number of Shares	Stake (%)	Number of Shares	Stake (%)
Pak Holding A.Ş.	975,590	34.39	975,590	34.39
Asil Gıda ve Kimya San. ve Tic. A.Ş.	593,059	20.90	561,741	19.80
Pak Gıda Üretim ve Pazarlama A.Ş.	564,903	19.91	564,903	19.91
Oycan İthalat İhracat ve Ticaret A.Ş.	403	0.01	35,000	1.23
Other Shareholders (Free Float)	703,059	24.79	699,780	24.67
Capital at Historical Cost	2,837,014	100.00	2,837,014	100.00

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

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Other Disclosures Required by the Regulations

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

Board of Directors

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

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

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

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

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

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

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

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

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

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

Article: 9/A- Canceled

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

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

Meetings of the Board of Directors

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

Financial Rights of Board Members

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

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

Auditors

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

Compensation of Auditors

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

The Company's Annual General Meeting relating to the 2014 fiscal year activities was held on 30 March 2015. In the Annual General Meeting, each of the individuals that were appointed to serve for one year as Members of the Board of Directors and Independent Auditors are listed below.

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

BOARD OF DIRECTORS

Name Surname	Title	Term of Office		Re-Appointment	New Term of Office
		Beginning	End		
Ünal Bozkurt	Chairman of the Board of Directors	27.03.2014	30.03.2015	30.03.2015	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	27.03.2014	30.03.2015	30.03.2015	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	27.03.2014	30.03.2015	30.03.2015	1 Year
Sinan Ercan Gülçur	Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Babür Gökçek	Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Mehmet İmregün	Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Hatice Canan Pak İmregün	Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Ali Ersin Güredin	Independent Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Tamer Koçel	Independent Board Member	27.03.2014	30.03.2015	30.03.2015	1 Year
Haluk İber	Board Member and General Manager	27.03.2014	30.03.2015	30.03.2015	1 Year

The Board of Directors held 29 meetings in the year ending 31.12.2015. All decisions taken during the year were put in force.

INDEPENDENT AUDITOR ACCORDING TO THE TURKISH CODE OF COMMERCE *

Name Surname	Title	Term of Office		Appointment	Term of Office
		Beginning	End		
Başaran Nas	Independent Auditor	01.01.2015	31.12.2015	30.03.2015	1 Year
Bağımsız Denetim SMMM A.Ş.					

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

AUDIT COMMITTEE

Name Surname	Title	Term of Office		Re-Appointment	New Term of Office
		Beginning	End		
Ali Ersin Güredin	President of the Audit Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Tamer Koçel	Member of the Audit Committee	28.03.2014	03.04.2015	03.04.2015	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Term of Office		Re-Appointment	New Term of Office
		Beginning	End		
Tamer Koçel	President of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Aslı Balkır	Member of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Süleyman Kaya	Member of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Bülent Yılmaz	Member of the Corporate Governance Committee*	28.03.2014	03.04.2015	03.04.2015	1 Year

* Head of Investment Relations, not a member of the Board of Directors.

THE EARLY DETECTION OF RISK COMMITTEE

Name Surname	Title	Term of Office		Re-Appointment	New Term of Office
		Beginning	End		
Ali Ersin Güredin	President of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Mehmet İmregün	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Sinan Ercan Gülçur	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Ünal Bozkurt	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year

c) Information on Affiliates and Subsidiaries:

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

Selka İç ve Dış Ticaret A.Ş.

Shareholder Name/Title	Number of Shares	Stake (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,242,088.75	99.37
Other Natural and Legal Partners	7,911.25	0.63
TOTAL	1,250,000.00	100

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

Shareholder Name/Title	Number of Shares	Stake (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	75,000	50
Olmüksan International Paper Amb. San. ve Tic. A.Ş.	75,000	50
TOTAL	150,000	100

* Company fully demerged and dissolved as of 10 June 2015.

Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. **

Shareholder Name/Title	Number of Shares	Stake (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	93,152	100
TOTAL	93,152	100

** Registered upon completion of the demerger and dissolution of Dönkasan Dönüşen Kağıt Hamur Sanayi ve Ticaret A.Ş. on 10 June 2015.

Other Disclosures Required by the Regulations

2) MARKET PROFILE, OPERATIONS AND EXPECTATIONS

a) Market Profile and Implemented Sales Policies

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

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

b) Investment and Dividend Policies

Most of the Company's investment plans are concerned with the maintenance of the existing plant. However, a quality improvement and capacity increase investment has been completed for the second cardboard production line (BM 2) within 2014.

The dividend policy of the company has been revised in 2014 and it has been announced in general assembly meeting on the 27 March 2014. The dividend policy can be reviewed from Company's website (www.kartonsan.com.tr/tr/icerik.php?bolum=yatirimci&sira=15/2014) or through Public Disclosure Platform (KAP).

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

Capital Market Board has removed the obligation for the minimum distribution of profits, within the scope of corporate governance principles. The profits will still be distributed among the shareholders, by considering a balance between the expectations and growth strategies, unless otherwise decided in the General Assembly.

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

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

The dividend distribution takes place within the legal term.

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

Our Company decided to revise its Dividend Policies in 2014 to comply with Capital Market Legislation and announced revised policies to the public as indicated below. The dividend policy which will be applied in 2014 and beyond is presented below.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

Dividend Policy

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

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

Principles Regarding Calculation, Payment Method and Distribution of Dividend

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

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

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

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

- a) A 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital.
- b) First dividend is set aside and distributed from the remaining part at the amount determined by the Capital Market Board.
- c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a basis for the first dividend, once the 5% capital reserve is set aside and the first dividend amount is distributed:
 - i) 5% to (A) type bearer shareholders,
 - ii) The remaining part to the Board of Directors, excluding independent members. This amount is determined in the Annual General Meeting.

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

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

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

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

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

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

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

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

3) FINANCIAL RESOURCES AND RISK MANAGEMENT POLICIES

Exchange rate risks and credit risks are the Company's main financial risks, because its international receivables and foreign currency deposit accounts carry a risk stemming from changes in foreign exchange rates. Given that the Company carries a long FX position, any increase in exchange rates leads to a positive impact, whereas a decrease would adversely affect the Company's financials. Likewise, upside movements in interest rates of the loans that the Company has been using will have negative impact on the Company.

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and Company policies. The Early Detection of Risk Committee was formed and started to operate in 2013 as per stipulated terms.

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

4) FORECASTS REGARDING THE DEVELOPMENT OF OPERATIONS

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

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

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

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

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

6) DEVELOPMENTS ON INVESTMENTS AND INCENTIVE UTILIZATION

Most of the investments planned by the Company are related to the maintenance of the existing plant. However, quality improvement and capacity increasing investment has been administered for the No: 2 cardboard production line (BM2) within the year 2014.

In 2015 the group petitioned the economics ministry to have a change made in its investment incentives certificate, which originally covered investments totaling TL 97,179,000. The ministry approved replacing the certificate's "Imported Machinery List", whose total value was USD 40,550,017, with a "Domestic Machinery List", the total value of which was TL 41,579,415. As a result of this amendment, the investments covered by the certificate now total approximately TL 137,000,000.

The group decided to undertake renovation and modernization investments in its #2 cardboard production line. On 13 May 2014, the economics ministry issued investment incentives certificate #10178 for this investment. This certificate was amended twice: once in 2014 and again in 2015. The current version of the certificate, whose number is C110178, is dated 6 February 2015. The following investment-related incentives are provided for under this certificate:

- Insurance Premium Employer Share Support: 2 years
- VAT Exemption
- Customs Tariff Exemption
- Tax Discount Rate 50%, Contribution to Investment Rate: 15%

The investment is financed from equity; expenditures made and advance payments given within the scope of incentive as of 31 December 2015 and 2014 are shown below:

Expenditure Type	Currency	31 December 2015		31 December 2014	
		Amount of Currency	TL Equivalent	Amount of Currency	TL Equivalent
Completed Investments ^(*)	TL	-	128,808,644	-	127,250,288
Advance	USD	-		5,339	12,381
Advance	EUR	-		60,380	170,313
Total			128,808,644		127,432,982

(*) As of 31 December 2015, total expenditure regarding No: 2 cardboard production line is TL 148,934,622 (31 December 2014: TL 148,575,917) and TL 128,808,644 (31 December 2014: TL 127,250,288) of which is within the scope of incentive.

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

The Company produces coated cardboard at its factory in Kullar, Kocaeli and generates the electricity required by the plant under an electricity generation license. The Company's theoretical annual coated cardboard production capacity is calculated to be approximately 240,000 tons (31.12.2014: 180,000 tons per annum). Production and sales volumes for 2015 and 2014 are presented below. As of 31 December 2015, the net capacity utilization ratio stood at approximately 78% (31 December 2014: 51%).

