

A large, circular image showing a paper mill. In the center, a large roll of white paper is being processed by machinery. The floor is yellow, and there are green supports for the machinery. In the background, there are windows and more rolls of paper.

THE LEADER
in Turkey
4TH BIGGEST
in Europe

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AGENDA

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. AGENDA FOR THE 2016 ANNUAL GENERAL MEETING TO BE HELD ON 30 MARCH 2017

1. Opening the Meeting and Electing the Presiding Committee,
2. Reading and Deliberating the Board of Directors' Report Concerning 2016 Operations,
3. Reading and Deliberating the Independent Auditors' Report Concerning 2016 Operations,
4. Reading, Deliberating, and Approving the 2016 Balance Sheet and Income Statement,
5. Acquitting Company Directors of their Fiduciary Responsibilities for the Company's 2016 Operations,
6. Providing Information about Donations Made in 2016 and Setting Limits on such Donations in 2017,
7. Approving, Discussing any Changes in, and Approving or Rejecting the Board of Directors' Proposal Concerning Distribution of 2016 Profits and the Date of their Distribution,
- a- Deliberating, and Approving of the Elimination of Prior Years' Losses for 2014 and 2015 from Extraordinary Reserves in Legal Records.
- b- Reading, Deliberating, and Approving the Board of Directors' Proposal Concerning Distribution of 2016 Profits.
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 2017 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 SUMMARY

Kartonsan's strength and competence is not only based on its long-standing past, but also its responsibilities for the future.

Kartonsan's annual production volume has reached 240,000 tons per year and the Company is the leader in Turkey's coated cardboard sector. It is also the fourth largest producer in Europe.

Kartonsan will be celebrating its 50th anniversary in 2017. Founded in 1967, Kartonsan began production in 1970.

Kartonsan is the pioneer and leader of Turkey's coated cardboard sector. Kartonsan was the first private coated cardboard producer in Turkey at a time when paper production was a state-controlled business. It has continued its activities with a brave and entrepreneurial spirit since its establishment. The Company, commanding the largest production capacity in Turkey, is also the fourth largest producer in Europe's coated cardboard sector.

Kartonsan is a brand that sets itself apart from its competitors primarily with its superior customer satisfaction and also with its products, competitive quality standards and with its production, trade and logistical capacity.

According to figures for the year 2016, Kartonsan commands a share of 40% in Turkey's coated cardboard market.

Kartonsan is unwavering when it comes to the implementation of its corporate strategy within the scope of economy, protecting the environment and sustainability.

Kartonsan's strategy oversees the production of coated cardboard with an environmentally friendly approach and aims to create sustainable value for all its stakeholders. Another strategic objective of Kartonsan is to sustain a profitable operation and to continuously develop shareholder value.

Kartonsan's capital structure, that is open to the public, allows the Company to share its financial performance with a wide scope of financiers. Kartonsan contributes to the Turkish macro-economy with the employment opportunities it provides as well as the corporation taxes it pays.

The main points and advantages of Kartonsan which direct its roadmap are its qualified human resources, technology-focused production potential and strong corporate competencies.

Placing utmost importance on protecting the environment

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

Kartonsan uses up to 99% of its paper in the coated cardboard production process, and is unwavering in upholding its responsibilities and respect to the environment. Kartonsan also employs the latest modern techniques to purify and re-use its waste water at its facilities.

Kartonsan also generates its own energy and utilizes turbine exhaust gases effectively to produce steam.

Kartonsan's Contribution to Society

At Kartonsan, the sustainability of a social structure is of key importance for the prosperity of future generations. Kartonsan invests in the society and the community it belongs to and shares the value created with all stakeholders. Kartonsan exhibits its contribution to society with the employment opportunities it creates, the direct and indirect taxes it pays, the synergy it generates within the supply chain and the social responsibility work and activities it carries out.

Social responsibility projects represent the most substantial implementation of Kartonsan's principle of presenting a part of the added-value to society. Kartonsan takes part in social responsibility projects focused on education and the environment and believes in its duty to contribute to the prosperity of young people and promote quality of life.

Pak Group - Kartonsan's principal shareholder

Kartonsan's main shareholder is Pak Group, which holds a share of 75.21% in Kartonsan.

Kartonsan shares trade on the BIST National Market under the 'KARTN' ticker.

Kartonsan's assets reached TL 351.3 million (USD 99.8 million) at the end of 2016, according to the independently audited and consolidated financial statements dated 31 December 2016.

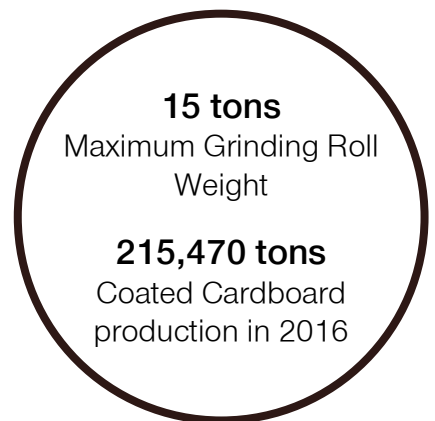
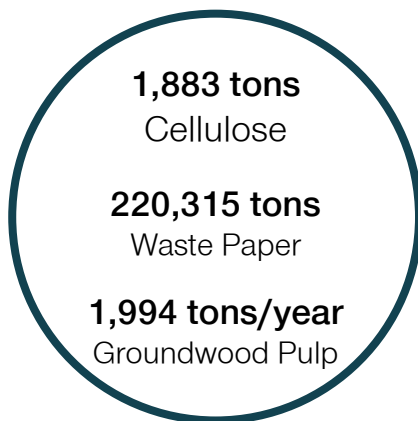
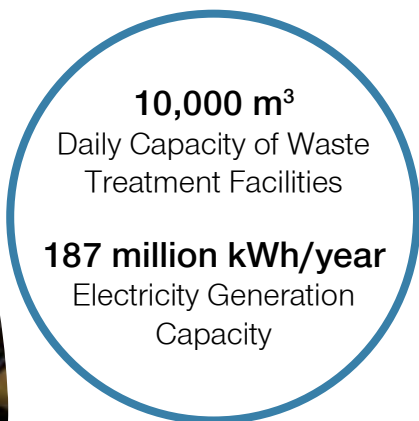
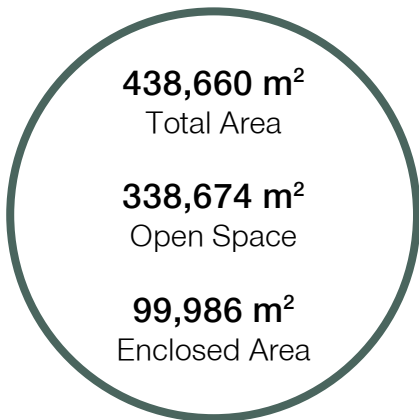
Detailed information regarding Kartonsan shares is presented on page 116 of this report.

According to the data for the year 2016, Kartonsan commands a 40% share in Turkey's coated cardboard market.

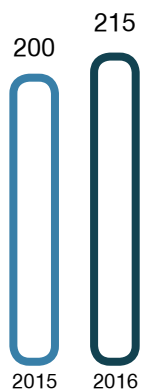


Kartonsan reached its
highest ever production
volume in 2016 with total
production of 215,470
tons.

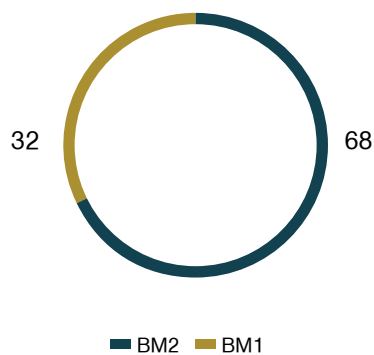
KARTONSAN'S PRODUCTION POWER



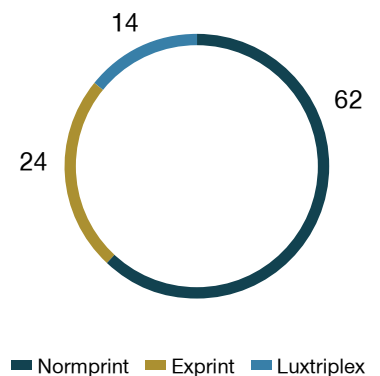
TOTAL PRODUCTION
(thousand tons - gross)



BREAKDOWN OF PRODUCTION
(%)



BREAKDOWN OF PRODUCTION
(%)



KARTONSAN – A SUCCESS STORY DATING BACK ALMOST A HALF A CENTURY

Kartonsan introduced local coated cardboard to Turkey in 1970.

Established in 1967, Kartonsan is a leading and pioneering brand that introduced coated cardboard to the market.

It has been almost been a half century since Kartonsan was established and the Company has witnessed the different stages in the Turkish economy as well as the global economy during its corporate history.

During this period, Kartonsan was able to manage all the difficulties arising from market conditions and managed to transform the employment opportunities into added value for its stakeholders with a proactive approach.

The production of coated cardboard that began in 1970 reached its current capacity with a wide-scale investment that was undertaken in 2014 as well as capacity enhancement initiatives carried out over the years.

The year 2015 was a year of optimizing investments in the expansion and modernization of our Company, and the relevant work was carried out. The total production reached 200,013 tons in 2015.

In 2016, Kartonsan initiated Lean Management activities that provided an important contribution to customer satisfaction and production.

In 2016, production in the KM2 line stood 45% higher than in the years before 2014.

In 2016, Kartonsan achieved production of 215,420 tons marking the highest volume achieved since its establishment.

Preparing to celebrate its 50th year of operation in 2017.



Established in 1967, Kartonsan is a leading and pioneering brand that introduced coated cardboard to the market.



KARTONSAN QUALITY IN PRODUCTION

Kartonsan's production power and product range

Kartonsan products are sold in almost 30 countries and its product portfolio is being developed in line with the dynamic and changing market trends. The Company sets itself apart from its competitors with its customer-focused approach.

Kartonsan continues to develop its production range in accordance with market demands and expectations with a strong, competitive and integrated structure and within the cycle of production, trade and logistics.

Kartonsan, having a customer portfolio almost in 30 countries, continues to progress with its technology-based production power, its corporate management approach; in line with a sustainable growth strategy that is focused on production and trade cycle. Kartonsan's experience in the sector and its professional human resources together with its developed technology has supported its progress.

After the extension investment completed in 2014, Kartonsan's annual production capacity reached 240,000 tons (KM1 and KM2). Kartonsan produces coated cardboard to meet the demands of customers of various sectors.

Kartonsan's 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. These 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. Similarly, the products are certified 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.

As the 4th largest coated cardboard producer in Europe, Kartonsan will continue to meet market demands and customer expectations as well as developing its production range.

Kartonsan's products and their specifications

The types of coated cardboard produced by Kartonsan and their specifications are summarized in the box on the right side.

Please visit our website www.kartonsan.com.tr for Kartonsan's products and current prices or scan the barcode.



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

Kartonsan has adopted the concept of sustainability within the scope of its strategy and its corporate targets. According to Kartonsan, sustainability is one of the most important factors supporting its performance and long-term prosperity.

Organizations that have integrated sustainability into their activities will be the ones guiding construction of the future.

The companies that appreciate the protection of the environment, support economic growth and promote social development concurrently will stand out from their competitors in the short-long-term.

Environmental sustainability that favors the effective use of natural resources and the ecological environment plays a key role in shaping the future. On the other hand, environmental sustainability requires the enhancement of renewable energy resources and their effective use.

Sustainability in economic terms foresees the proper and effective management of all financial resources in order to ensure added value. Sustainability in social terms refer to a set of duties conducted by the companies for the continuation of a sound social environment as a part the society.

Kartonsan has an integrated approach for protecting the ecological balance and ensuring the economic growth. Accordingly, Kartonsan is attentive to its responsibilities throughout its activities in terms of the economic, environmental and social aspects.

Kartonsan is an environmentally friendly company that uses a high quantity of recycled paper.

Sustainability is a key priority for Kartonsan within the scope of environmental protection.

In developed countries and around the globe, paper and cardboard producers are now more focused on the use of waste paper in production.

These countries are also developing several sustainable forest projects and take initiatives aimed at protecting natural habitats.





The unending aim of Kartonsan is to maximize the use of recycled paper in its coated cardboard production and to minimize the negative effects of its activities on the environment.

Kartonsan's usage rate of wastepaper has exceeded average rates in Europe.

In 2016, Kartonsan used 220,315 tons of wastepaper for the production of coated cardboard. Kartonsan produced 215,000 tons of coated cardboard during the same period by only using wastepaper. Kartonsan's use of wastepaper has reached almost 98%, which was higher than the average rates in Europe during 2016.

Kartonsan supports work and activities which aimed at the protection and development of forested land and places importance on the effective use of forestry resources. Kartonsan has held the FSC-CoC certification since 2011, and acts in line with the requirements for using forestry resources effectively. Within this scope, Kartonsan passed the supervision that was held in December 2016 by Exova BM Trada on system requirements and received the accreditation for the new period.

Another issue Kartonsan is focused on is reducing the consumption of all the natural resources including water and energy consumption. Kartonsan's activities have been conducted within the scope of the ISO 50001 Energy Management System Certificate since 2015 and fresh water consumption has been reduced to less than 7.5 m³ per ton of cardboard

produced with the effective use of the waste water treatment facility that has the MBR system.

In addition, Kartonsan 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.

Kartonsan aims to increase the use of wastepaper in its production and will continue to initiate new projects on energy efficiency and recycling water.

As a company that values cooperation with stakeholders, Kartonsan will continue to work in cooperation with suppliers, municipalities and waste paper collection organizations within the scope of sustainability.



Kartonsan adopts an integrated approach for protecting the ecological balance and ensuring economic growth.

KARTONSAN IN FIGURES

Net Sales TL 320.4 million

Kartonsan realized consolidated commercial turnover of TL 320.4 million in 2016.

