

2019

Annual Report

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www.kartonsan.com.tr



Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

AGENDA FOR THE 2019 ANNUAL GENERAL ASSEMBLY TO BE HELD ON 28 MARCH 2020

1. Opening and Election of the Presidential Committee,
2. Reading and Discussing the Annual Report of the Board of Directors for 2019 Operations,
3. Reading and Discussing the Independent Auditors' Report on 2019 Operations,
4. Reading, Discussing and Approval of the 2019 Balance Sheet and Income Statement,
5. Releasing the Members of the Board of Directors from their Liabilities for 2019 Operations,
6. Providing Information about Donations Made in 2019 and Setting an Upper Limit on such Donations in 2020,
7. Presentation of the Board of Directors' Proposal Concerning Distribution of 2019 Profit, Discussion of any Changes, Approval or Rejection of the Proposal
8. Determining the Remuneration of the Members of the Board of Directors
9. Election and Approval of the Members of the Board of Directors, at Least Two of Which Are Independent Directors, in Accordance with the Corporate Governance Principles of the Capital Markets Board.
10. Presentation of the Remuneration Principles of the Members of Directors and Senior Executives to the General Assembly
11. Presentation of the Independent Auditors Selected by the Board of Directors to Audit the Company's 2020 Financial Statements and Reports in Accordance with the Capital Markets Law (Statute 6362) and Approval of the Auditors Pursuant to the Turkish Commercial Code (Statute 6102)
12. Presentation of the Authorization of Shareholders, Board of Director Members, Senior Executives, their Spouses and Relatives Related by Blood or Affinity up to the Second Degree and Transactions That May Involve Conflicts of Interest or Compete with the Company or its Subsidiaries Pursuant to Articles 395 and 396 of the Turkish Commercial Code and to Relevant Capital Markets Laws and Regulations and Obtaining the General Assembly's Approval for those Individuals' Involvement in such Dealings,
13. Discussion, Approval or Rejection of the Draft Amendment of Article 6 of Articles of Association that Passed the Approval of Capital Markets Board and Republic of Turkey Ministry of Commerce.
14. Requests and Comments.

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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Corporate Summary

As a distinctive and exemplary corporate citizen and industrial facility with its outstanding production power, healthy financial structure and high quality standards, Kartonsan is the leader of Turkish coated cardboard industry with a 40% market share.

Kartonsan started its operations in 1967 as the first privately owned manufacturer of coated cardboard in Turkey.

As the industry leader of coated cardboard in Turkey and the fourth largest producer of Europe based on production capacity, Kartonsan is one step ahead with its high usage of waste paper in production, environment friendly modern production technologies and its lean management structure as well as its contribution to Turkish economy in terms of employment.

In a market where paper industry was being carried on by the government, Kartonsan was founded with an entrepreneurial and courageous approach as the first private sector coated cardboard producer of Turkey.

In its 52nd operation year, Kartonsan acted with the sectoral responsibility it assumed; balancing its stakeholders' economic interests with social responsibility and carried forward its pioneering and modeling corporate citizen identity.

Market leader in Turkey, 4th largest producer in Europe

As a distinctive and exemplary corporate citizen and industrial facility with its outstanding production power, healthy financial structure and high quality standards, Kartonsan is the leader of Turkish coated cardboard industry with a 40% market share. Furthermore, Kartonsan is the 4th largest cardboard producer in Europe based on production capacity.

Being a dynamic and financially strong company, Kartonsan carried its brand to new markets, integrated the most updated technology into its production cycle, recorded a healthy and continuous growth.

Differentiating itself from competitors with environment friendly products and long lasting customer relations, Kartonsan is the pioneering player of the coated cardboard industry. In 2019, export sales were 21% of Kartonsan's total sales.

New products in every area of daily life

Coated cardboard manufactured by Kartonsan is used in various areas in our daily lives such as packaging of food, pharmaceuticals, detergents, matches, cosmetics, textiles, stationery, glassware and small appliances, book and notebook covers and corrugated lamination.

With products that are in the life cycle of millions of consumers, Kartonsan is a distinguished company with its unique quality standards, high customer satisfaction and production-trade-logistics power.

Environment-friendly production processes

Kartonsan has environment-friendly production processes. The Company executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment.

Using the maximum quantity of waste paper possible in its production process and generating its own energy, Kartonsan is one of the few industrial companies in our country having a four-component integrated management system.

Kartonsan's integrated management system is an expression of the Company's emphasis on product quality, natural resources, environment and people; and is composed of the following modules:

- ISO 9001: 2000 Quality Management,
- ISO 14001 Environment Management
- OHSAS 18001 Occupational Health and Safety Management
- ISO 50001 Energy Management

Producer which internalized sustainability

Stakeholders' interest and sustainable total performance are the unchanging goals that Kartonsan observes in economic and commercial cycle.

Furthermore, Kartonsan sees economic, environmental and social sustainability as

components of a long-term, healthy and profitable performance and shapes its corporate strategy accordingly.

Leadership, market experience and know-how, production power based on advanced technology and qualified human resources are among the most significant factors in shaping Kartonsan's competitive edge and strategy.