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

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

Production Volume	31 December 2015	31 December 2014
Coated Cardboard (Tons)	188,242	91,701
Electricity Production (x1,000 Kwh)	140,680	102,231

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

8) INFORMATION RELATED TO SALES

A comparison of the Company's consolidated sales volumes for the years 2015 and 2014 is set out below:

Sales Volume	31 December 2015	31 December 2014
Coated Cardboard (Tons)	186,565	137,292
Electricity (x1,000 Kwh)	20,328	18,308
Waste Paper (Tons)	2,243	-

Consolidated net sales figure of the Company amounted to TL 199,846,452 in 2014 compared to TL 269,535,442 in 2015.

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RATIOS		31 December 2015	31 December 2014
Current Ratio	Current Assets/Short Term Liabilities	1.69	1.31
Acid Test Ratio	(Current Assets-Inventories)/Short Term Liabilities	0.84	0.66
Inventories/Current Assets	Inventories/Current Assets	0.50	0.49
Working Capital	Current Assets (excluding Cash and Liquid) - Short Term Liabilities (Excluding Financial Loans)	86,544,939	36,669,995
Cash Ratio	(Cash and Liquid Assets)/Short Term Liabilities	0.08	0.07
FINANCIAL STRUCTURE RATIOS			
Financial Leverage	(Short Term + Long Term Liabilities)/Total Assets	0.22	0.22
Total Liabilities/Shareholders' Equity		0.28	0.28
Short Term Liabilities/Shareholders' Equity		0.25	0.26
Long Term Liabilities/Shareholders' Equity		0.03	0.01
Fixed Assets/Shareholders' Equity		0.86	0.93
Financial Borrowing/Shareholders' Equity		0.16	0
PROFITABILITY RATIOS			
Asset Turnover Ratio	Net Sales/Total Assets	0.75	0.60
Gross Profit Margin	Gross Profit/Net Sales	0.09	0.09
Return on Assets	Net Profit/Total Assets	0.06	0.06
Net Profit/Net Sales		0.08	0.10
Profit Before Tax/Net Sales		0.08	0.00
Return on Equity		0.08	0.07
Operating Profit/Sales Revenues		-	(0.01)
Earnings per Share		7.65	6.85
Cash Assets		5,497,163	4,617,633
Financial Liabilities		43,965,205	20,362,275
Net Financial Position		(38,468,042)	(15,744,642)
Trade Receivables		40,317,261	25,574,143
Other Receivables		3,898,768	6,240,140
Inventories		59,088,348	44,043,802
Trade Payables		21,007,672	43,956,508
Other Payables		2,907,158	2,673,516

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

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

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

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

Born on 15 July 1959, Mr. İber graduated from the Department of Chemical Engineering at the Istanbul Technical University and holds a Master's degree from the University of Maine. Having started his career in 1987 in Seka A.Ş., he then served in various positions at our Company between 1991 and 2002, and worked as an Assistant General Manager between 2002 and 2012. As of 1 October 2012, he was appointed as the General Manager of the Company, a position which he has held to this day. Mr. İber continues to serve as a member of the Board of Directors of Kartonsan since 2005. He is also serving as a member of the Board of Directors in Company subsidiaries Selka İç ve Dış Ticaret A.Ş. and Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.

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

The Company employed 320 individuals, except for personnel of contractor firms, as of 31 December 2015 (31 December 2014: 281 individuals).

Workers employed at the Company's factory are members of the Selülöz-İş trade union. The Company signs collective labor agreement with the authorized labor union for a 2-year period. All rights and benefits outlined in detail in collective labor agreements were offered to workers in their entirety. A collective labor agreement covering the period of 1 September 2014 - 31 August 2015 was signed in 22 March 2015.

12) INFORMATION ON DONATIONS DURING THE YEAR

The Company undertakes contributions to foundations, associations and schools active in the fields of sport, education and culture. In the Annual General Meeting held in 2015, the upper limit for donations was set at TL 750,000 (2014: TL 750,000).

Details of the donations and assistance provided by the Company in 2015 are as follows:

Donations (TL)	31 December 2015	31 December 2014
Donations to Foundations and Associations (In the field of education, sports and culture)	41,900	35,200
Donations to Universities, High Schools and Primary Schools	100	4,455
Other Donations	0	200
Total	42,000	39,855

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

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and the Company's policies. The Early Detection of Risk Committee was formed in 2013 and started to operate. The Committee held 6 meetings within 2015 and presented the report which it had prepared to the Board of Directors. Explanations concerning financial risks are provided in the footnotes to the financial statements. Early Detection of Risk Committee submitted the report regarding 2015 that they prepared to the Board of Directors.

14) INFORMATION CONCERNING RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

The Company did not make any changes to the Articles of Association within the current period.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

16) RELATED PARTY TRANSACTIONS

Related party transactions were mentioned in detail in the previous sections of annual report, specifically in FOOTNOTE 7 of the notes on the financial statements. The affiliated Company Report which was prepared in accordance with Article 199 of the Turkish Commercial Code is presented in the following sections.

17) DISCLOSURE POLICY

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

The disclosure Policy for 2014 and ensuing years is presented below:

THE COMPANY DISCLOSURE POLICY

Objective

The Company's objective is to provide timely, accurate, complete, understandable and easy to access information on financial and other matters (except for confidential data and trade secrets), as required by legislation, and information on the Company's past performance and its expectations for the future without either affecting the value of the capital market instruments issued, or damaging the equality of opportunity among shareholders.

I- DISCLOSURE POLICY METHODS AND INSTRUMENTS

The main disclosure instruments and methods that are used by the Company in line with Capital Market Legislation and TCC provisions are listed below:

- a. Material disclosures to the Public Disclosure Platform ("KAP"),
- b. Financial reports sent to the Public Disclosure Platform ("KAP") periodically,
- c. Announcements and disclosures made via Turkish Trade Registry Gazette, Daily Newspapers and Magazines that are nationally distributed,
- d. Press releases and interviews made via written and visual media,
- e. Information via meetings, calls and other means of communication utilized to reach stakeholders,
- f. Corporate website, annual reports, General Assembly Information Document, General Meetings, phone, e-mail, fax, SMS, mobile phone and suchlike means of communication.

II- PRINCIPLES REGARDING MATERIAL EVENT DISCLOSURES TO THE PUBLIC

For material event disclosures the Company complies with the rules determined by Capital Market.

Material Event Disclosures are made via Public Disclosure Platform ("KAP") in line with rules determined by legislation and reserving exceptions to provide stakeholders with accurate, direct, understandable information avoiding exaggerated and misleading statements in a way which will not damage equality of opportunity when the event occurs.

Insider information and changes in publicly known points of this information are disclosed to the public when they occur. The Company may postpone the public disclosure of insider information within the scope of capital market legislation in order to prevent damage the Company's legitimate interests, to prevent the misleading of investors or to cause losses to them, and to ensure confidentiality of insider information. Written approval of following items from the Board of Directors or, if Board of Directors gives authorization, an authorized person, is necessary in case the Company decides to postpone the release of insider information: details of the postponed information, the impact of the postponement on the protection of legal rights and ensuring there no risk regarding of misleading investors, measures taken to keep insider information secret.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

The Company informed the Central Registry Agency of Turkey concerning people who work in connection to the Company with labor contracts or in other ways, and people who have access to insider information. If there is a change in their information, the Company will conduct necessary updates within 2 days at the latest. A list of these people will be announced to the public via the Company's corporate webpage.

Material event disclosures are announced to the public after at least 2 managers who have electronic signatures and who are authorized by the Board of Directors sign them. These disclosures are published in Company's corporate website in the workday following the announcement at the very latest. Material event disclosures are kept in the website for a period of at least 5 years to present them to stakeholders.

Developments and changes in previous material event disclosures are constantly updated and announced to the public. If there are no developments in a previous material event disclosure, this situation will be explained to the public, with its reasons, over 60-day periods.

It is a principle that disclosures are submitted immediately when they are realized or discovered to ensure their privacy until their announcement to the public. Together with this, precautions to prevent individuals who are not listed from accessing insider information are taken. To ensure privacy, access to this information and documents is limited and they are encrypted. Individuals who have access to insider information are informed of their responsibilities written in laws and legislations, and the sanctions in case they misuse the information to gain unfair advantage.

III- PRINCIPLES REGARDING CONFIRMING EXTRAORDINARY PRICE AND VOLUME MOVEMENTS, NEWS AND RUMORS CONCERNING ISSUED CAPITAL MARKET INSTRUMENTS

In the event of changes in pricing and volume of capital market instruments which cannot be explained by ordinary market conditions, the Company issues a Material Event Disclosure mentioning if there are material events which are not yet disclosed yet, upon the request of Borsa İstanbul A.Ş. Within the context of Capital Market Board Legislation, any material events which are not disclosed to the public are announced.

The Company issues announcements concerning issued capital market instruments within the context of Capital Market Board Legislation in the following cases; the existence of news or rumors which may affect the value, price and investors' decisions regarding these instruments and which differ from information announced to the public for the first time or was announced previously through media and other means of communication, in the event that the Company has heard about such news and rumors on whether the measures are correct and sufficient. Comments, analysis, evaluations and expectations regarding the Company which are based on information which has not been publicly announced are not considered in this sense.