Net Profit TL 2.9 million

Kartonsan wrote a consolidated net profit of TL 2.9 million and a gross profit margin of 11% in 2016.

Total International Sales TL 70.7 million

Kartonsan recorded direct exports of 42,000 tons in 2016, with exports accounting for 21% of total sales.

FINANCIAL HIGHLIGHTS

(TL Thousand)	2015	2016
Total Net Sales	269,535	320,455
Total Exports	87,230	70,797
Total Assets	358,951	351,314
	21,699	2,904

Earnings per Share (Consolidated / USD 1 par Value per Share)	2015	2016
Ordinary Shares	7.64846	1.02343
Preferred (Group A) Shares	7.64846	1.02343

KEY RATIOS

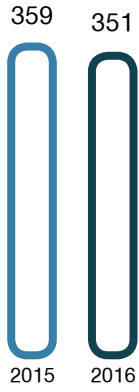
Liquidity Ratios	2015 (%)	2016 (%)
Current Ratio	1.69	2.24
Acid Test Ratio	0.84	1.13
Cash Ratio	0.08	0.26

Profitability Ratios	2015	2016
Pre-Tax Profit / Net Sales	8	1
Pre-Tax Profit / Shareholders' Equity	8	1

Financial Structure Ratios	2015 (%)	2016 (%)
Total Liabilities / Shareholders' Equity	28	24
Short-Term Debt / Shareholders' Equity	25	20
Long-Term Debt / Shareholders' Equity	3	4

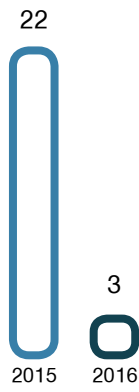
TOTAL ASSETS

(TL million)



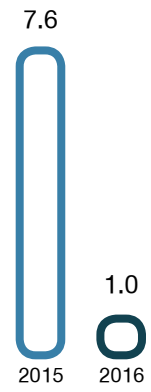
NET PROFIT

(TL million)



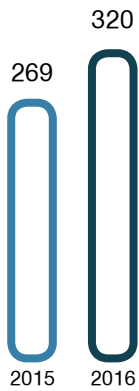
EARNINGS PER SHARE

(TL million)



TOTAL NET SALES

(TL million)



DOMESTIC SALES

(TL million)



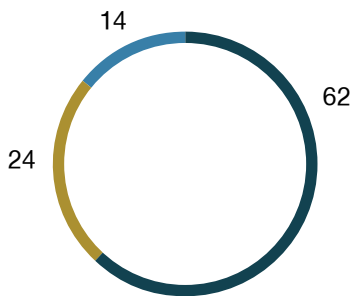
TOTAL EXPORTS

(TL million)



SALES BY PRODUCT TYPE

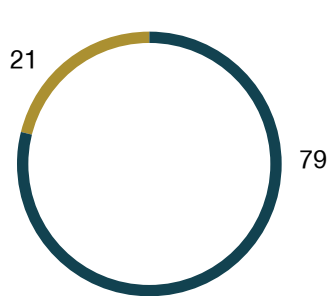
(%)



■ Normprint ■ Exprint ■ Luxtriplex

SALES BY GEOGRAPHY

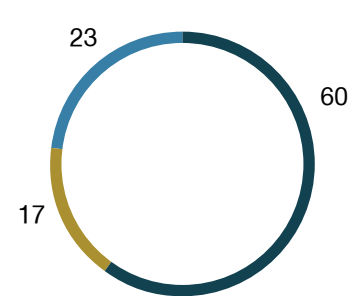
(%)



■ Domestic Sales ■ Exports

DOMESTIC SALES BY PRODUCT TYPE

(%)



■ Normprint ■ Luxtriplex ■ Exprint



Providing its products to millions of customers in almost 30 countries, Kartonsan develops its current portfolio in accordance with dynamic and variable market trends.



MESSAGE FROM THE CHAIRMAN

Esteemed stakeholders,

2016 has been something of a hectic year for Turkey and for the world.

Before presenting the report of Kartonsan's activities and financial results that summarizes our performance for 2016, I would briefly like to go through the risks and opportunities facing the sector as a result of the national and global developments in terms of economy.

The Federal Reserve took its expected decision on interest rates in December.

The Federal Reserve set its key interest rate at 1,375% with an increase of 25 basis points for the end of 2017. Meanwhile, the Fed guided that there could be three interest rate hikes, rather than the two previously guided.

The market reacted swiftly to the Fed's revision for 2017 and long-term yields increased while the US Dollar has gained value in global markets. Strong reactions were observed in fixed income markets.

Republican President Trump's policies and decisions will affect the future of the US economy as well as the global mega trends, and will determine the decisions taken by The Federal Reserve in 2017 and beyond, having an impact on trade and the global economy.


The annual inflation rate has reached 0.6% in Euro Zone; marking the highest rate since 2014.

The Euro Zone economy was stable during 2016, despite the Brexit decision taken by the United Kingdom.

Turkey was able to stay strong in the face of the multifaceted risks

Against the backdrop of an eventful agenda on a global scale, the Turkish economy was shaken by the 15 July coup attempt, the conflict in the Middle East and the unfortunate terror attacks that we condemn most strongly. These incidents that affected the Turkish economy put pressure on growth and increased risks. However, despite all the negative incidents that have occurred, the growth of the Turkish economy continued thanks to its strong foundation and resistance.

The Turkish economy posted 2.2% growth in the first 9 months of 2016 with annual GDP growth expected to have stood at least 3%.



Kartonsan integrated the latest technology in the sector into its production cycle and posted continuous growth.

Our sector was buffeted by the fall in the value of the Turkish Lira, volatile scrap paper prices and the slowdown in economic growth, especially during the second half of the year.

While it was business as usual in the first couple of months of the year, during the summer months our sector suffered from the mounting volatility in domestic markets. The coup attempt in July precipitated a 'wait-and-see' effect on the markets and there was a significant decrease in cardboard consumption rates as a result of two long religious holidays. This situation impacted sales in the sector while there was no major development in export markets. According to the Confederation of European Paper Industries (CEPI) statistics, there has been a 2% fall in Turkey's coated cardboard consumption within the first three quarters of 2016, which was a natural outcome of the negative incidents that we summarized above.

In our opinion, the performance of the sector in 2017 will depend on the movements in the Turkish Lira exchange rate, the competitive threat posed by imported cardboard and the course of economic growth.

As a strong and long-established company, Kartonsan stands ready for the future.

As it prepares to celebrate its 50th year in 2017, Kartonsan posted a sound performance in 2016, when it developed its competences and increased its competitive power.

Kartonsan achieved its aims in 2016 and rounded off a successful year in all aspects.

The management and marketing approach we have taken allowed us to manage the changes in global and domestic markets throughout the year, as well as allowing us to interpret the changes effectively. Our teams, that can assess the uncontrollable conditions of the markets and the trade opportunities with a proactive approach, took the right decisions in view of the competitive conditions in the imported cardboard industry and the changes in the exchange rate. Our strength in production planning has supported us in setting our commercial strategy and making the right decisions.

Looking to the future

Kartonsan's history dates back half a century and it is a story dedicated to the economic potential and power of Turkey and the region; the Company believes in Turkey's strength and is confident in its future.

Kartonsan was able to look forward at all times without losing its dynamism and as a company with insight, it was able to carry its brand to new markets; it has integrated the most recent technology into the production cycle and has grown continuously. At the same time, Kartonsan focuses on the current and possible expectations of its customers with its employees who adopt a team spirit work to a high level of quality, and see their customers as the basis of everything.

This way of thinking will enable us to move forward in the coming period in all kinds of market conditions, and will ensure that we are a competent and reliable business partner for our stakeholders.

On the behalf of our shareholders and our Board of Directors, I would like to take this opportunity to thank everyone for their contribution to our growth.

Kartonsan will keep continuing to report new success stories together with your continuous support.

Regards,



Prof. Dr. Ünal Bozkurt
Chairman

Kartonsan will be celebrating its 50th year in 2017 and posted a sound performance in 2016.

MESSAGE FROM THE CEO

Esteemed stakeholders,

A challenging year in terms of global and national market conditions.

The Turkish coated cardboard sector exhibited a stagnant performance in 2016. According to figures released by the Confederation of European Paper Industries (CEPI), there was a 2% fall in Turkey's coated cardboard consumption during the first 3 quarters of 2016. By the end of 2016, it is estimated that the coated cardboard consumption stood at less than 400,000 tons, marking a decline from the previous year. On the other hand, coated cardboard producers had fallen behind their foreign sales targets until the last quarter of the year due to increasing competition in export markets and lower prices. In the last quarter of the year, there was a relative increase due to exchange rate movements.

Success for Kartonsan in realizing its highest ever production levels in 2016.

In 2016, Kartonsan managed to reflect the benefits of the Extension and Modernization Investment that was completed in 2014 to its production and this became significant in its operating performance. Accordingly, the main achievements of 2016 can be summarized as follows:

- Kartonsan's total production increased to 215,470 tons in 2016; there was an increase of 7.7% YoY as a result of the opportunities that the additional capacity provided after the expansion investment. This was the highest production level recorded since Kartonsan's establishment.
- Setting itself apart with its rapid response to the changes in market conditions and with its operational efficiency, Kartonsan increased its market share by 10 percentage points in 2016.
- Despite the strong competition in export markets, Kartonsan improved its foreign sales by adding new markets and customers to its portfolio.

- Our Company posted a sound and sustainable performance in regard to its asset and equity performance with its well-managed financial structure.

In 2016, Kartonsan's market share increased to 40%. Our Company, as the 4th biggest coated cardboard producer in Europe, continues its progress as the unwavering leader of Turkey's coated cardboard sector.

Looking at Kartonsan's position in Turkey's coated cardboard market, the Company's total sales reached 202,327 tons in 2016. Its total turnover in 2016 was TL 320.4 million, with a gross profit margin of 11% and consolidated net profit of TL 2.9 million. Last year we posted a 1% return on assets, a 1% return on equity and a consolidated profit per share of TL 1.02343.

The operational performance and the rapid increase in market share during 2016 clearly indicate the strategic value of the Expansion and Modernization investment.

Kartonsan increased its production capacity in 2016, as well as increasing its sales of linear cardboard.

Kartonsan continued to be efficient in its production in 2016 whilst observing the contributions of the Expansion and Modernization Investment. During the year, we reached an important level by producing more than 145,000 tons with our second production line, KM2.

One of the main aims for our investment was to increase the production volume of liner boards and 43% of our liner board production volume was carried out on the KM2 production line in accordance with this aim.



Kartonsan maintained a high level of efficiency in its production in 2016 and managed to reflect the benefits of the Extension and Modernization Investment to its performance.

This increase in liner board production clearly indicates that we made a correct and sound investment and these products have been offered to the rapidly expanding liner board market.

Our strength comes from our stability.

The factors that ensure Kartonsan's success is sustainable can be listed as its strong and stable financial structure, its experience in national and international markets and its competent human resources together with its extensive knowledge.

In this context, Kartonsan has the ability to respond to rapidly changing market conditions and customer demands. Our Company undertakes large-scale investments to increase its production volume and continues to work on providing services in new markets.

Kartonsan manages the market and production risks well and conducts them in accordance with ethical values. The Company also considers the environment in its production activities and contributes to the education and development of the society through corporate and social projects.

Moving towards its 50th year with firm steps, Kartonsan still makes the effort to produce 'the best' for its employees, customers and all of society.

Kartonsan also focuses on providing the best for its customers by enhancing the quality of its products and by adopting a customer-focused service approach.

An environmentally aware producer

Kartonsan has adopted the concept of sustainability within its strategy and corporate targets. For us, sustainability is one of the most important factors for our operational and financial performance. We monitor all environmental, economic and social risks that our activities are related to and we attach importance to making savings in our use of resources. We believe that those companies that adopt sustainability will lead the construction of the future and will set themselves apart in the competition.

Within this scope, we give as much consideration to the environment as we do to our economic performance and we conduct our systematic activities accordingly. Our intensive use of recycled paper stands as the most important indicator of the solid evidence of our efforts to protect the environment. Kartonsan's constant target is to use the maximum amount of recycled paper in its coated cardboard production.

According to recent figures, Kartonsan has higher wastepaper usage rates than the European average. A total of 220,000 tons of wastepaper was used in 2016.

Kartonsan supports initiatives aimed at protecting and developing forested lands and continues to operate in line with the obligations required for the FSC-CoCTM Certification that the Company received in 2011.

Kartonsan will continue to work towards the aim of reducing the consumption of natural resources as well as maximizing its recycling rates and the Company will continue to invest for these purposes.

We have faith in the Turkish economy.

The decisive strategies that we have implemented throughout the years with our long-term vision represent the outcome of our trust in the Turkish economy.

Even though there may be short-term fluctuations, we believe that the region we are operating in experience rapid development and growth in the coming years.

As a country central to this region which offers so much potential, Turkey is a powerful candidate to be the regional power in fields such as energy and raw material supply. On the other hand, Turkey is capable of competing in global markets with its exported goods and has carved out a successful path for itself in the quality-price-service axis.

Kartonsan's corporate target is to meet demand for its products in the wider region surrounding Turkey, as well as in the domestic markets, and to reinforce its leadership in the coated cardboard industry with its high-quality product range and flexible service approach.

Our expectations for 2017

Moving towards the future with firm steps, Kartonsan has taken the effort to create and share added value for society and also for its shareholders, employees and customers.

Our target for 2017 is to achieve 210,000 tons of sales and 218,000 tons of production volume. We also aim to adopt the Lean Management activities we initiated in 2016 and focus on the cultural changes throughout Kartonsan organization.

We believe the focus on price competition will continue in 2017 within the general terms of market conditions. In this context, all producers and manufacturers will step up their focus on efficiency due to the pressure on sales and prices.