In connection with news and rumors concerning the Company in the media and on the internet, the Company's investor relations unit evaluates such news and rumors according to their level of significance which is mentioned in the legislation, starting from the time the unit heard such news or rumors. If the unit decides on a material event disclosure as a result of its evaluations, the company management is informed and the Material Event Disclosure is carried out publicly.

IV- PRINCIPLES REGARDING THE DISCLOSURE OF FUTURE EXPECTATIONS

Announcements regarding expectations concerning the future are made to the public in accordance with the decision of the Board of Directors or in the event of any transfer of authorization by the Board of Directors, or the written approval of authorized person.

Evaluations regarding the Company's future are disclosed to the public, at most 4 times each year, by the Company management. These announcements can be made in annual reports which are disclosed within the context of Capital Market Board's regulations regarding financial statements or in presentations undertaken with the purpose of informing investors, on the condition that they should be announced in the Public Disclosure Platform (KAP). Additional explanations are provided within the context of Capital Market Legislation if there is an important change in evaluations concerning the future, or there is important deviation from the realizations or previously announced points. This additional explanation also includes any reasons for these changes. Annual reports and announcements prepared within the scope of this article are announced on the Company's website on the first business day following the date of the announcement.

If issues which are subject to material event disclosures, including evaluations regarding the future, are announced to the public through the media and other means of communication, an explanation is submitted to the Public Disclosure Platform (KAP) simultaneously or ahead of the announcement. If these points are announced by mistake in a meeting which is open to the general public, an explanation on the issue is made immediately to the Public Disclosure Platform (KAP).

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Other Disclosures Required by the Regulations

In line with Capital Market Board's regulations, Board Members, the General Manager and Vice General Managers may, in their own right, issue statements and participate in interviews in newspapers and magazines to inform the public.

V- INDIVIDUALS WITH ADMINISTRATIVE RESPONSIBILITY AND THEIR RIGHTS

Individuals with administrative responsibility, according to Capital Market Legislation, are listed below:

- a) Board Members,
- b) Individuals who may regularly access insider information directly or indirectly, and who hold authority to take decisions that will affect the Company's development and commercial targets in the future, even if they are not Board Members,
- c) Individuals who are closely related to a person who holds administrative responsibility,
 - c1) The wife and children of individuals who hold administrative responsibility, and those who reside in the same home as individuals who hold administrative responsibility,
 - c2) Individuals who hold administrative responsibility or individuals whose administrative responsibilities are undertaken by individuals mentioned in section c1, or legal entities, corporations, institutions and/or partnerships which are controlled by these individuals directly or indirectly; or entities, corporations, institutions or and partnerships that are established for the benefit of these individuals or entities, corporations, institutions and/or partnerships whose economic interest are the same as those of these individuals,
 - c3) Board Members of affiliated companies which comprise 10% or more of the Company's total assets as set out in the latest annual financial statements that are prepared according to Capital Market Legislation and individuals who have regular access to insider information, either directly or indirectly, and who hold authority to take administrative decisions which affect the Company's development in the future and its commercial goals, even if they are not Board Members.

Individuals who hold responsibility regarding capital market instruments that the Company issues are determined according to the aforementioned principles.

If the total of all transactions carried out within the context of Capital Market regulations by individuals who hold administrative responsibility, by individuals who have close relations with them and the parent company related to shares that represent the capital and other capital market instruments based on these shares and transactions made on behalf of each person who holds administrative responsibility, reaches the amount determined by the Capital Market Board communiqués within a calendar year, an announcement is made to the public by the party who has carried out the transaction. The total amount of transactions is calculated by taking the sum of all transactions carried out by the individuals who have administrative responsibility and the individuals who have close relations with them.

All transactions that exceed the limit set by Capital Market Board communiqués and which are carried out by individuals who hold administrative responsibility and individuals who have close relations with those who hold administrative responsibility, related to shares that represent the capital by the issuer's parent company and other capital market instruments based on these shares are announced to the public one working day prior to each transaction, without mentioning the sales amount. The announcement is separate to the announcement which will be made following such sales.

VI- ISSUES REGARDING THE GENERAL MEETING AND DISCLOSURE OF CAPITAL MARKET INSTRUMENT ISSUANCES

The Company, in disclosures concerning General Meetings and issuances of Capital Market instruments, complies with the requirements on the announcement durations and minimum information, which is determined in the Company's articles of association, the Company's General Meeting Internal Directive, the Commercial Code and Capital Market Legislation. This information and the documents are announced in the Company's website separately.

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Other Disclosures Required by the Regulations

VII- MEETINGS TO INFORM INVESTORS AND OTHER ISSUES

It is an important principle for our Company to announce information, provided it does not contain trade secrets, and disclose information to the public, except that which is determined by legislation, in an accurate, timely, understandable, interpretable, easy to access, low cost and equal manner to all of our shareholders and individuals and entities which will utilize this information.

Periodic financial statements and explanations are prepared in line with the current legal legislation in a manner that indicates the Company's real financial position. Financial statements are subject to independent audit in the periods mentioned in the legislation.

Annual reports are prepared in a manner which includes the minimum information mentioned in the legislation and such that the public may access all types of information concerning the Company's activities. These reports are made available to the public through the Public Disclosure Platform and the Company's website.

Our annual report is prepared by our General Manager and Manager who is responsible for preparing the financial statements and reports. Annual reports are approved by the Board of Directors. Annual reports include a statement that financial statements accurately reflect the Company's financial stance.

Any requests from stakeholders for information, the release of which would damage equality of opportunity, or which includes information which has not been announced to the public, are refused. Otherwise, details concerning publicly known issues are shared with our shareholders through all forms of communication.

The Company's website features up-to-date figures and information concerning the Company, and information and documents concerning investors are published under the menu "Investor Relations". The Investor Relations Unit was established to uphold the relationship between the Company and its stakeholders. Stakeholders are informed through this unit. Requests for informative meetings which are received by the unit are communicated to the Company management and evaluated after determining the meeting calendar.

Informative meetings, general meetings, annual reports, declarations by the Company management in newspapers and magazines, material event disclosures, presentations and reports announced to the public, the Company's articles of association for public access and the Company General Meeting Internal Directive are available in the Company's website separately in addition to methods mentioned in the Commercial Code and Capital Market Legislation.

18) CORPORATE GOVERNANCE

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

Our Company is making efforts to implement the notions laid out in Corporate Governance Principles within the framework of existing market and partnership structures.

The Company considers the Corporate Governance Principles to be highly beneficial, both to the Company itself and its stakeholders. It is believed that adopting the Corporate Governance Principles will create a number of major opportunities for the Company, such as lower capital costs, the expansion of liquidity and means of financing, the improvement of the Company's image and increased interest from the Company's domestic and international investors. The shareholders will benefit from a more transparent management structure, allowing them to exercise their rights more easily and access more information about the Company. These steps will motivate shareholders to uphold the Corporate Governance Principles.

The Company achieved complete compliance with the obligatory principles in line with Capital Markets Legislation. Our Company ensured complete compliance to the principles that are obligatory to be implemented according to Capital Market Legislation. There is no principle that is obligatory to be implemented but not having been implemented. There is no principle to be exempted from within the scope of article 6 of II-17.1 numbered Corporate Governance Communiqué.

In addition to these, among the non-obligatory corporate governance principles, the Company adopted regulations that would not have a negative impact on competitive strength, business confidentiality, and provide information to prevent inequalities between shareholders. Every year compliance studies are carried out by Corporate Governance Committee and the principles are reviewed.

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Other Disclosures Required by the Regulations

SECTION II - SHAREHOLDERS

2.1. Investor Relations Unit

The Company's relations with shareholders were initially managed by the Finance Department prior to 2009, when an Investor Relations Unit was established within the Finance Department. Contact details of the mentioned unit are presented below.

The Investor Relations Unit consists of 2 staff, 1 manager and 1 employee and they carry out their duties under Corporate Governance Committee. The Investor Relations Unit manager is also serving as a member of Corporate Governance Committee as of 28 March 2014.

Name/Surname	Title	Telephone & Fax	E-mail	Address
Bülent YILMAZ	Investor Relations Unit Manager	Tel: 0212-273 20 00 (ext 302) Fax: 0212-273 21 64	byilmaz@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/ İstanbul
Meltem UZUN	Investor Relations Unit Employee	Tel: 0212-273 20 00 (ext 309) Fax: 0212-273 21 64	meltem@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/ İstanbul

The Investor Relations Unit manager Bülent Yılmaz has Capital Market Operations Level 3 License (Capital Market Advanced Level License) (License No: 205478) and Corporate Governance Rating License (License No: 700657).

In 2015, the Investor Relations Unit continued to carry out activities regarding the activities to inform shareholders, facilitation of shareholders' use of rights, realization of General Assembly meeting and the statements made in relation to public disclosure principles. The Investor Relations Unit Report, prepared in relation to the activities carried out in 2015 was presented to Board of Directors on 10 February 2015.