On the other hand, we foresee export volumes of 55,000 tons for 2017 despite the recession in the domestic market.

I am delighted to state that following its expansion investment, Kartonsan has focused on wide-scale efficiency and is dedicated to raising its share in the domestic markets and its presence in export markets, as well as in Europe's large scale markets in 2017. The projects initiated within the scope of the Lean Management practices will continue. Kartonsan will continue to develop a proactive approach for realizing its aims and ensuring product quality and sustainability.

I believe the team spirit at Kartonsan is strong and I would like to thank all of our employees for their valuable efforts to come and the information and expertise that they share.

As it approaches its 50th year with firm steps forward, Kartonsan continues to take efforts to produce 'the best' for its shareholders, its employees, its customers and the whole of society.

Kartonsan, as the guiding force and the leader of the coated cardboard sector in Turkey, will continue to stand shoulder-to-shoulder with its customers and touch all areas of life with its products.

I would like to express my gratitude to all of our customers for choosing Kartonsan's quality and I would like to extend my sincere greetings to all of our stakeholders in this regard.

Regards,



Haluk İber

Member of Executive Board and General Manager

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

KARTONSAN SENIOR MANAGEMENT

Haluk İber

General Manager

Ümit Özkan

Factory Manager

Güven Şanlı

Production Manager
(effective 29.02.2016)

Volkan Turt

Production Manager
(effective from 01.03.2016)

Raşit Kemal Özkırım

Marketing Manager

Şadiye Başak Kaya

Human Resources & Quality Systems Manager

Ümit Dinçol

Production Services Manager

Atiye Tuğtekin

Procurements Manager

Güven Şanlı

Technical Services Manager
(effective from 01.03.2016)

Bülent Kuru

Financial Affairs Manager

LEAN MANAGEMENT INITIATIVES AT KARTONSAN

Lean management activities implemented at Kartonsan in 2016.

The Company began to achieve results in various areas such as efficiency, production and customer satisfaction with its Lean Management projects.

The strategic aim of the Lean Management initiatives is to adapt the bold and strong extension investment that was completed in 2014 into the management systems.

The Company began to achieve results in various areas such as efficiency, production and customer satisfaction with its Lean Management projects.

Within the scope of Lean Management, training activities were initiated in the second quarter of 2016 and as of 31 December, a total of 330 employees had attended training activities and with an average of six hours of training was provided per person.

Kartonsan aims to continue its Lean Management activities by developing them further. With these activities, Kartonsan's final targets are to increase the level of efficiency and accuracy, to ensure sustainability in cost improvement and to be able to act quickly and flexibly in accordance with customer demands and expectations.

Since 1998, Kartonsan has integrated different management system practices into the work life as a part of its corporate culture and has aimed to continuously improve these practices.

The practicality of management systems depends on their adoption and practice by all employees as well as their allocation within the natural production process. Kartonsan created Individual Suggestion Systems in order to involve all of its employees into the Lean Management system, and this will be implemented in 2017.



SECTORAL VIEW

The main factors that affected the performance of the coated cardboard sector in 2016 were the fall in the value of the Turkish Lira, the volatility in scrap paper prices, the coup attempt, the deceleration in economic growth during the second half of the year and the competition triggered by imported goods.

Business as usual for the coated cardboard sector in the first couple of months of 2016

During the first couple of months of 2016, coated cardboard producers reached their targets in the domestic and foreign markets. However, due to the changes in government during May and the political disturbances, conditions became harder for coated cardboard producers and demand from foreign markets failed to reach the expected levels.

The coup attempt in July had a 'wait-and-see' effect on the markets and there was a significant decrease in cardboard consumption rates as a result of the two long breaks due to religious holidays. This situation impacted sales in the sector, while there were no significant developments in export markets.

Pressure from imports of Bristol cardboard from China

In 2016, Bristol cardboard imported from China presented a competitive challenge to sales of chromo board.

The most important development in the Turkish chromo board sector was the modernization investment undertaken by several producers and the increase in capacity as the outcome of these investments. As well as the capacity increase, some companies resumed production during the year, resulting in surplus production.



During the year, there was a capacity increase in chromo board production whilst the situation in export markets remained stable.

There was a capacity increase in chromo board production during the year, while the situation in export markets was largely stable. Most European countries, excluding Germany, were suffering from economic stagnation with a slow pace of growth; economic and political problems in key export markets such as North Africa, the Middle East and Ukraine caused a decline in sales and the supply demand equilibrium became unbalanced.

Russia and the Middle East

The period following the incident of Turkey's downing a Russian warplane and the political tension between Russia and Turkey has negatively affected exports of coated cardboard. Another negative factor has been the ongoing conflict in the Middle East.

According to the Confederation of European Paper Industries (CEPI) statistics, there was a decline of 2% in Turkey's coated cardboard consumption during the first three quarters of 2016. This situation was a natural outcome of the negative incidents summarized above. It is estimated that coated cardboard consumption decreased to below 400,000 tons during 2016.

Outlook for 2017

Economic growth, the possible loss of value in the Turkish Lira, competition from imported goods and developments in the international market will be the main parameters affecting domestic and foreign sales of the Turkish coated cardboard sector in 2017.

In the international arena, Far Eastern markets led by China and producers based in these countries will continue to shape production and trade conditions in the global coated cardboard sector.

AN EVALUATION OF 2016

ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

Despite the instability in global and national economic conditions in 2016, Kartonsan sustained and developed its production, turnover and exports. Creating added value for all of its stakeholders including its investors, Kartonsan closely followed the trends that affected the coated cardboard sector and acted in a planned and systematic manner. The Company continued to move towards its targets with its financial strength and operational efficiency.

Kartonsan reached the highest sales level in domestic market in 2016.

Kartonsan wrapped up a successful performance in 2016 despite the problems on a global scale and in Turkey. Kartonsan continued to benefit from the expansionary investment undertaken in 2014 and the capacity increase in general. The Company achieved the highest sales in the domestic market by the end of 2016, supplying 160,000 tons of coated cardboard to the domestic market, marking an increase of 30,000 tons when compared to 2015.

Kartonsan's market share in Turkey increased by 10 percentage points in 2016 to reach 40%.



Lean Management initiatives bring important outcomes in production cycles.

The Lean Management initiatives implemented in 2016 brought important outcomes in the production cycles as a result of the Kaizen and 5S practices.

As an outcome of the initiatives that gained pace in the last quarter of the year, Kartonsan achieved a decrease in its production cycle times. Accordingly, shorter durations were made available to customers in terms of production and delivery. This offered customers the opportunity to make short-term plans. Thanks to the practices that were put in place, shipments accelerated without the need for high stock levels.

Lean Management initiatives have also resulted in positive feedback in terms of customer satisfaction.

Operational targets for 2016 achieved.

Kartonsan's corporate targets are as follows;

- To be one of the main suppliers for the export market in Turkey and its surrounding region,
- To develop its logistics and supply chain in order to provide a high-quality and rapid service for its customers,
- To increase the efficiency in its production processes,
- To increase its capacity with a regional approach to suppliers and
- To reach a sustainable level of profitability.

Kartonsan, progressing in line with these corporate targets in 2016, reinforces its power in producing long-term added value with its financial and operational performance and continues to grow steadily.

The Company reached its projected sales and production levels and met operational targets. Kartonsan led the coated cardboard sector in 2016, with its corporate strategy focused on sustainable growth, its high-quality product range and its efficient production capacity being the factors behind this success.

With the positive momentum gained from the Extension and Modernization investment undertaken in 2014 and the Lean Management activities that were initiated this year, Kartonsan's sales improved as planned and increased gradually in 2016. The Company recorded TL 320.4 million of consolidated sales revenue in 2016.

Kartonsan has planned for the domestic and foreign opportunities with a flexible approach in 2016 and did not experience any problems in its stock management while meeting customer demands during the year.

More than 145,000 tons of cardboard produced at our second production line, KM2, in 2016.

Kartonsan's second production line, KM2, produced more than 145,000 tons of cardboard in 2016.

This production volume marks a higher production level with an increase of 45% over the years before the Extension and Modernization Project was finalized. This robust increase clearly indicates the benefits of the investment in terms of capacity and quality.



Another aim of the Extension and Modernization investment was to increase the production volume of liner boards. Kartonsan has also worked towards this aim and 43% of the production at the KM2 line consisted of liner-type products in 2016. Kartonsan supplied liner-type cardboard to the rapidly developing domestic market.

25% increase in domestic sales in 2016.

With its wide-range product selection, Kartonsan continues to meet the packaging needs of many different products from different sectors.

Most of the Kartonsan products used in daily life are used for packaging of food products, but also include packaging for other goods such as medicines, detergents, matches, perfume, textiles, lamination, stationery items, covers for books and notebooks, glass goods and small white goods.

In 2016, Kartonsan was able to increase its market share to 25%, despite the pressure from the volatility in global markets, fluctuating exchange rates, competition from imported goods in the domestic market and rigid raw material prices.

Export momentum ensured for last quarter of 2016.

As Europe's 4th largest coated cardboard producer, Kartonsan attained its planned sales level in the last quarter of 2016, due to the increasing competition in exporting markets and the lower prices.

Kartonsan's export revenues stood at USD 22.8 million in 2016, representing a 21% share of total sales.

Kartonsan's products are exported to more than 20 countries in 3 continents. Egypt, Spain, Portugal and Bulgaria accounted for the highest shares of exports in 2016.

Kartonsan's second production line, KM2, produced more than 145,000 tons of cardboard in 2016.



Kartonsan aims to establish long-term relationships 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 maintain its efforts to boost exports in 2017 and beyond by taking the necessary steps to implement its export strategy whilst projecting resilience and competitiveness in order to increase its sales in Europe's large markets.

Kartonsan also plans to participate in the Interpack Fair (Processing & Packaging) which will be held in Düsseldorf, Germany in 2017.



Normprint remained Kartonsan's most popular product in 2016.

As the leader of Turkey's coated cardboard sector, Kartonsan has a product line that is always popular with customers and which differentiates itself in the sector.

Kartonsan, setting itself apart in the market with its innovative, high-quality and bespoke product range, aims to provide the best for customers under all circumstances.

The majority of the research and development activities are carried out to offer sustainable and innovative products to customers; there are also efforts focused on increasing efficiency, effectiveness, customer satisfaction and profitability.

Kartonsan's best-selling coated cardboard in 2016 was again Normprint, followed by Luxtriplex and Exprint.

Sales and Marketing practices that support and develop customer satisfaction

Kartonsan's primary and constant target is to meet the demands of its regular customers in domestic and foreign market.

Backed by 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.

Kartonsan is also carrying out commercial practices that will protect its customers from the negative effects of market conditions.

With the Lean Management practices initiated in 2016, Kartonsan was able to decrease the duration of the production process, providing customers with the opportunity to draw up short-term plans. Customers were also provided with advantages during delivery and payments during 2016 and the Company made no compromises in its customer-focused approach.

Kartonsan continued to offer door-to-door delivery sales in 2016 and also continued to offer its customers the option to pay in multiple instalments in credit card payments.

Kartonsan and its subsidiaries, DÖNKASAN and Selka, renewed their websites.

Kartonsan's corporate website, www.kartonsan.com.tr was updated in 2016. This website represents Kartonsan on a 24/7 basis with its corporate image.

With a renewed interface, updated content and modern outlook, the new website is user-friendly and has a strong technological infrastructure. The website has been designed as mobile-friendly and is adaptable to mobile devices.

Similarly, the websites of subsidiary companies, Selka and DÖNKASAN, have also been updated. Both websites are mobile-friendly.

- Selka's website can be accessed at www.selkaticaret.com and
- DÖNKASAN's website at www.donkasan.com.tr.

The best-selling coated cardboard among Kartonsan's products was again Normprint in 2016, followed by Luxtriplex and Exprint.

Kartonsan's targets for 2017

Kartonsan will be celebrating its 50th year in 2017. In such an important year, Kartonsan will focus on Lean Management initiatives and plans to enhance the cultural change related to Lean Management within the organization.

Kartonsan will continue its activities aimed at enhancing and sustaining product quality in 2017. The Company's constant aim within its operating cycle is to move forward with a strong team spirit, to produce with an optimal duration and to efficiently complete the trade cycle within the optimal duration.

Despite the challenging market conditions, Kartonsan will focus on savings in 2017 and will seek opportunities for optimization at every stage of its activities.

Kartonsan aims to reach the following targets in 2017:

- Setting new records in production and sales,
- Enhancing its presence in export markets and foreign markets,
- Improving customer satisfaction,
- Maintaining quality improvement activities,
- Always acting in line with the occupational health and safety regulations,
- Actively deploying environmental management systems.

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 major consideration for the cardboard industry.

As of today, it is estimated that the observed outcomes in climate change such as record-breaking temperatures, melting glaciers and rising sea levels will cause negative results for human health and for certain species.

According to a study undertaken by NASA, 2016 was the warmest year since records began in 1880. In 2016, global temperatures were 0.99°C higher than the average of the 20th century.

Our planet has undergone rapid climate change in the last 35 years. Sixteen of the 17 warmest years since 2001 were recorded after 2001, clearly indicating the trend of global warming.

According to a report published by the Intergovernmental Panel on Climate Change (IPCC), the main reason for the observed global warming is related to human activity and the greenhouse gasses released into the atmosphere.

A total of 220,000 tons of wastepaper was used in Kartonsan's coated cardboard production in 2016.



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 irreversible changes.

The cardboard and paper industry has been seen to be taking action and important steps to minimize the possible effects of its production on the environment and the climate. Within this scope, decreasing greenhouse gas emissions and using scrap paper as a raw material (instead of cellulose) during the production of cardboard plays a vital role.

Coated cardboard producers demonstrate systematic efforts on issues such as sustainable forest management, the use of scrap paper and renewable energy.