In accordance with the Company's Disclosure Policy, the Investor Relations Unit is responsible for providing the shareholders with accurate, timely and complete information on financial and non-financial matters (except for confidential data and trade secrets) as required by legislation and according to the Principles of Corporate Governance, without affecting the value of the capital market instruments issued by the Company, or damaging the equality of opportunity among the shareholders.

To this end, the contact details of the Investor Relations Unit were shared with the public through the Company's website, Annual Reports and Borsa Istanbul in order to allow shareholders obtain information concerning the Company in related matters.

To deal with information requests from the shareholders, telephone, e-mail and fax communication channels have been established.

The Investor Relations Unit received 153 inquiries from investors during 2015 by e-mail and telephone. Responses to enquiries were given through e-mail and verbal communication.

The breakdown of inquiries in terms of content is as follows:

Information Requests	Total	% Share
Information Concerning the Capital Increase and Registered Capital Ceiling	75	49
Reasons Behind Increase and Decreases in the Share Price	50	33
Information Concerning the Financial Statements	12	10
General Assembly Information Demands	9	7
Other Issues	7	6
	153	

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Other Disclosures Required by the Regulations

In 2015, most of the inquiries made by shareholders were concerned with net earnings, share price performance, the increase in the registered capital ceiling and the increase in capital. The remaining questions were concerned with financial statements and dividend distribution. The written and verbal questions forwarded to the Investor Relations Unit by shareholders in accordance with the Capital Markets Board legislation, cannot be answered in case the relevant information was not disclosed to the public. On the other hand, if it is disclosed to the public, the information is made accessible to shareholders.

Material Disclosure to the Public Disclosure Platform (KAP) is used as a general disclosure method. Material disclosures were included simultaneously on our website and the e-company platform of the Central Registry Agency of Turkey. As of year-end 2015, 19 Material Disclosure were carried out.

2.2. Exercise of Shareholders' Right to Information

In accordance with the Capital Markets Board's communiqué, the Company ensured that shareholders, stakeholders and the public would be informed through material disclosures sent to Public Disclosure Platform (KAP). These are also published on the Company's website (www.kartonsan.com.tr/tr/icerik.php?bolum=yatirimci&sira=18).

As required by legislation and in accordance with the essence of Corporate Governance Principles, the Company aims to provide the shareholders with fair, timely, accurate, complete, understandable, analyzable and easily accessible financial and non-financial information (excluding confidential data and trade secrets) about the Company's past performance and its future expectations, without spoiling the equality of opportunity among the shareholders and without affecting the value of the capital market instruments issued by the Company.

The Company's main principle is to inform the shareholders and individuals and/or institutions who will benefit from the disclosure, about the matters publicly disclosed in a manner which is timely, accurate, complete, understandable, interpretable, easily accessible with low cost, and equal.

Requests for information concerning issues which have not yet been publicly disclosed and which could compromise the equality of opportunity among shareholders are refused; however, all details of any information on the publicly shared matters are provided to those shareholders who request it.

The Company's website features up-to-date data and information concerning the Company, and information and documents concerning investors are published under the "Investor Relations" menu. The Company undertook every effort to simultaneously publish the declarations and disclosures on the corporate website. Investor Relations Unit was established to ensure relation among the shareholders regarding the Company. The shareholders are informed through this unit. Information demanding meeting requests that reach to the aforementioned unit are conveyed to the Company's management and the meetings are carried out following the assignment of appropriate meeting calendar.

Informative meetings, general assembly meetings, annual reports, statements made by the company's management in newspapers and magazines, special case statements, presentations and reports disclosed to the public, the Company's main contract for public access, the Company General Assembly Internal Instruction are also announced in the Company's corporate internet web site, in addition to the methods stipulated by Trade Law and Capital Market Legislation.

In the Company, each shareholder is entitled to obtain information and carry out reviews. These rights are neither removed nor restricted via the Company's Articles of Association or by the decision of any Company department. In line with the right to obtain information, and as required by Capital Markets Legislation, all requests for information from shareholders are responded to, except for matters which are yet to be made public that could compromise the equality of opportunities among shareholders. The Company's Investor Relations Unit is responsible for such informing activities. Decisions which might affect the utilization of shareholder rights are declared on the corporate website in a timely manner.

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Other Disclosures Required by the Regulations

The Company's Articles of Association does not respond to requests for the appointment of special auditors to examine certain incidents or requesting this from the General Assembly as an individual right. Matters not covered by the Articles of Association are regulated according to the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. Each year, the Company is subject to the independent audit in accordance with Capital Markets Legislation and is also audited in accordance with the Tax Laws. There is no Company decision or provision in the Company's Articles of Association that would prohibit shareholders from exercising their right to information (rights which do not contravene the legislation and which would not compromise the equality of opportunity). To this end, the exercise of requesting a special auditor right does not appear to be necessary, considering the targeted benefit and its costs to the Company. However, in the event that a majority of the shareholders submit a written application to the Company, it is always possible to form an agenda item for the General Assembly, and to exercise the right to a special audit, on the condition that it is approved of in the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly for the 2014 fiscal year was held physically and electronically on 30 March 2015. Media was not involved in the meeting. Partners, stakeholders and shareholders also attended the meeting. In the Annual General Meeting, 216,635,645 shares out of a total of 283,701,421 (76.3% of all shares) were represented. Since the Company's Articles of Association do not provide for a special meeting quorum for the General Assembly Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitation to the meeting was issued to Turkish Trade Registry Gazette dated 4 March 2015 and no: 8771, Public Disclosure Platform (KAP) and also published in 6 March 2015 issues of Milliyet and Dünya national newspapers. Since the Company does not have registered shares, there was no special invitation form concerning any such shareholders.

The invitation declarations described the location, date and hour of the General Assembly Meeting, power of attorney samples for by proxy attendants in the Meeting, required points for attending the meeting, financial statements for the year 2014, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors and Controllers.

Furthermore, General Assembly documents together with the other documents prepared in accordance with the corporate governance principles were declared for the attention of investors in a special section on the corporate website. Such documents were presented to the examination of the shareholders 15 days prior to the General Assembly Meeting.

The shareholders expressed their opinions and requests. Shareholders' questions were responded to by the Head of the Presiding Committee. The shareholders did not submit any written questions during the meeting. Therefore, any written response was not issued by Investor Relations Unit.

The shareholders did not request special auditor within the period.

The shareholders did not suggest an agenda during the related general assembly meeting.

During the General Assembly Meeting, information was shared on the donations that were made during the year. A separate agenda item was set for the donations. Pursuant to Capital Market Legislation, the General Assembly decided the maximum amount of donations that would be made within the period.

Another agenda item was created regarding the matters of informing the General Assembly and permitting the below mentioned deeds as per the Capital Market Legislation and Turkish Trade Law no: 395 and 396 in relation to the issues for the shareholders who hold the Management Power in their hands, members of board, executive managers, their spouses and up to second degree blood and relatives by marriage to be able to carry out deeds that may create conflict of interest and to compete with The Company or its subsidiaries. It was ensured that the aforementioned permit was given by the General Assembly.

Participants and minutes of general meetings are available at the Company's website (www.kartonsan.com.tr), the Central Registry Agency of Turkey's e-company application and the Public Disclosure Platform (KAP). They are open for the examination of shareholders.

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Other Disclosures Required by the Regulations

2.4. Voting Rights and Minority Rights

According to the Company's Articles of Association, there are no regulations providing privileged voting rights.

Practices that cause difficulties concerning the exercise of voting rights in General Assembly Meetings of the Company are avoided. In this context, each share holds a voting right through which the shareholders vote freely in General Assembly Meetings. The Company has no shares which do not hold voting rights. As a matter of principle for the Company, each shareholder, including the shareholders located abroad, is provided with the opportunity to vote as easily and conveniently as possible. The Company did not receive any applications from shareholders to participate or vote in the General Assembly Meeting in this sense.

The Company does not have an affiliate or subsidiary with which it has a reciprocal participation relationship that involves sovereignty. In case that a reciprocal partnership relation arises in the future, it is accepted in principle that the affiliate or the subsidiary will not exercise their right of voting in the General Assembly, and this situation will be disclosed to the public in compliance with the relevant legislation stipulations, unless obligatory situations arise such as constituting a quorum.

There is no regulation in the Company's Articles of Association concerning the exercise of minority rights. Matters not covered by the Articles of Association are regulated in accordance with the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. The Company accepts that the related regulations concerning the use of minority rights are sufficient.

2.5. Dividend Rights

According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation method of privileged dividends are set out in detail in the Articles of Association.

Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted and 5% of the remainder is distributed to A-Type shareholders. Furthermore, in the event that a first dividend is distributed, a certain amount determined by the General Assembly is distributed to the Board members as dividends.

In the General Assembly Meeting held on 30 March 2015, the proposal of the Board of Directors about not to distribute dividend due to the loss in legal records is accepted with majority votes.

The Company has a clearly defined and consistent dividend policy, which was submitted for the information and approval of shareholders in 2009 during the 2008 fiscal year General Assembly Meeting. The dividend policy is featured in the annual report and also made public on the corporate website. Within the framework of Capital Market Committee Corporate Governance Principles Communiqué arrangements, the dividend policy was revised and publicly disclosed in 2014. It was presented to the shareholders' information in 2013 Annual Report and it was submitted for information and approval to the general assembly held on 27 March 2014. The dividend policy can be accessed via the Company's web site (www.kartonsan.com.tr), through the e-company application of Central Registry Agency and through the Public Disclosure Platform (KAP) Platform.

2.6. Transfer of Shares

All the equity shares of the Company comprise bearer shares and the Articles of Association of the Company does not include any restrictive provisions on the transfer of shares.

Other Disclosures Required by the Regulations

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company Website and Its Content

The Company actively uses its website to issue public disclosures and to inform its shareholders. The Company is committed to keeping its website up-to-date to provide updated information in its website. Announcements as required by regulatory provisions are included in the website in the same form. The website is featured on all printed documents of the Company, like bills, dispatch notes and letterheads.

The Company's website is accessible at www.kartonsan.com.tr. Central Securities Depository's e-company application is accessible through <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>. The Company's website includes an Investor Relations section to ensure that shareholders may access the information they need in a practical manner. Alongside information which is required to be disclosed in accordance with legislation, the Company website also includes trade registry information, current shareholding structure and management, detailed information on the privileged shares, the final version of the Company's Articles of Association, material disclosures, financial and annual reports, registration statements and public offering circulars (if any), agendas of General Assembly Meetings, lists of participants and minutes of the meetings, document for voting by proxy, necessary documents in case of stock and proxy collection by tender calling, the Company's dividend policy and disclosure policies. The existing information and documents featured on the Company website is considered to be sufficient. The Company website completely features all the documents and announcements as required by the Capital Markets Board.

The Company website only features the shareholding structure. The Company does not declare information concerning the stake of the ultimate controlling individuals after netting off indirect and mutual affiliate relations. According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation for privileged dividend rights are mentioned in detail in the Articles of Association. In addition, it is the Company's preference that it does not announce such information, given that the Company does not hold information on the final individual holding of the shares, and the difficulty in keeping such information up-to-date.

The English version of the Company website is also available. However, information concerning the Investor Relations is only available in Turkish. English versions of the Company's annual reports are also accessible on the Company website as well.

3.2. Annual Report

Each year, a detailed annual report is prepared and presented by the Board of Directors of the Company to ensure that stakeholders of the Company kept informed prior to the General Assembly Meetings. The annual report is also featured in the corporate website. Furthermore, interim reports are also prepared and announced to the public on a quarterly basis in accordance with the Communiqué no: II-14.1.

The Company pays maximum attention to ensure that the said reports do contain detailed information concerning the Company's operations, and the Company takes every effort to ensure that the information provided is consistent with the Company's financial and operational results.

The annual reports prepared by the Company also provide information on the outside activities of Board members and managers, and declarations of the Board members concerning their independence.

Information on the structure and members of committees formed among Board members are presented in the annual reports. However, information concerning the frequency of meetings, activities and working principles of the committees and comments of the Board of Directors on the effectiveness of the committees are not included in the annual reports, since the Company believes that such information is of immaterial importance for shareholders.

Information on the number of Board of Directors meetings during the year is included in the annual reports, but information on the list of participants in such meetings is excluded. According to the Company's Articles of Association, the Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by a majority of the Board members present at the meeting. In this context, information concerning the list of participants to the meetings is considered to be of immaterial importance for shareholders.

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Other Disclosures Required by the Regulations

Since the foundation of the Company, none of the Board of Directors' members have been sentenced to any penal procedure or a sanction at a material level. In case of such a situation in the future, it is (within the framework of its importance) accepted that it should be announced publicly as a matter of principle.

Information concerning any significant legal action filed against the Company and possible outcomes are expressed in the footnotes of the financial statements prepared by the Company. These footnotes are also included in the annual reports.

Since its foundation, there have been no instances of conflicts of interest between the Company and any institutions which have provided investment consultancy and rating services to the Company. It is accepted as a principle that in the event of such a situation arising in the future, public disclosures will be issued, provided that such disclosures do not affect the competitiveness of the Company or include any trade secrets of the Company (within the framework of its importance).

Footnotes to the financial statements of the Company include information concerning the Company, its affiliates and subsidiaries. Furthermore, these footnotes are also provided in the Company's annual reports.

The Company's annual reports provide information concerning employee and social benefits, vocational training, any operations undertaken by the Company that may result in social or environmental impacts, and the Company's corporate social responsibility activities.

Every year during the General Assembly Meetings, the Company provides information concerning the issues listed in section 1.3.6 of the Corporate Governance Principles of the Company. Therefore, the Company deems the inclusion of such information in the annual report to be unnecessary.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

The Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise their rights, as determined within the framework of legislation, and mutual contracts at the transactions and activities of the Company in a complete and fair manner. In the event that stakeholder rights are not protected by legislation and mutual contracts, it is accepted as a principle that their benefits will be protected by goodwill and fairness within the capabilities of the Company.

The Company does not have a procedure in cases where stakeholder rights that are protected by legislation and mutual contracts are violated by the activities. Through a fair approach, the Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise all of their rights that are derived from the laws and agreements, in a complete manner. The Company has no compensation policy for its employees.

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company policies and procedures are fundamental principles for the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and public is carried out within the framework of Company disclosure policy. The Company's disclosure policy can be reached via the website (www.kartonsan.com.tr), through the e-company application of Central Registry Agency (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and through KAP Platform.

Communication channels of the Company are accessible for all stakeholders and contact information is available on the Company website. Stakeholders are entitled to communicate with the Corporate Governance Committee and the Audit Committee without any interference from the Company. Stakeholders are also entitled to reach these committees through all communication channels.

Our Company's target is to protect the rights of each and every stakeholder independently in the event of possible conflicts of interest between stakeholders.

Other Disclosures Required by the Regulations

4.2. Stakeholders' Participation in the Management

In order to ensure that personnel at different levels of the organization participate in the management, monthly Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management, and various issues are discussed in these meetings. During the aforementioned meetings, requests and expectations of personnel, customers and suppliers are collected and delivered to the top management. The departments implement the decisions taken. Personnel are informed of all activities and processes of the Company linked to procedures that are established according to the ISO 9001 Quality Management Systems. There is no pronouncement in the Company's Articles of Association concerning the participation of personnel in the management.

4.3. Human Resources Policy

The Company's recruitment policy aims to ensure that the right individuals are appointed to the right positions, in view of employee's objectives and personnel competencies, while paying due regard to ensure equal opportunity among employees in same position.

In case of a situation where changes in the management are expected to give rise to administrative disruption; succession and possible scenario projections are utilized in the determination of new manager appointments.

The criteria for the recruitment of personnel are stated in written form and all recruitment decisions comply with these criteria.

The Company plans and implements various training programs to enrich employee's know-how and skills, and support their personnel development. Training sessions for each year are planned in the previous year. Fairness is accepted and implemented as a principle in all rights provided to employees.

The Company's financial reports are provided both on the Company's website and in its annual reports. The Company has ensured that it is possible for all stakeholders to access these reports easily and freely. The Company periodically informs its employees of issues concerning pay, career, training and health. Employees of the Company are informed of all decisions or developments concerning them through e-mail, announcements on the bulletin boards or through informing union representatives. The senior management also takes account of the union's views of such decisions.

The job definitions of Company employees are stated in written form in compliance with ISO 9001 Quality Management Systems. Employee salaries and other benefits are determined on the basis of performance and efficiency. The Company has no plans to oblige its employees to hold shares in the Company.

The Company takes all precautions to prevent any racial, religious, language or gender discrimination as well as attitudes towards employees that could physically, mentally or emotionally affect employees.

The Company recognizes that the foundation of associations and collective bargaining rights are provided by law. There is an active labor union in the Company's plant through which the Company and the union negotiate on labor contracts.

The relations with employees are managed through Human Resources Department. Besides, there are union representatives for the staff who are members of labor unions.

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Other Disclosures Required by the Regulations

4.4. Code of Ethics and Social Responsibility

The Board of Directors has not prepared a code of ethics for the Company and its employees, which is disclosed to employees and the public. However, there are job definitions for employees and their actions and statements are kept in compliance with well-established business life principles, laws, ethical values, traditions, norms, and principles of environmental protection.

The Company is committed to regulations and ethical codes concerning issues related to the environment, consumer and public health.

The Company holds ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System, and OHSAS 18001 Occupational Health and Safety System certificates audited by Bureau Veritas. All necessary action is taken to meet system requirements and to ensure the safety of the employees and respect for the environment.

The Waste Water Treatment Plant avoids the direct discharge of processed water to the environment, and the waste water treatment plant's output values are constantly monitored. Other wastes are delivered to licensed firms, which then recycle or eliminate them, thus contributing to the prevention of environmental pollution.

In cardboard production, the Company uses 90% recycled paper in an effort to contribute to the national economy and the protection of forests.

Every year, noise levels both by night and by day, in and around the factory, are measured; all efforts are taken to ensure the noise level is maintained within the legal limits.