In practices of cardboard production linked to sustainability, maximum care and attention should be given 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.

Sustainable Development Targets that were identified during the United Nations Sustainable Development Summit held on 25 September 2015, were accepted by member states of the UN and they aim to end poverty by 2030. Other aims are to tackle injustice and to overcome climate change. These issues are also

related to global cardboard and paper industries in different aspects and brings responsibilities to the sector. Aim No 12 concerns "Responsible Consumption and Production" and it is directly related to the consumption of paper packaging and sound management of waste. Additionally, aims no 11, 14 and 17 are indirectly related with the industry.

The website, UNDP for the Agenda of Sustainable Development Goals (SDGs) of the 2030s, provides more detailed information.



In 2016, Kartonsan used 220,000 tons of wastepaper in its coated cardboard production.

As a company with environmental awareness, Kartonsan's main principle is to continue its activities within the scope of legal regulations and without causing environmental pollution.

For many years, Kartonsan has been using recycled paper as the raw material in its production processes. Kartonsan is now using 98% recycled paper in its production processes.

The Company used 220,000 tons of wastepaper during the production process in 2016.

Kartonsan works closely with its subsidiary DÖNKASAN in wastepaper supply. Kartonsan has the Environment Permission and License provided by the Ministry of Environment and Urbanization. Kartonsan uses a limited amount of cellulose in Exprint and Luxtriplex products. Besides, in recent years, several initiatives have been taken for using groundwood pulp due to the decrease in recycled newsprint paper.

Developments in energy production and efficiency

Kartonsan's co-generation unit has been generating energy since 1997. In 2016, Kartonsan continued its activities in the unit for producing the maximum amount of electricity and vapor with a minimum usage of clean natural resources.

There were also achievements in regards to energy conservation with the Lean Management activities held by the Company in 2016. There was a significant decline in specific energy consumption within this scope and together with the Kaizen initiatives, and as a result of the increased efficiency in KM2 production line. With the Extension and Modernization Project completed in 2014, the targets for electricity, vapor and water consumptions were achieved and energy costs were cut significantly.

As of 2016, the power linked to the 2nd, 3rd and 4th turbines was raised to 5,500 kW. The project to increase the power of the 1st turbine from 5,200 kW to 5,500 kW is planned to be completed during the first quarter of 2018.

A cooler system, which cools the turbine air, was used in the summer of 2016 and achieved good results in accordance with the project aims.



Developments in Kartonsan's wastewater treatment plant

According to data gathered in 2016, Kartonsan recycles 25% of the water it uses. The aim is to increase this proportion to 40% in 2017.

In 2015, Kartonsan started using the MBR system, an important milestone in Turkey for the coated cardboard sector and with the MBR system, and managed to reduce its fresh water consumption to under 7.5 m³ per ton of production in 2016.

Kartonsan Integrated 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.

Since 2003, the Company continues to conduct its activities in line with;

- ISO 9001 Quality Management System,
- ISO 14001 Environment Management Systems,
- OHSAS 18001 Occupational Health and Safety Management System and
- ISO 50001 Energy Management System (2015).

All of the above are included in the Integrated Management System.



Inspection for re-certification for the continuation of Kartonsan's Integrated Management System was successfully carried out between 16-18 November 2016.

FSC-CoC TM Certification Initiatives

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

In line with this certification, the interim audit was conducted in 2016 by Exova BM Trada and approval was given.

What is FSC-CoC TM Certification?

The aim of the certification, as an International standard, is to identify the world's forest resources and to contribute to their management and to identify methods and standards in doing so; and to ensure that the forestry resources are certified and well managed. Additionally, the certification aims to prevent uncertified forest products from mixing with other products at any given stage of the supply chain.



KARTONSAN AND HUMAN RESOURCES

Human resources play a crucial role in Kartonsan's leadership success. The Company's human resources are dedicated to research and development, and perceive the concept of progression as a responsibility to society and are deeply committed to the organization's culture.

There were a total of 269 employees working at Kartonsan as of December 2016, of which 23 were female and 246 male. 93 of them are white-collar employees, and 173 of them are blue-collar. All the employees are working full time.

By the end of 2016; Kartonsan had;

- 9 staff members under the age of 25,
- 119 staff members between the ages 26-35,
- 83 staff members between the ages 36-45,
- 58 staff members who are aged 46 and above.

In addition, 141 staff members employed by the contractor firm were working at the Kartonsan Kocaeli Factory as of the end of 2016.

Training activities at Kartonsan

Training programs identified in line with Kartonsan's needs and activities are also important for the personal development of its employees as well as their career plans. The training programs support their enhancement in the field and aims to create a difference in the sector. In 2016, a total of 42 training programs were completed in Kartonsan covering Occupational Health and Safety, personal development and topics related to legal and technical areas. The training duration per person was calculated as 22.1 hours per year.

Internship opportunities at Kartonsan

Along with the contributions to students and recent graduates in their professional development, Kartonsan also provides internship opportunities to help them adapt to business life. Within this scope, a total of 58 students benefited from internship opportunities at Kartonsan in 2016.

In 2016, Kartonsan allocated 22.1 hours of training per employee on personal, legal and technical development.

Kartonsan Demographics*	2015	2016
Total number of employees	386	410
Kartonsan	262	269
Male	241	246
Female	21	23
Average Age (years)	37.01	37.44

Educational Demographics		
Masters and Doctorate Degree	7	9
Undergraduate Degree	46	49
Associate Degree	58	62
High school	132	132
Primary school	19	17
Speaking one language	48	48
Proficient in two or more languages	5	5

* Number of people unless specified otherwise

Occupational Health and Safety at Kartonsan

The Human Resources and Quality Systems Department at Kartonsan is responsible for coordinating and conducting occupational health and safety related matters.

Kartonsan's main goal is to meet all the criteria related to occupational health and safety, under all circumstances. Kartonsan's Board of Occupational Health and Safety continued its effective activities in 2016. In this context, measures were taken to prevent work-related accidents as well as to improve the current situation with check-ups and medical screening of employees.

Within the scope of occupational health and safety, the physical conditions and technical infrastructure of the Kocaeli factory have been periodically checked and problematic areas were defined and resolved with the development of warning systems in 2016.

Kartonsan's policies on Quality, Environment and Energy, and Occupational Health and Safety

Within the scope of Kartonsan's Integrated Management System, Kartonsan holds the ISO 9001 Quality Management System,

ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management System and ISO 50001 Energy Management System Certification, and this certification was checked by an interim audit in 2016.



CORPORATE SOCIAL RESPONSIBILITY

Kartonsan focuses on two main areas - education and the environment - within the scope of its social responsibility activities, while sharing the value it creates with society, as its stakeholder through the activities.

In addition to contributing to social development, Kartonsan handles social responsibility activities with a long term perspective and with the aim of creating value.



Kartonsan is focused on two main areas - education and the environment - within the scope of its social responsibility activities.

The social responsibility activities held by the Company in 2016 are summarized below.

Başiskele Primary School Project

In 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 continues to provide educational activities in the 2016-17 academic year.

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 situated.

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 which it cannot use within its premises, and passes such waste to licensed recycling firms.

Donations made in 2016

(Consolidated-TL / as of 31 December 2016)

Donations collected	Amount
Donations to associations and foundations (Educational, sports-related, sectoral and social)	171,214.00
Donations made for social purposes	50,000.00
Total	221,214.00

SELKA İÇ VE DIŞ TİCARET A.Ş.

Kartonsan is a shareholder of Selka with a 99.37% stake and it is the biggest supporter of Kartonsan in non-standard sales.

The company provides logistical support to Kartonsan with its storage facility in Sefaköy, Istanbul.

SELKA İç ve Dış Ticaret A.Ş sold a total of 34,656 tons of coated cardboard in 2015 and increased its sales to 37,645 tons by the end of 2016. The total revenue of the company in the same period increased by 13% YoY to TL 52 million.

Selka continues its activities and imports chromo boards in accordance with Kartonsan's strategic market policies within the current market conditions.

The company aims to grow in 2017, dependent on domestic and foreign market conditions.

Selka's comparative net sales for 2015 and 2016 and the sums are shown below:

	January-December 2015 Sales Volume (Tons)	January-December 2015 Sales Revenues (TL)	January-December 2016 Sales Volume (Tons)	January-December 2016 Sales Revenues (TL)
K1-K2 Cardboard	9,693	14,719,268	12,174	19,327,734
K3 Cardboard	17,487	19,204,651	18,002	20,703,929
Imported cardboard	7,476	11,702,822	7,469	12,166,864
Total	34,656	45,626,741	37,645	52,198,527

DÖNKASAN

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

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

DÖNKASAN continues its activities in the facilities located in Esenyurt, Istanbul. The company recorded net income of TL 14 million with the sale of 30,000 tons of scrap paper in 2016. The company plans to increase its sales volume in 2017 with a considerable amount of sales.

DÖNKASAN aims to grow in line with the market conditions whilst providing scrap paper to Kartonsan in accordance with the company's market policies.

	January-December 2015 Sales Volume (Tons)	January-December 2015 Sales Revenue (TL)	January-December 2016 Sales Volume (Tons)	January-December 2016 Sales Revenue (TL)
Scrap Paper	20,190	8,930,857	30,540	14,334,566
Total	20,190	8,930,857	30,540	14,334,566



**CORPORATE
GOVERNANCE
AND FINANCIAL
INFORMATION**

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 2016.

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 15 February 2017 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.

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



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.

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

A handwritten signature in black ink, appearing to read "Coşkun Şen".

Coşkun Şen, SMMM
Partner

Istanbul, 8 March 2017

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Financial Statements for the Period 1 January - 31 December 2016 and
Independent Auditor's Report

(Originally Issued in Turkish)

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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 2016 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 2016 and their performance and cash flows for the year then ended in accordance with Turkish Accounting Standards.

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS



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 15 February 2017.
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 2016 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.

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

A handwritten signature in black ink, appearing to read 'Coşkun Şen', written in a cursive style.

Coşkun Şen, SMMM
Partner
Istanbul, 15 February 2017

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Statements of the Consolidated Financial Position at 31 December 2016 and 2015 (Balance Sheets)

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

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
ASSETS			
Current assets			
Cash and cash equivalents	5	15,150,104	5,497,163
Trade receivables		44,643,124	40,317,261
- <i>Due from related parties</i>	6	720,923	2,302,867
- <i>Other trade receivables</i>	7	43,922,201	38,014,394
Other receivables		2,063,542	3,883,848
- <i>Other receivables from third parties</i>	9	2,063,542	3,883,848
Inventories	10	63,257,774	59,088,348
Prepaid expenses		2,911,847	2,071,429
- <i>Due from related parties</i>	6	1,680,271	224,750
- <i>Other prepaid expenses</i>	18	1,231,576	1,846,679
Other current assets		1,262	7,008,501
- <i>Other current assets</i>	18	1,262	7,008,501
Total current assets		128,027,653	117,866,550
Non-current assets			
Other receivables		14,920	14,920
- <i>Other receivables from third parties</i>	9	14,920	14,920
Investment properties	11	229,270	229,270
Property, plant and equipment	12	202,976,149	219,951,014
- <i>Land</i>		24,059,097	24,059,097
- <i>Land improvements</i>		2,100,742	1,923,277
- <i>Buildings</i>		23,339,192	24,331,777
- <i>Plant, machinery and equipment</i>		148,496,764	164,784,612
- <i>Vehicles</i>		751,645	1,006,730
- <i>Furniture and fixtures</i>		2,857,457	2,433,262
- <i>Leasehold improvements</i>		77,527	29,962
- <i>Construction in progress</i>		134,004	186,250
- <i>Other tangible assets</i>		1,159,721	1,196,047
Intangible assets		1,205,543	1,559,142
- <i>Other intangible assets</i>	13	1,205,543	1,559,142
Prepaid expenses		2,102,504	1,634,277
- <i>Other prepaid expenses</i>	18	2,102,504	1,634,277
Deferred income tax assets	26	16,758,321	17,696,131
Total non-current assets		223,286,707	241,084,754
Total assets		351,314,360	358,951,304

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Statements of the Consolidated Financial Position at 31 December 2016 and 2015 (Balance Sheets)

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

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

	Notes	Audited 31 December 2016	Audited 31 December 2015
LIABILITIES			
Current liabilities			
Short term financial liabilities	8	24,996,879	43,965,205
- Due to related parties short term financial liabilities	6,8	6,427,000	13,927,000
- Other short term financial liabilities	6,8	6,427,000	13,927,000
- Other third parties short term financial liabilities		18,569,879	30,038,205
- Bank loans	8	18,569,879	30,038,205
Trade payables		25,932,319	21,007,672
- Due to related parties	6	35,939	677,280
- Other trade payables	7	25,896,380	20,330,392
Liabilities for employee benefits		246,864	247,292
Other payables		3,750,194	2,659,866
- Due to related parties	6	12,076	8,733
- Other payables	9	3,738,118	2,651,133
Current income tax liabilities	26	85,281	139,138
Short term provisions		2,229,302	1,770,480
- Short term provisions for employee benefits	17	885,270	551,204
- Other short term provisions	15	1,344,032	1,219,276
Total current liabilities		57,240,839	69,789,653
Non-current liabilities			
Long term provisions		10,223,546	7,678,855
- Long term provisions for employee benefits	17	7,930,046	5,385,355
- Other long term provisions	15	2,293,500	2,293,500
Total non-current liabilities		10,223,546	7,678,855
EQUITY			
Equity attributable to owners of the parent		283,784,720	281,417,071
Paid-in capital	19	2,837,014	2,837,014
Adjustment to paid-in capital	19	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		(1,335,578)	(846,814)
- Actuarial loss on employment termination benefit	19	(1,335,578)	(846,814)
- Real estate or affiliate earnings to be added to the equity	19	2,315,343	2,315,343
- Legal reserves	19	24,379,750	23,480,472
Retained earnings		159,378,512	138,626,096
Net income for the year		2,903,493	21,698,774
Non-controlling interest		65,255	65,725
Total equity		283,849,975	281,482,796
TOTAL LIABILITIES AND EQUITY		351,314,360	358,951,304

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Statements of the Consolidated Comprehensive Income For the Periods Ended 31 December 2016 and 2015

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

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

	Notes	Audited 1 January - 31 December 2016	Audited 1 January - 31 December 2015
Sales	20	320,454,576	269,535,442
Cost of sales (-)	20	(283,917,165)	(245,598,030)
Gross profit		36,537,411	23,937,412
General administrative expenses (-)	21	(13,183,705)	(10,778,210)
Marketing expenses (-)	21	(15,270,127)	(12,027,376)
Other operating income	23	11,479,424	14,377,269
Other operating expenses (-)	23	(7,870,743)	(12,967,328)
Operating profit		11,692,260	2,541,767
Income from investing activities	24	868,689	24,645,415
Expenses from investing activities (-)	24	(547,064)	(557,756)
Shares from losses of investments valued by equity method		-	(430,424)
Operating profit before financial expense		12,013,885	26,199,002
Financial expenses (-)	25	(7,586,638)	(5,066,427)
Profit before tax from continued operations		4,427,247	21,132,575
Tax expense from continued operations (-)	26	(1,512,999)	578,443
- Taxes on income (-)	26	(452,998)	(494,363)
- Deferred income tax credit	26	(1,060,001)	1,072,806
Profit for the period		2,914,248	21,711,018
Attributable to:			
- Non-controlling interest		10,755	12,244
- Equity holders of the parent		2,903,493	21,698,774
Earnings per share	27	1.02343	7.64846
- Earnings per share from continued operations	27	1.02343	7.64846
Other comprehensive income			
Actuarial losses on defined employment termination benefits obligation		(488,764)	(494,039)
Other comprehensive income of associate accounted for under equity accounting	19	-	(47,712)
Other comprehensive income		(488,764)	(541,751)
Total comprehensive income		2,425,484	21,169,267
Attributable to			
- Non-controlling interest		10,755	12,244
- Equity holders of the parent		2,414,729	21,157,023

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Statements of Consolidated Changes in Equity For the Periods Ended 31 December 2016 and 2015

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

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

Current period - 31 December 2016 (Audited)

	Paid in capital	Adjustment to share capital	Share premiums/ discounts	Actuarial losses on defined employment termination benefit obligation	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 2016	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
Transfers	-	-	-	-	899,278	20,799,496	(21,698,774)	-	-	-
Total comprehensive income	-	-	-	(488,764)	-	-	2,903,493	2,414,729	10,755	2,425,484
Dividend paid	-	-	-	-	-	(47,080)	-	(47,080)	(11,225)	(58,305)
Balances as of end period	2,837,014	93,298,657	7,529	(1,335,578)	26,695,093	159,378,512	2,903,493	283,784,720	65,255	283,849,975

Previous period - 31 December 2015 (Audited)

	Paid in capital	Adjustment to share capital	Share premiums/ discounts	Actuarial losses on defined employment termination benefit obligation	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)	-	-	-
Total comprehensive income	-	-	-	(541,751)	-	-	21,698,774	21,157,023	12,244	21,169,267
Decreases due to the remeasurement of joint venture (Note 3)	-	-	-	145,920	-	-	-	145,920	-	145,920
Dividend paid	-	-	-	-	-	(19,130)	-	(19,130)	(908)	(20,038)
Balances as of end period	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 SANAYİ VE TİCARET A.Ş.

Statements of the Consolidated Cash Flows For the Periods Ended 31 December 2016 and 2015

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

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

	Notes	(Audited) 1 January - 31 December 2016	(Audited) 1 January - 31 December 2015
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		41,457,212	(14,986,943)
- Profit for the period		2,914,248	21,711,018
Adjustments to reconcile net profit:		31,382,175	3,484,616
Adjustments for depreciation and amortization	12, 13, 22	26,413,258	25,261,283
Adjustments related to impairment		(665,542)	534,804
- Adjustments related to doubtful receivables		99,714	183,084
- Adjustments related to other financial asset or investment		-	430,424
- Adjustments related to provision for inventories		(765,256)	(78,704)
Adjustments for changes in provisions		2,392,558	577,929
- Adjustments regarding provisions for (reversal of) employee benefits		2,267,802	79,535
- Other provisions		124,756	498,394
Adjustments for interest income and expenses		1,893,839	1,030,530
- Adjustments for interest income		(732,524)	(483,598)
- Adjustments for interest expenses	25	7,586,638	5,066,427
- Due date charges on term purchases	23	1,442,108	1,846,355
- Due date charges on term sales	23	(6,402,383)	(5,398,654)
Adjustments for tax expenses	26	1,512,999	(578,443)
Gains from sales of tangible assets		(164,937)	(560,321)
- Gain (loss) on sale of property, plant and equipment		(164,937)	(560,321)
Other adjustments	3, 24	-	(22,781,166)
Changes in net working capital:		6,164,209	(40,963,304)
Change in trade receivables		(4,473,456)	(8,338,530)
- Trade receivables from related parties		1,581,944	5,365,478
- Trade receivables from third parties		(6,055,400)	(13,704,008)
Changes in regarding decrease (increase) in other receivables on operations		1,820,306	2,344,522
- Changes in regarding decrease (increase) in other receivables from third parties on operations		1,820,306	2,344,522
Changes in inventories		(3,404,170)	(11,291,051)
Changes in prepaid expenses		(840,418)	255,695
Change in trade payables		4,964,808	(23,152,409)
- Trade payables from related parties		(641,341)	(15,912,281)
- Trade payables from third parties		5,606,149	(7,240,128)
Changes in employee benefits		(428)	47,416
Changes in regarding decrease (increase) in other payables on operations		1,090,328	(302,462)
- Changes in regarding decrease (increase) in other payables from related parties on operations		3,343	(488,288)
- Changes in regarding decrease (increase) in other payables from third parties on operations		1,086,985	185,826
Changes in other net working capital		7,007,239	(526,485)
- Other increases/decreases in net working capital		7,007,239	(526,485)
Cash flows from operating activities		40,460,632	(15,767,670)
Interest paid		(5,381,653)	(4,607,627)
Interest received		6,885,088	5,752,655
Taxes paid	26	(506,855)	(364,301)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(9,091,889)	(5,303,152)
Proceeds from sale of tangible and intangible assets		367,154	634,448
- Cash inflows related to proceeds from sale of tangible		367,154	634,448
Purchases of tangible and intangible assets		(9,287,011)	(5,586,186)
- Cash outflows related to purchases tangible assets	12	(9,226,073)	(5,456,103)
- Cash outflows related to purchases intangible assets	13	(60,938)	(130,083)
Advances given		(468,227)	(779,448)
- Other advances given		(468,227)	(779,448)
Interest received		296,195	293,517
Other cash inflows	3	-	134,517
C. CASH FLOWS FROM FINANCING ACTIVITIES			
		(22,713,885)	21,169,625
Cash inflows related to borrowings		7,500,000	32,689,460
- Cash inflows related to borrowings		7,500,000	32,689,460
Cash outflows related to borrowings		(26,468,326)	(9,292,000)
- Cash outflows related to borrowings		(26,468,326)	(9,292,000)
Dividends paid		(58,305)	(20,038)
Interest paid		(3,687,254)	(2,207,797)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES			
		9,651,438	879,530
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	5,497,163	4,617,633
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	15,148,601	5,497,163

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

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 24.79% shares are free floating. The Company's ultimate controlling party is PAK Family members through PAK Group Companies (Note 19).

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

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

Company	Subject of Activity	Partnership Structure of the Company	
		31 December 2016	31 December 2015
Selka İç ve Dış Ticaret A.Ş. ("Selka")	Trade of coated cardboard	99.37%	99.37%
Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. ("Dönkasan")	Production and trade of scrap paper	100.00%	100.00%

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 2016 the number of employees of the Group is 320 (31 December 2015: 320) excluding the subcontracted employees.

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2017-03 on 15 February 2017 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 consolidated financial statements of the Group are prepared in accordance with as published of 2 June 2016 POASA "TAS Announcement about Taxonomy" and CMB announcement of 7 June 2016 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 TRY. 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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

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 TRY.

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	Equity	Partnership Structure of the Company			
		31 December 2016		31 December 2015	
		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	93,152	100.00%	100.00%	100.00%	100.00%

2.1.5 Significant accounting judgments, estimates and assumptions

The preparation of financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

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Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the financial statements are as follows:

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 14. Based on the assessments made and the tax law numbered 5520 article 32/A. the Group recognised deferred income tax asset amounting to TRY19,321,170 (31 December 2015: TRY19,321,297) for the corporate tax exemption of 15% over the investment amounting to TRY128,807,801 (31 December 2015: TRY128,808,644) 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.

2.2 Changes in new standards

Group has implemented the new and revised standards and interpretations effective from 1 January 2016 which are related to its main operations.

a) The new standards, amendments and interpretations introduced to the prior Financial Statements as of 31 December 2016:

- 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.
- 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 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.
- Amendment to TAS 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.
- 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 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.

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- Amendment to TFRS 10 'Consolidated financial statements' and TAS 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.
- Amendment to TAS 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.

b) The new standards amendments and interpretations introduced to the prior Financial Statements as of 31 December 2016 but not effective yet:

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the TASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 'Income Taxes, effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with associated with a share-based payment and pay that amount to the tax authority.
- 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.
- 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.
- TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- TFRS 16, 'Leases', effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a far reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASAB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in Exchange for consideration.

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- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
 - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
 - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.
- Amendment to TAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - TFRS 1, 'First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10 effective 1 January 2018.
 - TFRS 12 'Disclosure of interests in other entities', regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - TAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- TFRS Interpretation 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This Interpretation addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

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 2016 are consistent with the estimates in preparation of financial statements of the period between 1 January and 31 December 2015. 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 scrap 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 24).

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.

Inventories

The Group raw material inventories mainly comprise of chemical materials, operating supplies and scrap 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 10).

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Tangible assets

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	2016 Rate (%)	2015 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 12).

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 the intangible assets acquired and the historical cost for intangible assets acquired subsequent. 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 13).

Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset and financial assets at fair value may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. 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.

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.

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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

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 TRY563,304 (2015: TRY532,884) 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 5).

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 7).

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 7).

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.

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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).

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 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 15, 16)

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 6.

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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.

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.

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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 17).

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 5).

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 11)

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 19)

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.

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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.

	Fair value 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
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Goodwill	4,670,310
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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	19,475,207
Ownership rate	50%
The carrying value of the joint venture	(9,737,604)
Other comprehensive income (Note 19)	(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 24)	27,451,476
Goodwill impairment (Note 24) ⁽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 - 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 5 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash in hand	103,214	119,387
Banks		
- Demand deposits - TRY	1,197,460	479,737
- Demand deposits - Foreign currency	361,997	326,087
- Time deposits - TRY	4,969,503	4,470,500
- Time deposits - Foreign currency	8,517,930	-
Credit card receivables	-	101,452
Total	15,150,104	5,497,163

Average maturity of time deposits is 1 days as of 31 December 2016 (31 December 2015: 4 day).

The annual interest rate of time deposits that are TRY denominated and amounted to TRY4,969,503 (31 December 2015: TRY 4,470,500) as of 31 December 2016 is equal to 9.25% (31 December 2015: 11.25%). The annual interest rate of foreign currency time deposits amounted to TRY8,517,930 as of 31 December 2016 is equal to 0.22% (31 December 2015: None).

Cash and cash equivalents for the purposes of the statements of cash flow at the end of 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Cash and cash equivalents	15,150,104	5,497,163
Interest accrual (-)	(1,503)	-
Cash and cash equivalents in the statement of cash flow	15,148,601	5,497,163

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NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2016	31 December 2015
a) Trade receivables due from related parties		
Mel Macedonian Paper	720,923	2,302,867
Total	720,923	2,302,867
b) Prepaid expenses due to related parties		
Mel Macedonian Paper	1,680,271	224,750
Total	1,680,271	224,750
c) Trade payables due to related parties		
Ece Plaza Yönetim Hizmetleri A.Ş.	30,267	24,540
Pak Holding A.Ş.	5,577	4,547
Pak Gıda Üretim ve Paz. A.Ş.	95	250
Oycan İth. İhr. ve Tic. A.Ş.	-	647,943
Total	35,939	677,280
d) Short-term payables (Note 8)		
Oycan İthalat İhracat ve Ticaret A.Ş.	6,427,000	13,927,000
Total	6,427,000	13,927,000
e) Other payables due to related parties		
Shareholders (Dividend)	12,076	8,733
Total	12,076	8,733

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f) Sales of goods and services to related parties

	1 January - 31 December 2016	1 January - 31 December 2015
Mell Macedonian Paper	5,317,094	6,456,802
Annulled Dönkasan	-	193,871
Total	5,317,094	6,650,673

g) Purchases of goods and services from related parties

Mell Macedonian Paper	11,368,883	10,424,713
Oycan İth. İhracat ve Tic. A.Ş.(^(**))	1,182,141	1,476,713
Ece Plaza Yönetim Hizmetleri A.Ş.(^(**))	834,797	776,008
Pak Holding A.Ş. (^(*))	19,792	669,775
Pak Gıda Üretim ve Paz. A.Ş.	7,161	7,359
Annulled Dönkasan	-	25,068,094
Total	13,412,774	38,422,662

(^(*)) It consist of reflection Legal consultancy services

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

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

h) Key management benefits

	1 January - 31 December 2016	1 January - 31 December 2015
Key management benefits	2,204,862	1,431,117

Key management benefits between during the reporting period 2016 and 2015 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 2016 and 2015.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties	31 December 2016	31 December 2015
Receivables	44,260,507	38,515,374
Note receivables	1,269,143	958,876
Less: unearned finance expense	(451,042)	(403,163)
Less: Provision for doubtful receivables	(1,156,407)	(1,056,693)
Total	43,922,201	38,014,394

Average maturity of trade receivables are 29 days (31 December 2015: 31 days), the effective interest rates are as follows:

	31 December 2016	31 December 2015
TRY receivables	11.00%	11.00%

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 TRY21,126,212 at the end of reporting period 2016 (31 December 2015: TRY21,183,432).