To contribute to minimizing environmental pollution, the Company uses natural gas, generates its own energy and undertakes all necessary emission measures in time.

The Company also undertakes social donations to sport clubs, municipalities, public agencies, associations and foundations in the region where its production plant is located.

The Company formed an internal audit system to tackle all forms of fraud including commission and bribery, and utilizes it effectively.

The Company accepts, supports, and respects all internationally recognized human rights.

SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of Board of Directors

The composition of the Board of Directors is regulated in details with the article 8 of the Articles of Association. The said article is given below:

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

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

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

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

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

BOARD OF DIRECTORS

Name Surname	Title	Positions Outside the Company	In/Out of Group	Beginning	Term of Office	End	Re-Appointment
Ünal Bozkurt	Chairman of the Board of Directors	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Sinan Ercan Gülçur	Board Member	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Babür Gökçek	Board Member	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Mehmet İmregün	Board Member	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Hatice Canan Pak İmregün	Board Member	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Ali Ersin Güredin	Independent Board Member	Academician	Out-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Tamer Koçel	Independent Board Member	Academician	Out-Group	27.03.2014	30.03.2015	30.03.2015	1 Year
Haluk İber	Board Member and General Manager	Board Member	In-Group	27.03.2014	30.03.2015	30.03.2015	1 Year

The CVs of the Board of Directors are given below:

1) Sinan Ercan Gülçur

Born in 1951, Sinan Ercan Gülçur is a graduate of Robert College's lycee division and holds a bachelor's degree in mechanical engineering, a master's degree in industrial engineering from Boğaziçi University and an MBA from the University of Rochester. He has been serving on the boards of various companies in the Pak Group since 1997. Mr Gülçur has been a member of our own Company's board since 2000 and he previously served as its chairman. He is also a member of the board of directors of our Company's subsidiary Selka İç ve Dış Ticaret A.Ş. and served as its chairman too. Between 2006 and 2011, Mr Gülçur served as a member of the board of Dönkasan Dönüşen Kağıt Hamur Sanayii ve Ticaret A.Ş., a group company that was wound up in 2015.

2) Aslı Balkır

A graduate of Robert College's lycee division, Aslı Balkır holds a degree in electronics from Kent University. She worked for Pesaş Pak Elektrik Sanayii ve Ticaret A.Ş. in 1981-1985 and also for Tekaç Tekirdağ Ağaç Sanayii ve Ticaret A.Ş. in 1984-1985. She joined the Pak Group in 1995 and has held seats on the boards of all group companies. Ms. Balkır is currently a member of the executive committee of Pak Group of Companies and is responsible for information technologies and procurements. She became a member of our Company's board of directors in 2001 and has been its deputy chairman since 2010. She also joined the board of our Selka İç ve Dış Ticaret A.Ş. subsidiary in 2001 and has been its deputy chairman too since 2010.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

3) Ünal Bozkurt

After graduating from İstanbul University (Faculty of Economics), Ünal Bozkurt completed the certification program of the Faculty of Business Administration's Institute of Business & Economics. He began his career in 1969 at İstanbul University as a research assistant at the school of business's Department of Finance and received an MBA from Indiana University in 1974. After receiving his doctorate from İstanbul University (Faculty of Business Administration), he became an instructor at the school while also undertaking projects and taking part in the training programs of a number of private-sector industrial firms and banks. Mr. Bozkurt joined the Pak Group in 1984 as a consultant, a position which he still holds there. He has also held seats on the boards of a bank (Tekstilbank), a brokerage house (Meksa Menkul Değerler A.Ş.), a leasing company (Tekstil Leasing A.Ş.), and a financial information company (Finar A.Ş.). In 2006 he retired from his position as professor at İU Faculty of Business Administration. He is the author of nearly 100 published articles and has written or translated five books. Mr. Bozkurt currently holds seats on various Pak Group companies. At our own Company he became a member of the board in 2000 and has served both as its deputy chairman and as a member of the Kartonsan Audit Committee. He has been chairman since 2014. He was elected to a seat on the board of our Selka İç ve Dış Ticaret A.Ş. subsidiary in 2000 and became its deputy chairman too in 2014. Ünal Bozkurt also served as a member of the board of directors of Dönkasan Dönüşen Kağıt Hamur Sanayii ve Ticaret A.Ş., a group company that was wound up in 2015.

4) Mehmet İmregün

Mehmet İmregün received a bachelor's degree in mechanical engineering from İstanbul Technical University after which he received a master's degree in advanced applied mechanics from Imperial College London, which also awarded him a doctorate in 1984. In 1985 he set up ICATS, a company specializing in vibration engineering software and consultancy services, which he continued to run until 2010 while also pursuing an academic career at Imperial College London as a professor of engineering dynamics and serving as head of the Rolls Royce University Technology Center. He resigned from all of these positions upon deciding to return to Turkey. Dr. İmregün has contributed more than 300 papers to scholarly publications and holds three patents in his own name. He has been serving as chairman in various Pak Group companies since 2009 and has been a member of the board of our own Company since 2011.

5) Babür Gökçek

Born in 1981, Babür Gökçek is a graduate of Yıldız Technical University (Department of Mechanical Engineering). He has been serving on the boards of various Pak Group companies since 2005 and joined our own Company's board in 2006. He also served on the board of directors of our Selka İç ve Dış Ticaret A.Ş. subsidiary in 2006-2011.

6) Süleyman Kaya

Born in 1956, Süleyman Kaya graduated from İstanbul High School for Boys and received his bachelor's degree from İstanbul Technical University (Faculty of Mechanical Engineering) and his master's degree from Aachen Technical University in Germany. After serving in various capacities at our Company in 1983-1996, he became an assistant general manager in the latter year and held that position until February 2012. He has been a member of the board since 2006 and its chairman since 2014. He was elected to a seat on the board of our Selka İç ve Dış Ticaret A.Ş. subsidiary in 2006 and has been its chairman too since 2014. Between 2011 and 2015 he was a member of the board of directors of Dönkasan Dönüşen Kağıt Hamur Sanayii ve Ticaret A.Ş., a group company that was wound up in 2015. In the latter year he became chairman of Dönkasan Dönüştürülen Atık Kağıt Sanayii ve Ticaret A.Ş., the Kartonsan subsidiary that survived the former company's demerger and dissolution, and currently holds that position. Mr. Kaya is a member of the board of directors of Mel SA, a Pak Group subsidiary in Greece and also that company's country director. He has been the Pak Group's Cardboard and Flexible Packaging Group Manager since October 2012.

7) Haluk İber

Born on 15 July 1959, Mr. İber graduated from the Department of Chemical Engineering at the İstanbul Technical University and holds a Master's degree from the University of Maine. Having started his career in 1987 in Seka A.Ş., he then served in various positions at our Company between 1991 and 2002, and worked as an Assistant General Manager between 2002 and 2012. As of 1 October 2012, he was appointed as the General Manager of the Company, a position which he has held to this day. Mr. İber continues to serve as a member of the Board of Directors of Kartonsan since 2005. He is also serving as a member of the Board of Directors in Company subsidiaries Selka İç ve Dış Ticaret A.Ş. and Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

8) Hatice Canan Pak İmregün

Hatice Canan Pak İmregün graduated from the German High School in İstanbul and completed her bachelor's degree studies at the American College in Paris and at Boğaziçi University. She began her career at Pak Gıda Üretim ve Pazarlama A.Ş., subsequently served in positions in all group companies, and is currently deputy chairman in several. Having previously served as a member of the Kartonsan Board of Directors, she was reelected to a seat on 1 October 2012 and has continued to hold it since that date.

9) Prof. Dr. Ali Ersin Güredin

Born in İstanbul in 1943, Ali Ersin Güredin attended middle and high school at the German Lycee in İstanbul and graduated from İstanbul University (Faculty of Economics) in 1969. He began his academic career at İstanbul University Faculty of Business Administration and received his doctorate in 1972. He became an associate professor at the school in 1976 and a full professor in 1982.

Prof. Güredin served as a full-time member of the İU business administration faculty's Department of Accounting & Auditing from 1969 to 2008. Between 1979 and 1981 he was a visiting professor at Roosevelt University in Chicago. He retired from İstanbul University in 2008 but continues to teach classes in both Turkish and English as a part-time instructor in financial accounting, cost & management accounting, auditing, budget & control, and internal control systems at Boğaziçi University (undergraduate program), Doğuş University (undergraduate and master's programs), Fatih University (undergraduate and doctorate programs), and İstanbul Ticaret University (master's program). Fluent in German and English, Prof. Güredin has published papers and articles on accounting and auditing and is the author of two books: *Uygulamalı Maliyet ve Yönetim Muhasebesi* on applied cost and management accounting (5th printing 2008) and *Denetim ve Güvence Hizmetleri* on Auditing and Assurance Services (13th printing 2010).