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

	2016	2015
1 January	1,056,693	852,494
Provision for doubtful receivables acquired through business combinations	-	20,923
Increase during year	232,525	255,924
Collections	(132,811)	(72,648)
31 December	1,156,407	1,056,693

b) Trade payables to third parties	31 December 2016	31 December 2015
Payables	26,055,470	20,449,321
Less: unearned finance expense	(159,090)	(118,929)
Total	25,896,380	20,330,392

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NOTE 8 - SHORT TERM FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
Short-term borrowings	24,993,131	43,962,430
Other financial liabilities	3,748	2,775
Total	24,996,879	43,965,205

Short-term borrowings during the period is as follows:

	31 December 2016		31 December 2015	
	TRY	Interest rate(%)	TRY	Interest rate (%)
Euro borrowings	18,566,131	0.75	15,780,715	0.75
TRY borrowings	6,427,000	11.15	13,927,000	13.90
USD borrowings	-	-	14,254,715	1.50
Total	24,993,131		43,962,430	

NOTE 9 - OTHER RECEIVABLES AND PAYABLES

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

a) Other short term receivables from third parties	31 December 2016	31 December 2015
VAT receivables from tax office	2,003,182	3,837,265
Receivables from personnel	59,296	46,583
Deposits and guarantees given	1,064	-
Total	2,063,542	3,883,848
b) Other long term receivables from third parties		
Deposits and guarantees given	14,920	14,920
Total	14,920	14,920
c) Other payables to third parties		
Taxes, dues and fees payable	2,213,083	1,560,729
SSI premiums payable	987,163	454,414
Order advances received	523,506	623,324
Other miscellaneous payables	14,366	12,666
Total	3,738,118	2,651,133

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NOTE 10 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials and supplies	19,356,926	20,414,948
Work-in-process	622,724	820,716
Finished goods	38,861,113	34,512,512
Trade goods	4,488,623	4,177,040
Provision for impairment on inventories (-)	(71,612)	(836,868)
Total	63,257,774	59,088,348

Cost of inventories is about TRY179,394,391 were recognised within cost of sales at the reporting period between 1 January - 31 December 2016 (1 January - 31 December 2015: TRY139,140,761) (Note 20 and 22).

Movements in provision for impairment on inventories:

	2016	2015
1 January	(836,868)	(915,572)
Realized due to sale of inventory	836,868	915,572
Current period provisions (-)	(71,612)	(836,868)
31 December	(71,612)	(836,868)

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

	1 January - 31 December 2016	1 January - 31 December 2015
Cost	(886,996)	(7,145,516)
Net realizable value	815,384	6,308,648
Provision	(71,612)	(836,868)

There are no inventories pledged as security for the liabilities.

NOTE 11 - INVESTMENT PROPERTIES

Investment property amounting to TRY229,270 (31 December 2015: TRY229,270), there is no movement relating to investment properties during the period (1 January - 31 December 2015: None).

Investment properties are carried at cost in the financial statements. The fair value of the investment properties is TRY249,000. 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 TRY249,000 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.

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NOTE 12 - TANGIBLE ASSETS

	1 January 2016	Additions	Disposals	Transfers	31 December 2016
Cost:					
Land	24,059,097	-	-	-	24,059,097
Land improvements	6,549,687	-	-	380,310	6,929,997
Buildings	47,219,982	-	-	48,749	47,268,731
Plant, machinery and equip.	496,051,980	2,396,651	(8,000)	5,240,536	503,681,167
Vehicles	1,524,704	1,525	(188,800)	-	1,337,429
Furniture and fixtures	12,531,424	1,063,995	(48,574)	-	13,546,845
Leasehold improvements	302,939	72,000	-	-	374,939
Other tangible assets	1,259,714	74,553	(15,101)	-	1,319,166
Construction in progress	186,250	5,617,349	-	(5,669,595)	134,004
	589,685,777	9,226,073	(260,475)	-	598,651,375
Accumulated depreciation:					
Land improvements	(4,626,410)	(202,845)	-	-	(4,829,255)
Buildings	(22,888,205)	(1,041,334)	-	-	(23,929,539)
Plant, machinery and equip.	(331,267,368)	(23,920,035)	3,000	-	(355,184,403)
Vehicles	(517,974)	(83,536)	15,726	-	(585,784)
Furniture and fixtures	(10,098,162)	(630,291)	39,065	-	(10,689,388)
Leasehold improvements	(272,977)	(24,435)	-	-	(297,412)
Other tangible assets	(63,667)	(96,245)	467	-	(159,445)
	(369,734,763)	(25,998,721)	58,258	-	(395,675,226)
Net book value	219,951,014				202,976,149

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	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

TRY25,329,680 of depreciation expense was included in cost of sales (1 January - 31 December 2015: TRY23,865,610). TRY279,067 of depreciation expense was included in marketing expense (1 January - 31 December 2015: TRY269,069). TRY389,974 of depreciation expense was included in general administrative expense (1 January - 31 December 2015: TRY728,645).

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NOTE 13 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Rights and computer software	3,244,023	60,938	-	3,304,961
	3,244,023	60,938	-	3,304,961
Accumulated amortization:				
Rights and computer software	(1,684,881)	(414,537)	-	(2,099,418)
	(1,684,881)	(414,537)	-	(2,099,418)
Net book value	1,559,142			1,205,543

	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

All of the amortization expense amounted to TRY414,537 was included in cost of sales (1 January - 31 December 2015: TRY397,959)

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NOTE 14 - 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 TRY97,179,000. It has been revised as USD 40,550,017 imported machine and TRY41,579,415 domestic machine by Ministry of Economy as a result of the Group's application in 2016. As a result of revision, the total amount of investment covered by incentive certificate has increased to TRY137,000,000.

Group has invest renovation and modernization of carton production line numbered 2. Investment incentive certificate numbered 10178 and dated 13 May 2015 was regulated by Economy Ministry. With regard to investment in the scope of investment incentive certificates is made.

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

Based on the assessments made and the tax law numbered 5520, article 32/A. the Group recognised deferred income tax asset amounting to TRY19,321,170 (31 December 2015: TRY19,321,297) for the corporate tax exemption of 15% over the investment amounting to TRY128,807,801 31 December 2015: TRY128,808,644) which is covered by incentive certificate (Note 26).

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Other short term provisions

	31 December 2016	31 December 2015
Provision for commissions	620,588	518,929
Provision for export discount	256,596	303,764
Provisions for other payables and debts	466,848	396,583
Total	1,344,032	1,219,276

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

	2016	2015
1 January	1,219,276	696,273
Payments and released provisions	(1,219,276)	(696,273)
Additional provisions	1,344,032	1,219,276
31 December	1,344,032	1,219,276

b) Long term provisions

Other long term provision	31 December 2016	31 December 2015
Other long term payments and released provisions (*)	2,293,500	2,293,500
Total	2,293,500	2,293,500

(*) Provisions that are represent intentionally accounted for under the division agreement under the business combination.

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 2016 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. 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 TRY549,826 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 was rejected by the council of state and the case was concluded in favour of the group.

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3. 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 TRY14,928,436, which comprises of original corporate income tax amounting to TRY4,165,805 and tax penalty amounting to TRY10,762,631 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.

The Group has applied to Ministry of Finance for a settlement in January 2014 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. The Group applied to tax authority in order to benefit from restructuring taxes, penalties and interests in scope of Law Nr.6736 published in the Official Gazette which was put in force on August 19, 2016. Due to restructuring taxes, interest and penalties, the Group paid TRY2,661,452 as tax amount and the penalty interest the litigation does not depend on exaggerated and reliable measures of pollution incurred by the ISU. The Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

4. Cellulose Paper, Wood and Products Workers (Selülöz-İş) Union is authorized to make a collective bargaining agreement with the Group. Collective bargaining agreements are in place with the authorized union for a period of 2 years. The collective labor agreement covering the period from September 1, 2014 to August 31, 2016 was finalized on August 31, 2016. The parties have resumed negotiations on 29 September 2016 to conclude a contract for a 2-year period. As of January 25, 2017, the strike was declared by the union concerned and the Group was notified. Selülöz-İş Union declared on 6th February 2017 that the strike will be put into practice by 8 March at 7th March 2017. The Group anticipate cash outflows relating to this lawsuit and hence provide provision TRY320,429 in the financial statements.

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 2016 and 2015 are as follows:

	Original Currency	31 December 2016		31 December 2015	
		Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
CPM Received	TRY	20,644,070	20,644,070	17,319,070	17,319,070
	EUR	4,885,000	18,122,862	9,540,000	30,314,304
	GBP	450,000	1,943,505	450,000	1,935,315
	USD	350,000	1,231,720	825,000	2,398,770
Total			41,942,157		51,967,459

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The details of collaterals, pledges and mortgages given ("CPM") of the Group at 31 December 2016 and 2015 are as follows:

	Original Currency	31 December 2016		31 December 2015	
		Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
A. CPM given on behalf of the Company's legal personality					
Total amount	TRY	8,573,089	8,573,089	8,871,978	8,871,978
	USD	135,300	476,148	5,055,300	14,698,790
	EUR	5,212,500	19,337,854	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			28,387,091		40,134,008

The ratio of other CPMS given by the Group to equity of the Group is 0% as of 31 December 2016 (2015: 0%).

NOTE 16 - COMMITMENTS

The Group's commitments at 31 December 2016 and 2015 are as follows.

a) Raw materials purchase agreements

	31 December 2016	31 December 2015
In one year	3,755,242	2,056,257
Total	3,755,242	2,056,257

b) Machinery and equipment purchase agreements

	31 December 2016	31 December 2015
In one year	447,593	5,168,360
Total	447,593	5,168,360

c) Service purchase agreements

	31 December 2016	31 December 2015
In one year	1,446,560	2,273,678
Total	1,446,560	2,273,678

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NOTE 17 - EMPLOYEE BENEFITS

Short term provisions for employee benefits

	31 December 2016	31 December 2015
Provision for personnel premiums	461,283	141,715
Provision for personnel unused vacations	423,987	409,489
Total	885,270	551,204

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

	2016	2015
1 January	551,204	417,652
Provision through business combination	-	122,727
Provision expense	885,270	428,477
Payment	(551,204)	(417,652)
31 December	885,270	551,204

Long term provisions for employee benefits

	31 December 2016	31 December 2015
Provisions of termination benefits	7,930,046	5,385,355
Total	7,930,046	5,385,355

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 23th 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 TRY4,297.21 (31 December 2015: TRY3,828.37) for each period of service at 31 December 2016. 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 2016	31 December 2015
Discount rate (%)	3.26	4.23
Rate used to estimate the probability of retirement (%)	97.10	97.10

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 TRY4,426.16 for each period of service as of 1 January 2017 (1 January 2016: TRY4,092.53). The maximum liability is revised semi-annually.

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

	2016	2015
1 January	5,385,355	3,725,824
Acquired through business combination	-	827,352
Service cost	2,221,530	1,272,890
Interest cost	872,305	122,445
Actuarial loss (Note 19)	610,955	617,549
Payments	(1,160,099)	(1,180,705)
31 December	7,930,046	5,385,355

NOTE 18 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short term prepaid expenses

	31 December 2016	31 December 2015
Advances given	721,733	1,415,158
Prepaid expenses	509,843	431,521
Total	1,231,576	1,846,679

b) Other current assets

VAT receivable	-	6,953,432
Other	1,262	55,069
Total	1,262	7,008,501

c) Long term prepaid expenses

Advances given to tangible and intangible assets	2,102,504	1,634,277
Total	2,102,504	1,634,277

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NOTE 19 - 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 2016 and 2015 are as follows:

	31 December 2016	Ratio (%)	31 December 2015	Ratio (%)
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	593,059	20.90
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	403	0.01
Diğer Ortaklar (Halka Açık Kısım)	703,059	24.79	703,059	24.79
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:

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

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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 2016 and 31 December 2015 are as follows

	31 December 2016	31 December 2015
Legal reserves	24,379,750	23,480,472
Profit on sale of participation shares and real estate sale exemptions to be added to capital	2,315,343	2,315,343
Total	26,695,093	25,795,815

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 2016 is TRY154,810,418 (31 December 2015: TRY152,853,283). 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 TRY10,176,107. Total amount of the Group's other liabilities may be subject to profit distribution in statutory statements as of 31 December 2016 is TRY73,700,762 (31 December 2015: TRY63,524,655). 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:

	2016	2015
1 January	846,814	450,983
Actuarial losses	610,955	617,549
Actuarial losses- tax effect (Note 26)	(122,191)	(123,510)
Decreases results of the re-measurement of joint venture- net	-	(145,920)
Shares received from investments accounted for by equity method- net	-	47,712
31 December	1,335,578	846,814

NOTE 20 - SALES AND COST OF SALES

	1 January - 31 December 2016	1 January- 31 December 2015
Sales:		
Domestic sales	287,491,185	199,363,497
Foreign sales	70,796,729	87,229,627
Other sales	3,519,011	3,631,013
Sales returns (-)	(1,861,601)	(885,393)
Sales discounts (-)	(14,744,085)	(10,355,914)
Other discounts (-)	(24,746,663)	(9,447,388)
Sales, net	320,454,576	269,535,442
Cost of sales:		
Raw materials and supplies expenses	(179,394,391)	(139,140,761)
General production overhead expenses	(34,229,699)	(33,642,866)
Employee benefits	(25,814,526)	(18,472,179)
Depreciation and amortisation	(25,744,217)	(24,263,569)
Cost of trade goods sold	(11,455,811)	(10,640,615)
Change in work-in process and finished goods	(4,150,609)	(15,960,783)
Cost of other sales	(3,127,912)	(3,477,257)
Cost of sales	(283,917,165)	(245,598,030)
Gross profit	36,537,411	23,937,412