10) Prof. Dr. Tamer Koçel

Born in Eskişehir-İnönü in 1946, Tamer Koçel graduated from Kabataş High School for Boys in 1963 and from İstanbul University (Faculty of Economics) in 1967. In 1968 he completed the program at the Institute of Business Administration and Economics. He received an MBA from Michigan State University in 1974 and became an associate professor at İstanbul University in 1975. In 1977 he completed the business administration program at the Baniff School of Advanced Management in Alberta CA and served as an instructor at Roosevelt University in the United States in 1980-1982. Mr. Koçel became a professor at İstanbul University in 1982.

Between 1982 and 1994 he served in a part-time capacity at the university while pursuing a career as a consultant, coordinator, and manager at various companies. He joined İstanbul Kültür University in 1999, where he served as head of the Institute of Social Sciences, dean of the Faculty of Economics & Administrative Sciences, and assistant rector before becoming the school's rector in 2004, a position that he held until 2008. Prof. Koçel continues to serve at İKU as the head of its Family Businesses & Entrepreneurship Research Center and as an instructor at the Faculty of Economics & Administrative Sciences.

Independent Board Members

As required by Capital Markets Board regulations concerning independent directors, on 27 February 2015 the Kartonsan Corporate Governance Committee identified two candidates to serve as independent members of the Kartonsan Board of Directors and submitted their names to the board on the same date. Both persons have submitted their affidavits of independence to the Company and there was no evidence of any breach of that status during the reporting period. The affidavits which these independent directors have submitted to the Company read as follows:

I hereby declare and avow, as required by laws and regulations and the Company's articles of association, that I am a candidate to serve in the capacity of "independent director" on the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş. ("the Company") in accordance with the criteria set forth in "Corporate Governance Principles" and published by the Capital Markets Board and furthermore:

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management;
- That within the most recent five years, I have neither been employed by nor served as a director in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;
- That within the most recent five years, I have been neither a partner, nor an employee, nor a director in any firm which provides the Company with substantial amounts of any products or services;
- That any shareholding interest which I may have in the Company amounts to less than 1% of the Company's capital and that none of these shares entail any special rights | That I have no shareholding interest in the Company;

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Other Disclosures Required by the Regulations

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- That, as may be seen from my attached resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors;
 - That I am currently not a full-time employee of any public agency or organization;
 - That I am a resident of Turkey as defined in the Income Tax Law;
 - That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, that I shall maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
 - That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Date / Name / Signature

The issue of whether or not members of the board may undertake duties outside the Company is not bound by any specific rules or regulations. Information concerning this matter is included as a separate item in general meeting agendas and is submitted for the knowledge and approval of shareholders.

There are no targets set for women as members of the Company's board of directors. At least two women have been serving as Company directors for many years. Inasmuch as no minimum number of female directors has been set, the issue of fulfilling such targets does need not to be addressed.

5.2. Operating Principles of the Board of Directors

The principles of the Board of Directors' operations are regulated in details with the article 9 of the Articles of Association. The said article is given below:

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

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

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

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

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

The article 11 of the Articles of Association regulates the Meetings of the Board of Directors as given below:

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

The Kartonsan Board of Directors has committed itself to the principle of conducting its activities transparently, accountably, fairly, and responsibly and it does so. In the twelve months to 31 December 2015, a total of 29 board meetings were held. All members attended these meetings except for those who had a valid excuse (reasons of health, travel abroad, etc.). Inasmuch as all the decisions that were taken during the reporting period were passed by a unanimous vote of those who were present, no notices of dissenting opinions were entered into the record.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

No delegations of authority have been made among the members of the Company's board of directors. Committees have been set up within the board however and information about their activities is published in annual reports and on the Company's corporate website.

Members of the Board of Directors are not covered by insurance against the risk that the Company may suffer a loss on account of misjudgment and errors in the performance of their duties.

After each year's general meeting, the Company's Board of Directors draws up power of signature statements concerning the ways in which the Company may be represented and bound. None of these statements give any Company officer the power to represent the Company on their sole authority. Business and operations of a substantial nature may be performed only under the signature of at least two authorized persons representing different power of signature groups. No one has unlimited authority to make decisions on the Company's behalf.

The Company's chairman and general manager is not the same person. This has been true at the Company for many years.

Even if it should transpire, at some future date, that the Company's chief executive and chairman were to be the same person, it is not thought that this would have any impact on the stakeholders' rights and for that reason, it would not be necessary to notify shareholders of the situation or to include specific mention of it in annual reports.

A Corporate Governance Committee has been set up consisting of members of the Company's Board of Directors. A shareholder relations unit has also been set up and reports to this committee. The Kartonsan Board of Directors acknowledges the leading role it must play in preventing and resolving any disputes which may arise between shareholders and the Company.

5.3. Number, Structure, and Independence of Committees Established within the Board of Directors

An Audit Committee, an Early Detection of Risk Committee, and a Corporate Governance Committee have been set up whose members are within the Kartonsan Board of Directors. Neither a nominating committee nor a remuneration committee has been set up, the functions of such committees having been assigned to the Corporate Governance Committee instead. Matters pertaining to which members serve on which committees and to the committees' operating principles are decided on and publicly disclosed by the Kartonsan Board of Directors.

The Kartonsan Audit Committee consists of two members, both of whom are independent directors and one of whom naturally serves as the committee head.

The Kartonsan Corporate Governance Committee consists of four members, three of whom are Board Members and one of whom is the head of the Investor Relations Unit. The Kartonsan Risk Detection Committee consists of three members. The heads of both committees are independent directors.

The committees that were active in 2015 are indicated below:

AUDIT COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Ali Ersin Güredin	President of the Audit Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Tamer Koçel	Member of the Audit Committee	28.03.2014	03.04.2015	03.04.2015	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Tamer Koçel	President of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Aslı Balkır	Member of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Süleyman Kaya	Member of the Corporate Governance Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Bülent Yılmaz	Member of the Corporate Governance Committee*	28.03.2014	03.04.2015	03.04.2015	1 Year

* Head of Investment Relations, not a member of the Board of Directors.

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Other Disclosures Required by the Regulations

THE EARLY DETECTION OF RISK COMMITTEE

Name Surname	Title	Beginning	Term of Office	End	Re-Appointment
Ali Ersin Güredin	President of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Mehmet İmregün	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Sinan Ercan Gülçur	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year
Ünal Bozkurt	Member of the Risk Committee	28.03.2014	03.04.2015	03.04.2015	1 Year

Neither the CEO nor the general manager nor any other director with executive duties served on any of these committees.

Owing to the size and nature of the Kartonsan Board of Directors, it has only two independent members. Inasmuch as at least the head of committees and all of the members of the Audit Committee must be independent directors, it is impossible in principle for Kartonsan's independent board members not to serve on more than one committee. Therefore, one independent member of the Board of Directors necessarily serves on two committees.

The operations of committees are governed by principles which have been set forth in writing. One of these principles is that all committees have the power to invite any Company manager to attend a committee meeting in order to have the benefit of that manager's views when such are deemed to be necessary. The Kartonsan Board of Directors allocates funding sufficient for committees to perform their functions.

Another of the committees' working principles is that they may procure consultancy services which they deem to be necessary to perform their duties, on condition that such services are paid for by the Company.

Written records are maintained concerning all the activities of committees. This matter is also governed by the committees' written working principles. Committees submit reports of their activities to the Kartonsan Board of Directors at regular intervals.

All committees other than the Early Detection of Risk Committee are required to convene at the Company's headquarters at least four times a year and at least once every three months.

5.4. Risk Management and Internal Control Mechanisms

The Company decided to set up an Early Detection of Risk Committee in 2013. This committee consists of three members and is headed by an independent member of Board of Directors. Owing to the way it is constituted, the Kartonsan Board of Directors elects a new Early Detection of Risk Committee every year following the election of the Board itself. Early Detection of Risk Committee members perform their duties as set out in their governing regulation. The committee submits an annual report of its activities during the current year to the Kartonsan Board of Directors towards the end of that year.

Internal control systems have been set up and are functioning at the Company. These internal control systems are governed by the Company's ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System, and OHSAS 18001 Occupational Health and Safety Management System certifications. Such certifications are regularly audited by independent agencies, which report any breaches of their terms to the Company's senior management. Such problems as may be reported are resolved and policies are formulated accordingly through interactive communication.

The Kartonsan Board of Directors deploys risk management mechanisms in order to ensure that internal control functions are periodically checked so that improvements may be made in them. The Company's management prefers not to have the results of these reviews included in annual reports and therefore they are not.

5.5. Strategic Goals of the Company

The Kartonsan Board of Directors sets out each year's strategic objectives during the previous year and also determines the human and financial resources that will be needed to achieve those objectives. The degree to which targets are being fulfilled is checked at regular (monthly, quarterly, and annual) intervals.

The Kartonsan Board of Directors has committed itself to the principle of conducting its activities transparently, accountably, fairly, and responsibly.

The Kartonsan Board of Directors ensures that all of the Company's business and related activities are conducted in accordance with the requirements of laws and regulations, of the articles of association, and of Company regulations and policies.