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NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

a) General administrative expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Employee benefits	(6,665,946)	(5,708,493)
Provisions of termination benefits	(3,093,834)	(1,395,336)
Outsourced benefits and services	(1,254,056)	(858,741)
Depreciation and amortisation	(389,974)	(728,645)
Taxes, duties and charges	(160,769)	(274,942)
Donation and aid expenses	(68,700)	(16,500)
Other	(1,550,426)	(1,795,553)
Total	(13,183,705)	(10,778,210)

b) Marketing expenses

	1 January - 31 December 2016	1 January - 31 December 2015
Transportation expenses	(11,400,194)	(8,360,824)
Employee benefits	(1,714,915)	(1,502,505)
Export expenses	(653,243)	(779,749)
Depreciation and amortization expenses	(279,067)	(269,069)
Other	(1,222,708)	(1,115,229)
Total	(15,270,127)	(12,027,376)

NOTE 22 - EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Raw materials and supplies expenses	(179,394,391)	(139,140,761)
Outsourced benefits and services	(35,483,755)	(34,501,607)
Employee benefits	(34,195,387)	(25,683,177)
Depreciation and amortisation	(26,413,258)	(25,261,283)
Cost of trade goods sold	(11,455,811)	(10,640,615)
Transportation expenses	(11,400,194)	(8,360,824)
Change in work-in process and finished goods	(4,150,609)	(15,960,783)
Cost of other sales	(3,127,912)	(3,477,257)
Provisions of termination benefits	(3,093,834)	(1,395,336)
Export expenses	(653,243)	(779,749)
Taxes, duties and charges	(160,769)	(274,942)
Donation and aid expenses	(68,700)	(16,500)
Other expenses	(2,773,134)	(2,910,782)
Total	(312,370,997)	(268,403,616)

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NOTE 23 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Other income from operating activities		
Foreign exchange gain (Trade receivables and payables)	3,615,980	6,465,766
Interest eliminated from sales	6,402,383	5,398,654
Late interest income	434,826	190,081
Profit on sales of property, plant and equipment	223,589	928,905
Other	802,646	1,393,863
Total	11,479,424	14,377,269
Other expenses from operating activities		
Foreign exchange gain (Trade receivables and payables)	(2,935,671)	(10,505,389)
Tax and penalty payments required by Constitution Law	(2,661,452)	-
Interest eliminated from purchases	(1,442,108)	(1,846,355)
Other	(831,512)	(615,584)
Total	(7,870,743)	(12,967,328)

NOTE 24 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
Income from investing activities		
Foreign exchange gain (other than trade receivables and payables)	406,054	1,010,411
Interest income	297,698	293,517
Profit on sales of property, plant and equipment	164,937	560,321
Fair value gain resulting re-measurement of the joint venture	-	27,451,476
Goodwill impairment	-	(4,670,310)
Total	868,689	24,645,415
Expenses from investing activities		
Foreign exchange loss (Trade receivables and payables)	(557,064)	(557,756)
Total	(557,064)	(557,756)

NOTE 25 - FINANCIAL EXPENSE

	1 January - 31 December 2016	1 January - 31 December 2015
Credit card commissions	3,733,620	2,327,401
Foreign exchange expenses	2,168,000	-
Interest expense	1,519,254	2,207,797
Other	165,764	531,229
Total	7,586,638	5,066,427

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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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Current income tax payable	452,998	494,363
Less: Prepaid taxes and funds	(367,717)	(355,225)
Current income tax liability	85,281	139,138

Tax expenses at the comprehensive income statement as of 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Current income tax expense (-)	(452,998)	(494,363)
Deferred tax Income	(1,060,001)	1,072,806
Total tax expense	(1,512,999)	578,443

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 2015: 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.

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 January 1, 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.

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.

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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 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before tax	4,427,247	21,132,575
Tax expense of the Group	(885,449)	(4,226,515)
The impact of adjustment on business combination		4,556,233
Investment incentive	(127)	233,754
Expenses not deductible for tax purposes	(630,851)	(95,055)
Income not subject to tax	-	27,994
Other	3,428	82,032
Total tax (expense)/income	(1,512,999)	578,443

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 2016 and 31 December 2015 are as follows.

	Cumulative Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Investment incentive	(128,807,801)	(128,808,644)	19,321,170	19,321,297
Carry forward tax losses	(30,448,026)	(34,936,814)	6,089,605	6,987,363
Provision for employee benefits	(7,930,046)	(5,385,355)	1,586,010	1,077,071
Inventories	(398,196)	(1,988,747)	79,639	397,749
Unearned financial income	(253,042)	(262,653)	50,608	52,531
Provision for doubtful receivables	(111,806)	(270,500)	22,361	54,100
Tangible and intangible assets	69,253,082	67,740,808	(11,071,148)	(10,768,694)
Other, net	(3,400,378)	(2,873,572)	680,076	574,714
Deferred Income Tax Liability, net			16,758,321	17,696,131

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

	2016	2015
1 January	17,696,131	17,998,327
Deferred income tax liabilities acquired with business combination	-	(1,498,512)
Related with income statement	(1,060,001)	1,072,806
Actuarial losses that accounted for under equity (Note 19)	122,191	123,510
31 December	16,758,321	17,696,131

NOTE 27 - EARNINGS PER SHARE

	1 January - 31 December 2016	1 January - 31 December 2015
Net Income for the period	2,903,493	21,698,774
Weighted average number of shares	2,837,014	2,837,014
Earnings per share	1,02343	7,64846

NOTE 28 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	31 December 2016	31 December 2015
Borrowings and receivables		
Cash and cash equivalents	15,150,104	5,497,163
Trade receivables	44,643,124	40,317,261
Total	59,793,228	45,814,424
Financial liabilities valued by effective interest rate		
Trade payables	25,932,319	21,007,672
Borrowings	24,996,879	43,965,205
Total	50,929,198	64,972,877

b) Fair value of financial instruments

Company has not fair value of financial asset and liability as of 31 December 2016 and 31 December 2015.

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 2016 and 2015 are as follows:

31 December 2016

	TRY Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	14,878,393	944,398	2,876,272	204,724
2a. Monetary Financial Assets	8,891,923	30,717	2,349,605	15,521
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	2,059,246	14,146	541,649	-
4. Total Current Assets (1+2+3)	25,829,562	989,261	5,767,526	220,245
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	2,102,504	597,438	-	-
8. Total Non-Current Assets (5+6+7)	2,102,504	597,438	-	-
9. Total Asset (4+8)	27,932,066	1,586,699	5,767,526	220,245
10. Trade Payables	10,950,201	1,673,722	1,334,555	20,612
11. Financial Liabilities	18,583,000	-	5,000,000	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	29,533,201	1,673,722	6,334,555	20,612
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)	29,533,201	1,673,722	6,334,555	20,612
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)	(1,601,135)	(87,023)	(567,029)	199,633
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1,601,135)	(87,023)	(567,029)	199,633
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	68,504,354	18,603,026	46,996,362	2,904,966
26. Imports	-	44,925,703	12,624,368	32,301,335

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31 December 2015

	TRY 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	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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Foreign currency sensitivity analysis tables at the end of reporting period 2016 and 2015 are as follows:

	31 December 2016			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TRY by 10%:				
1. Net Asset/Liability in USD	(31,692)	31,692	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	(31,692)	31,692	-	-
If EUR appreciated/(depreciated) against TRY by 10%:				
4. Net Asset/(Liability) in EUR	(214,594)	214,594	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	(214,594)	214,594	-	-
If other foreign currencies appreciated (Depreciated) against TRY by 10%				
7. Net Asset/(Liability) in other foreign currencies	86,173	(86,173)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	86,173	(86,173)	-	-
Total (3+6+9)	(160,113)	160,113	-	-

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

	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 TRY 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 TRY 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 TRY 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	-	-

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 TRY139,270 per loan interest cost for annual basis, while euro-denominated loans creates 50,000 Euro and US Dollar denominated loans 49,200 USD 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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Notes to the Consolidated Financial Statements
As at 31 December 2016**

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

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

31 December 2016	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⁾	720,923	43,922,201	-	2,063,542	15,046,890	61,753,556
- Secured portion of the maximum risk by guarantees	-	21,126,212	-	-	-	21,126,212
A. Net book value of financial assets not due not impaired	720,923	24,138,930	-	2,063,542	15,046,890	41,970,285
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	19,783,271	-	-	-	19,783,271
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	1,156,407	-	-	-	1,156,407
- Impairment (-)	-	(1,156,407)	-	-	-	(1,156,407)
- Portion of the net value with guarantees	-	-	-	-	-	-
- 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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

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	-	11,647,254	-	-	-	11,647,254
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	1,056,693	-	-	-	1,056,693
- Impairment (-)	-	(1,056,693)	-	-	-	(1,056,693)
- Portion of the net value with guarantees	-	-	-	-	-	-
- 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.

Trade receivables amounted to TRY19,783,271 is overdue but not impaired as of 31 December 2016 (31 December 2015: TRY11,647,254). Trade receivables consists of independent receivables pays their past debts without delay Also receivables of TRY4,415,733 (31 December 2015: TRY3,341,628) were secured. The maturity analysis of the assets which are past due but not impaired is as follows:

	31 December 2016	31 December 2015
Past due by 1-30 Days	17,126,487	10,009,743
Past due by 1-3 Months	2,343,614	1,453,167
Past due by 3-12 Months	313,170	184,344
Past due by 1-5 Years	-	-
Past due by over 5 Years	-	-
Total	19,783,271	11,647,254

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

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 2016 and 2015 are as follows:

31 December 2016	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)
Non-derivative financial liabilities:						
Bank loans	18,569,879	18,586,747	18,586,747	-	-	-
Financial borrowings	6,427,000	6,427,000	-	6,427,000	-	-
Trade payables	25,932,319	26,091,409	26,091,409	-	-	-
Payables for employee benefits	246,864	246,864	246,864	-	-	-
Other payables	3,750,194	3,750,194	3,750,194	-	-	-
Total	54,926,256	55,102,214	48,675,214	6,427,000	-	-

31 December 2016	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)
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	-	-

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2016

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

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

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 2016 and 2015 net debt/total capital ratio is as follows:

	31 December 2016	31 December 2015
Total liabilities	67,464,385	77,468,508
Less: Cash and cash equivalents (Note 5)	(15,150,104)	(5,497,163)
Total liabilities	52,314,281	71,971,345
Total shareholders' equity	283,849,975	281,482,796
Total capital	336,164,256	353,454,141
Net debt/total capital ratio	15.56%	20.36%

NOTE 30 - EVENTS AFTER BALANCE SHEET DATE

None.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

2016 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 2016 is presented at the table below for your examination and approval.

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	4,427,247.00	10,176,107.05
4. Taxes (-)	1,512,999.00	0.00
5. Net Profit for the Period ⁽¹⁾	2,903,493.00	10,176,107.05
6. Losses in Prior Years (-)	0.00	0.00
7. General Legal Reserves (-)	0.00	0.00
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	2,903,493.00	10,176,107.05
9. Donations during the Year (+)	221,214.00	
10. Net Distributable Profit for the Period Including Donations	3,124,707.00	
11. First Dividend to Shareholders	156,235.35	
Cash	156,235.35	
Bonus Shares	0	
Total	156,235.35	
12. Dividends Distributed to Owners of Privileged Shares	142,050.28	
13. Other Dividends Distributed	142,050.28	
To the Members of the Board of Directors	142,050.28	
14. Dividends Distributed to Owners of Redeemed Shares	0	
15. Second Dividend to Shareholders	2,212,098.70	
16. General Legal Reserves	896,195.39	
17. Statutory Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES ⁽²⁾	-645,137.00	6,627,477.05
20. Other Resources to be Distributed	6,451,370.00	6,451,370.00

⁽¹⁾ Net period profit is TL 2,914,248 (4,727,247-1,512,999) of which amount TL 10,755 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 2,903,493 is taken into consideration.

⁽²⁾ The negative figure of extraordinary reserves in the profit distribution table was calculated by deducting the dividends distributed and the reserves for all the dividends including those of the prior years from the net distributable period profit. The related figure represents the general legal reserves that will be deducted from the amounts distributed from the prior years' profits of our Company.