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Other Disclosures Required by the Regulations

5.6. Financial Rights

Principles governing the remuneration of members of the Board of Directors and of Company senior executives have been set out in writing. Such remuneration is included as a separate item on general meeting agendas in order to inform shareholders, whose opinions on the matter are solicited. The Company's remuneration policy is published on the Kartonsan corporate website (www.kartonsan.com.tr). It is also accessible from the Central Registry Agency (e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916) and the Public Disclosure Platform.

Owing to the size and nature of its Board of Directors, the Company has decided not to set up a separate remuneration committee but rather to have the duties which CMB Corporate Governance Principles say such a committee must carry out by the Kartonsan Corporate Governance Committee instead.

The Kartonsan Corporate Governance Committee performs the duties which are required by the Capital Markets Board under its published Corporate Governance Principles. It currently engages in no activities other than the ones mandated by those principles.

The remuneration paid to independent members of the Kartonsan Board of Directors involves neither Company stock options nor any other form of payment that is contingent upon the Company's performance. Care is given to ensure that the amounts paid to independent directors are at such a level as to maintain their independence. The general assembly of shareholders has voted to pay independent directors their remuneration on a monthly basis.

The Company has not entered into any debt or credit relationship with any member of its board nor with any senior executive; neither does it grant guarantees, surety, or the like to such persons. It is an avowed principle of the Kartonsan Board of Directors to abstain from such relationships and dealings.

Information about the remuneration paid and all the other benefits given to members of the Kartonsan Board of Directors is included in interim and annual reports and is published on the Company's corporate website. Although recipients are not identified by name, a distinction is made between the amounts that are paid to Board Members on the one hand and those that are paid to senior executives on the other.

19) AFFILIATED COMPANY REPORT PREPARED WITHIN THE CONTEXT OF ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors is obliged to prepare a report concerning relations with the Company's holding company and affiliated companies of the holding company in the first three months of financial year in line with article 199 of the Turkish Commercial Code number 6102, which has been in force since 1 July 2012. The Board of Directors is also obliged to involve the result of this report in the annual report.

In the report dated 26 February 2016, which was prepared by Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors, it was stated that;

"Asil Gıda ve Kimya San ve Tic A.Ş. (Holding Company) which is a holding company of Kartonsan Karton Sanayi ve Ticaret A.Ş. (Affiliated Company), Pak Holding A.Ş. and directly or indirectly affiliated companies of these two companies provided appropriate counter performance in each legal activity according to terms and conditions within our knowledge in dates which transactions were made. The Company has no loss and no measures were taken or avoided.

The Company evaluated legal activities for the benefit of the holding company or its subsidiaries, and all precautions that were taken or avoided to be taken for the benefit of the holding company or its affiliated companies in 2015 under the holding company's guidance according to the terms and condition within our knowledge in all transaction made between our Company, the holding company and its subsidiaries in the period between 1 January 2015 - 31 December 2015. We declare that our Company recorded no losses and did not hold an advantage and did not balance the holding company's advantages or losses in connection to any transactions which occurred according to known terms and conditions in 2015."

20) COMPENSATION PROVIDED TO THE BOARD MEMBERS

Members of the Board of Directors and executive managers who serve in Kartonsan obtain the following earnings as explained below.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Other Disclosures Required by the Regulations

Compensation Provided to the Members of the Board of Directors

- Attendance Fee

The amount is decided by the General Assembly.

The Payment of the Attendance Fee

According to Article 61/4 of the Income Tax Law, the attendance fee paid or benefits provided to the Chairman and the members of the Board of Directors are characterized as wages. As is the case for wages paid to employees, attendance fee payments made to the Chairman and the members of the Board are also subject to tax through withholding deductions.

- Dividend Payment

The dividend payment is decided each year by the General Assembly at the General Assembly Meeting in accordance of Article No: 25 of the Company's Articles of Association.

Compensation Provided to the Senior Managers

The General Manager, who is also a member of the Board of Directors, and Assistant General Managers, are entitled to the compensation set out below in addition to compensation connected to their membership of the Board:

- Monthly Salary (decided annually)
- Bonus at the amount of the monthly salary (paid four times a year)
- Performance Premium (paid once a year at the end of the year)
- Employment Termination Benefits (paid after the 5th, 10th, 15th, 20th and 25th year of service, between 1 and 2.5 times the salary)
- Individual Accident and Health Insurance
- Vehicles and Office Stocks allocated for their duties.

Benefits (salary and attendance fees excluding dividend payments to Board of Directors) provided to Senior Managers and Board Members are listed below:

	31 December 2015	31 December 2014
Benefits Provided to Senior Managers	1,224,655	1,015,580
Benefits Provided to Board Members	206,463	197,933

21) OTHER ISSUES

- The Company has no own shares which it acquires.
- Explanation regarding charges filed against the Company which may affect financials and regarding their potential results are made in footnotes of financial tables (Footnote 15).
- All of the Company's capital exists and there is no instance of the capital remaining uncovered or deeply in debt.
- There was no important issue after the activity period.
- In 2015, routine inspections were continued to be carried out at the company's factory by Kocaeli Metropolitan Municipality, Başiskele Municipality and Environment and Urbanization Provincial Directorate regarding waste and pollution that are generated as a result of our manufacturing activities. No inspections were carried out at our premises by any other public institutions, except for the public institutions mentioned above.
- No administrative or legal penalty was imposed on the company and members of the management organ due to the practices that conflict the legislation stipulations.
- No Extraordinary General Assembly Meeting was held in 2015.

Kartonsan Karton Sanayi ve Ticaret A.Ş.

Information to Shareholders

Stock Market

Shares in Kartonsan A.Ş. are listed on the Borsa İstanbul A.Ş. (BIST)'s National Market under the KARTN ticker. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies.

Kartonsan's annual reports and other information may be obtained from the address below, as well as the website which can be accessed through www.kartonsan.com.tr.

Kartonsan Investor Relations

Prof. Dr. Bülent Tarcan Caddesi No: 5, Engin Pak İş Merkezi Kat: 3 Gayrettepe 34349 İstanbul

Independent Auditor

Başaran Nas Bağımsız Denetim ve S.M.M.M. A.Ş. Süleyman Seba Cad. BJK Plaza No: 48 B/Blok Kat: 9 34357 Beşiktaş - İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

Tax Affirmation

Başaran Nas Yeminli Mali Müşavirlik A.Ş. Süleyman Seba Caddesi BJK Plaza No: 48 B/Blok K: 12 34357 Beşiktaş - İstanbul
Tel: (212) 326 60 60
Fax: (212) 326 60 50

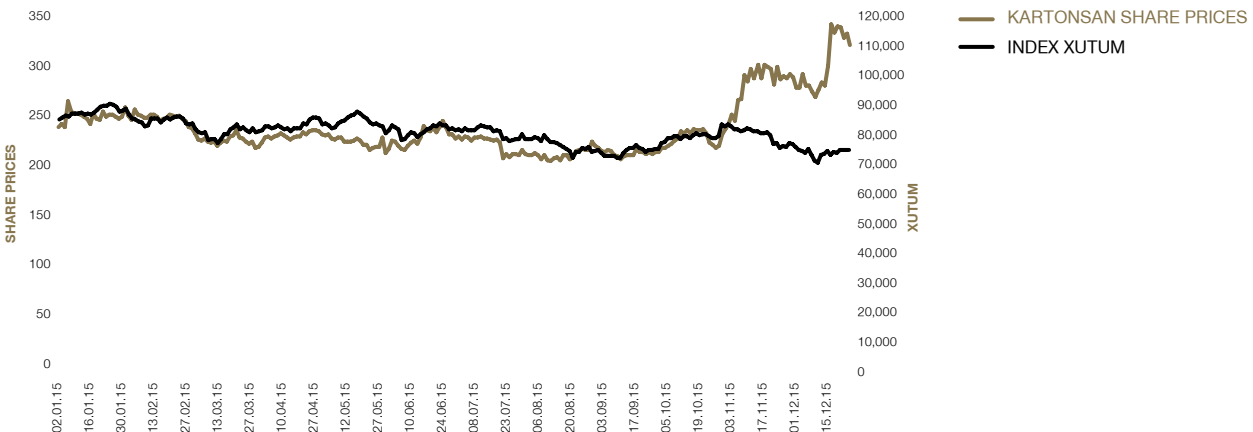
Ordinary General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on Tuesday, 29 March 2016 at 10:30 in POINT HOTEL BARBAROS Esentepe Yıldız Posta Caddesi No: 29 Şişli - İstanbul.

Performance of Kartonsan Shares in 2015

Kartonsan's paid in capital was TL 2,837,014.21 as of year-end balance sheet. The Company's capital is divided into 283,701,421 shares, 200 of which are A and 283,701,221 of which are B shares.

PERFORMANCE OF KARTONSAN SHARES IN 2015 (COMPARED WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 205 and the highest share price was TL 346. The average price in 2015 was TL 240.02. The lowest and highest prices of the shares are presented in the following table:

Period	Lowest TL	Highest TL
02.01.2015 - 31.03.2015	219.00	266.50
01.04.2015 - 30.06.2015	213.50	246.00
01.07.2015 - 30.09.2015	205.00	230.50
01.10.2015 - 31.12.2015	214.00	346.00