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	120,748.02	0.00	4.15872	60,374.0114792	6,037,401.15%
NET B	7,496,745.84	0.00	258.19748	2.6424792	264.25%
TOTAL	7,617,493.86	0.00			

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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 Sok.. 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	31.12.2016 Number of Shares	31.12.2016 Stake (%)	31.12.2015 Number of Shares	31.12.2015 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	593,059	20.90
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	403	0.01
Other Shareholders (Free Float)	703,059	24.79	703,059	24.79
Total Capital	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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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 SANAYİ VE TİCARET 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 2015 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 Beginning	Term of Office End	Re-Appointment	New Term of Office
Ünal Bozkurt	Chairman of the Board of Directors	30.03.2015	29.03.2016	29.03.2016	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	30.03.2015	29.03.2016	29.03.2016	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	30.03.2015	29.03.2016	29.03.2016	1 Year
Sinan Ercan Gülçur	Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Babür Gökçek	Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Mehmet İmregün	Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Hatice Canan Pak İmregün	Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Ali Ersin Güredin	Independent Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Tamer Koçel	Independent Board Member	30.03.2015	29.03.2016	29.03.2016	1 Year
Haluk İber	Board Member and General Manager	30.03.2015	29.03.2016	29.03.2016	1 Year

The Board of Directors held 25 meetings in the year ending 31.12.2016. 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 Beginning	Term of Office End	Appointment	Term of Office
PWC Bağımsız Denetim ve SMMM A.Ş. (Previously: Başaran Nas Bağımsız Denetim SMMM A.Ş)	Independent Auditor	01.01.2015	31.12.2015	29.03.2016	01.01.2016-31.12.2016

* PWC Bağımsız Denetim ve SMMM A.Ş. (previously: Başaran Nas Bağımsız Denetim SMMM A.Ş.) is also the Independent Audit Company appointed in line with the Capital Markets Board legislation.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Other Disclosures Required by the Regulations

AUDIT COMMITTEE

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President of the Audit Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Tamer Koçel	Member of the Audit Committee	03.04.2015	13.04.2016	13.04.2016	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Tamer Koçel	President of the Corporate Governance Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Aslı Balkır	Member of the Corporate Governance Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Süleyman Kaya	Member of the Corporate Governance Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Bülent Yılmaz	Member of the Corporate Governance Committee*	03.04.2015	13.04.2016	13.04.2016	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 Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President of the Risk Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Mehmet İmregün	Member of the Risk Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Sinan Ercan Gülçur	Member of the Risk Committee	03.04.2015	13.04.2016	13.04.2016	1 Year
Ünal Bozkurt	Member of the Risk Committee	03.04.2015	13.04.2016	13.04.2016	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 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 Sanayii ve Ticaret A.Ş. on 10 June 2015.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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 production capacity of 240,000 tons/year that the Company reached thanks to this investment made Kartonsan Europe's fourth biggest coated cardboard producer.

Brief information about our Company's past investments by years and its future plans are detailed in the previous sections of this annual report.

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. In the absence of a specific ratio defined by the Capital Markets Board of Turkey (CMB), the minimum profit distribution ratio is set as 5%. 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 SANAYİ VE TİCARET 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 SANAYİ VE TİCARET 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

The Company utilized its shareholders' equity to finance its modernization investment in 2014. However, additional funding was needed owing to the magnitude of the investment made and the decreased production and sales figures during the course of the investment, which was fulfilled through FC and TL borrowings from the parent companies. The amounts of loans currently utilized by the Company have been stated in the explanatory notes to consolidated financial statements for the year ended 31.12.2016. In this respect, the Company is exposed to exchange rate risk for FC credits, as well as the credit interest rate risk. On the basis of the average of a long track record, the Company boasts strong shareholders' equity and solid cash generation capability, which preclude the need for external financing. The Company invests its surplus funds into TL and term FC deposits within the financial system. 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.

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. As per the organization of our Board of Directors, the Risk Detection Committee was set up in 2013 in accordance with the provisions of the Capital Market Law (CML) and the Turkish Commercial Code (TCC); the committee has been functioning in line with the principles defined since its establishment.

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 SANAYİ VE TİCARET 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. Nonetheless, the Company carried out modernization and expansion investment in the cardboard production line no. 2 (BM2) in our production facility in 2014, which brought about quality improvement and capacity increase. A portion of TL 128.8 million of this investment was undertaken within the frame of the investment incentive certificate. The total production capacity of 240,000 tons/year that Kartonsan reached as a result of this investment put the Company in the position of Europe's fourth biggest coated cardboard producer. The current investments concern the maintenance of the facility, and quality and productivity increases.

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 (31.12.2015: 240,000 tons per annum). Production and sales volumes for 2016 and 2016 are presented below. As of 31 December 2016, the net capacity utilization ratio stood at approximately 85% (31 December 2014: 78%).

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

	31 December 2016	31 December 2015
Net Production Volume		
Coated Cardboard (Tons)	203,957	188,242
Electricity Production (x1,000 Kwh)	141,746	140,680

8) INFORMATION RELATED TO SALES

A comparison of the Company's consolidated sales volumes for the years 2016 and 2015 is set out below:

	31 December 2016	31 December 2015
Sales Volume		
Coated Cardboard (Tons)	209,126	186,565
Electricity (x1,000 Kwh)	21,855	20,328
Scrap Paper (Tons)	3,610	2,243

Consolidated net sales figure of the Company amounted to TL 320,454,576 in 2016 compared to TL 269,535,442 in 2015.

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Other Disclosures Required by the Regulations

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RATIOS		31.12.2016	31.12.2015
Current Ratio	Current Assets/Short Term Liabilities	2.24	1.69
Acid Test Ratio	(Current Assets-Inventories)/Short Term Liabilities	1.13	0.84
Inventories/Current Assets	Inventories/Current Assets	0.49	0.50
Working Capital	Current Assets (excluding Cash and Liquid) - Short Term Liabilities (Excluding Financial Loans)	80,633,589	86,544,939
Cash Ratio	(Cash and Liquid Assets)/Short Term Liabilities	0.26	0.08
FINANCIAL STRUCTURE RATIOS			
Financial Leverage	(Short Term + Long Term Liabilities)/Total Assets	0.19	0.22
Total Liabilities/Shareholders' Equity		0.24	0.28
Short Term Liabilities/Shareholders' Equity		0.20	0.25
Long Term Liabilities/Shareholders' Equity		0.04	0.03
Fixed Assets/Shareholders' Equity		0.79	0.86
Financial Borrowing/Shareholders' Equity		0.09	0.16
PROFITABILITY RATIOS			
Asset Turnover Ratio	Net Sales/Total Assets	0.91	0.75
Gross Profit Margin	Gross Profit/Net Sales	0.11	0.09
Return on Assets	Net Profit/Total Assets	0.01	0.06
Net Profit/Net Sales		0.01	0.08
Profit Before Tax/Net Sales		0.01	0.08
Return on Equity		0.010	0.08
Operating Profit/Sales Revenues		0.04	0.01
Earnings per Share		1.02	7.65
Cash Assets		15,150,104	5,497,163
Financial Liabilities		24,996,879	43,965,205
Net Financial Position		(9,846,775)	(38,468,042)
Trade Receivables		44,643,124	40,317,261
Other Receivables		2,078,462	3,898,768
Inventories		63,257,774	59,088,348
Trade Payables		25,932,319	21,007,672
Other Payables		3,997,058	2,907,158

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 Dönkasın Dönüştürülen Atık Kağıt San. ve Tic. A.Ş.

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Other Disclosures Required by the Regulations

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: 320 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 2016 was signed in 22 March 2015.

The collective labor agreement expired on 31 August 2016, and the negotiations initiated on 29 September 2016 for another two-year period (01 September 2016 – 31 August 2018) resulted in mutual agreement on 06 March 2017.

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 2016, the upper limit for donations was set at TL 750,000 (2015: TL 750,000).

Details of the donations and assistance provided by the Company in 2016 are as follows:

Donations (TL)	31 December 2016	31 December 2015
Donations to Foundations and Associations (In the field of education, sports and culture)	171,214	41,900
Donations to Universities, High Schools and Primary Schools	0	100
Social Donations	50,000	0
Total	221,214	42,000

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 2016 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 2016 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.

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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.

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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 DOĞAN	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 2016 was presented to Board of Directors on 10 February 2016.

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 44 inquiries from investors during 2016 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	19	43%
Information on Dividend Payouts	8	18%
Information on the General Assembly	7	16%
Reasons Behind Increase and Decreases in the Share Price	7	16%
Information Concerning the Financial Statements	3	7%
	44	100.00%

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Other Disclosures Required by the Regulations

In 2016, 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 2016, 10 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 2015 fiscal year was simultaneously held physically and electronically on 29 March 2016. Media was not involved in the meeting. Partners, stakeholders and shareholders also attended the meeting. The General Assembly Meeting was held both physically and electronically with a quorum of 75.29%, which was achieved through representation of 213,611,785.- shares with a total nominal value of TL 2,136,117.85 out of a total of 283,701,421.- shares. 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 invitations for the meeting, including the agenda, were made within due time as stipulated by the law and the Company's Articles of Association, by being promulgated at least 21 days in advance of the general assembly meeting in the Turkish Trade Registry Gazette issue 9023 dated 02 March 2016, in the Milliyet daily dated 06 March 2016, and were posted on the Company's website (www.kartonsan.com.tr), Public Disclosure Platform (KAP), and Electronic General Meeting System of the Central Registry Agency (EGKS). 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 2015, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors. 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. Questions verbally directed by the shareholders in the meeting were responded to during the course of the meeting by the concerned individuals who were given the platform by the meeting chair. 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 29 March 2016, 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.

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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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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 System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System. 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; career planning 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 System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System. 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.

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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	30.03.2015	29.03.2016	29.03.2016	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Sinan Ercan Gülçur	Board Member	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Babür Gökçek	Board Member	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Mehmet İmregün	Board Member	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Hatice Canan Pak İmregün	Board Member	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Ali Ersin Güredin	Independent Board Member	Academician	Out-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Tamer Koçel	Independent Board Member	Academician	Out-Group	30.03.2015	29.03.2016	29.03.2016	1 Year
Haluk İber	Board Member and General Manager	Board Member	In-Group	30.03.2015	29.03.2016	29.03.2016	1 Year

The Board of Directors' 2015 Annual Report drawn up and publicly disclosed by the Company provides the resumés of the members of the Board of Directors. No changes occurred in the related information during the reporting period, nor any new members joined the Board of Directors. The said detailed annual report can be reached at our Company's website. ([www.kartonsan.com.tr/yatirimci-iliskileri/faaliyet-raporları\ kartonsan faaliyet raporu 2015](http://www.kartonsan.com.tr/yatirimci-iliskileri/faaliyet-raporları/kartonsan-faaliyet-raporu-2015) or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

As required by Capital Markets Board regulations concerning independent directors, on 25 February 2016 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:

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Other Disclosures Required by the Regulations

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;*
- *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.

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Other Disclosures Required by the Regulations

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 2016, a total of 25 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.

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.

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Other Disclosures Required by the Regulations

The committees that were active in 2016 are indicated below:

AUDIT COMMITTEE

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President	Independent Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Tamer Koçel	Member	Independent Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Tamer Koçel	President	Independent Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Aslı Balkır	Member	Vice Chairman of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Süleyman Kaya	Member	Vice Chairman of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Bülent Yılmaz*	Member	-	03.04.2015	13.04.2016	13.04.2016	1 Year

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

THE EARLY DETECTION OF RISK COMMITTEE

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President	Independent Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Mehmet İmregün	Member	Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	1 Year
Sinan Ercan Gülçur	Member	Member of the Board of Directors	03.04.2015	13.04.2016	13.04.2016	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.

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Other Disclosures Required by the Regulations

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.

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.

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Other Disclosures Required by the Regulations

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 28 February 2017, 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 2016 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 2016 - 31 December 2016. 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 2016."

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.

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.

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Other Disclosures Required by the Regulations

Benefits (salary and attendance fees excluding dividend payments to Board of Directors) provided to Senior Managers and Board Members are listed below:

	31 December 2016	31 December 2015
Benefits Provided to Senior Managers	1,991,773	1,224,654
Benefits Provided to Board Members	213,089	206,463
Total	2,204,862	1,431,117

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 2016, 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 2016.

KARTONSAN KARTON SANAYİ VE TİCARET 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

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Tax Affirmation

PWC YEMİNLİ MALİ MÜŞAVİRLİK A.Ş. Süleyman Seba Caddesi BJK Plaza No: 48 B/Blok K: 12 34357 Beşiktaş-İstanbul
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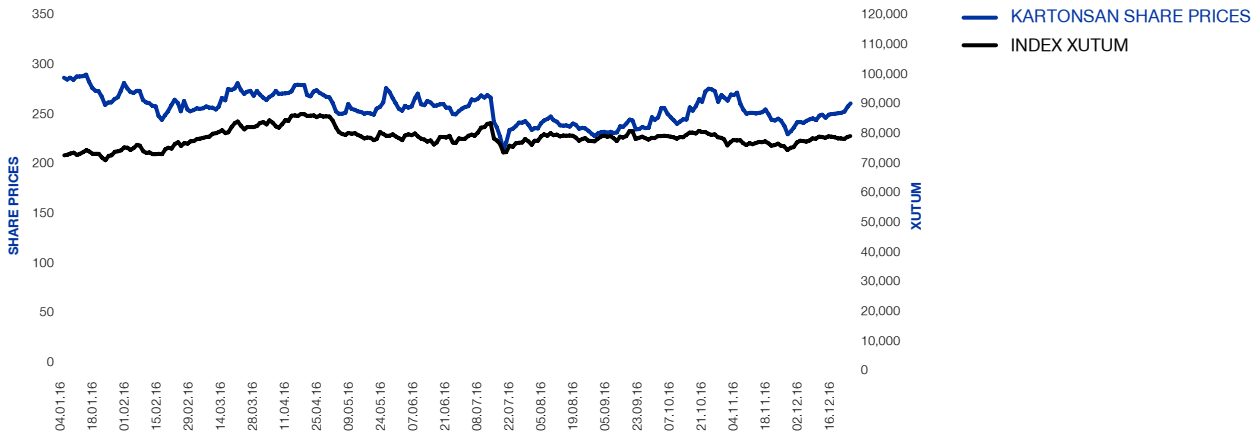
Ordinary General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on Tuesday, 30 March 2017 at 10:30 in POINT HOTEL BARBAROS Esentepe Yıldız Posta Caddesi No: 29 Şişli - İstanbul.

Performance of Kartonsan Shares in 2016

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 2016 (COMPARED WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 212 and the highest share price was TL 291.82. The average price in 2016 was TL 255.82. The lowest and highest prices of the shares are presented in the following table:

Period	Lowest TL	Highest TL
04.01.2016 - 31.03.2016	243.30	291.70
01.04.2016 - 30.06.2016	249.00	280.80
01.07.2016 - 30.09.2016	212.00	269.90
03.10.2016 - 30.12.2016	228.00	276.60