Environment protection is a priority

Protecting the environment and respect for the environment are key values of Kartonsan's economic and commercial activities. Kartonsan executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment.

As the role model of its sector, Kartonsan sets forth its respect for the nature by using the maximum quantity of waste paper possible in its production phases. According to 2019 year-end data, Kartonsan uses almost 94% of waste paper in its production. Kartonsan employs modern techniques to treat waste water to be reused in production, generates its own energy and uses turbine exhaust gas to produce steam.

Contribution to the economy and social life

Kartonsan executes various social responsibility projects, particularly in education, contributes to our country's macroeconomic structure with its corporate taxes, employment and exports, and shares its production with a wide range of its stakeholders.

Strong financial structure and continuous shareholder support

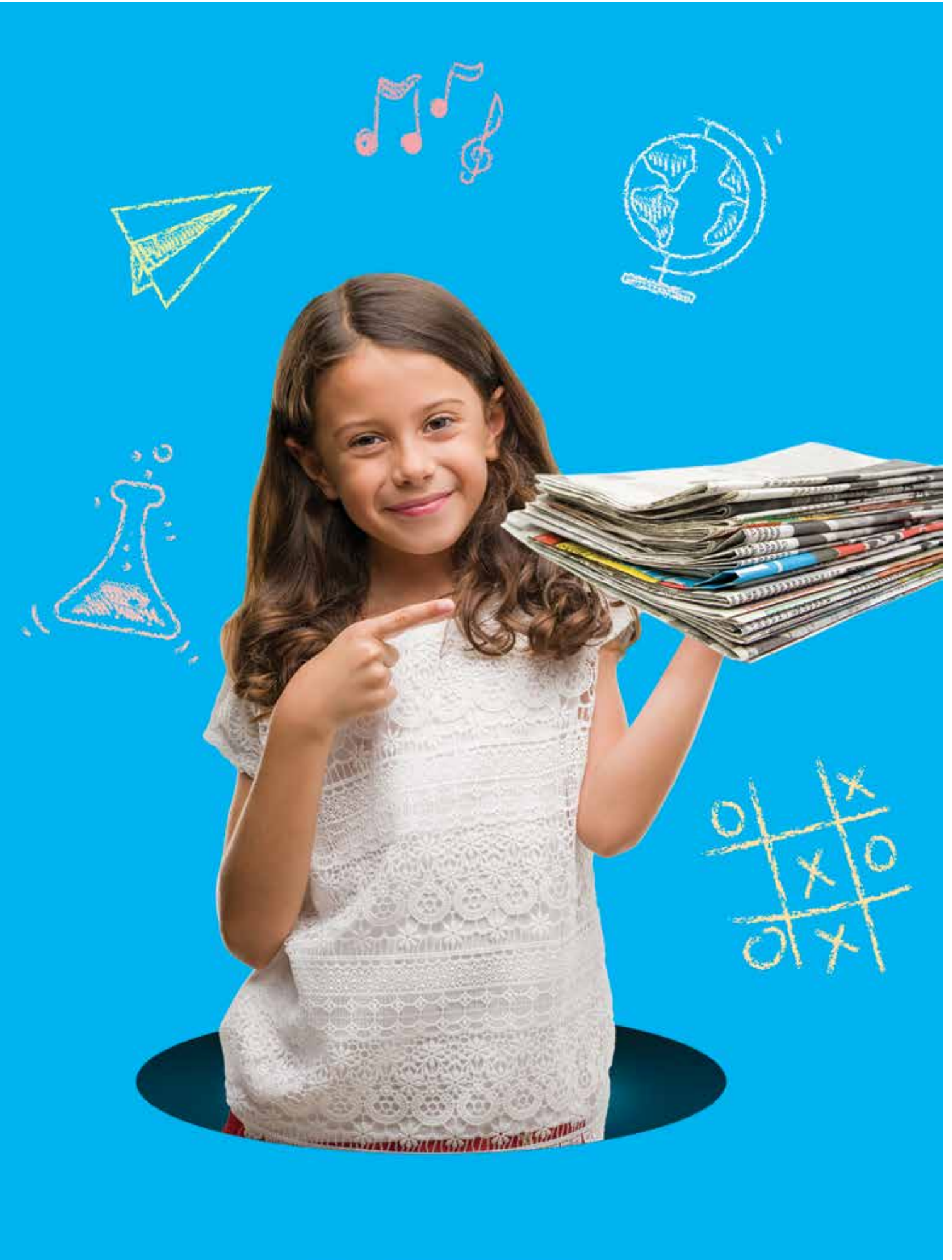
The main shareholder of Kartonsan is Pak Group with a 78.15% share. The Company went public in 1986 and its shares are traded in Borsa İstanbul (BIST) National Market with the ticker "KARTN". Information on performance of Kartonsan stocks in 2019 is presented at page 66 of this report.



FOR A MORE SENSITIVE AND SUSTAINABLE PRODUCTION

With its waste paper use rate that is more than Europe's average, Kartonsan is also a recycling company.





Kartonsan in Numbers



Kartonsan products add value to people's lives in more than 20 countries

One of the leading coated cardboard producers in Europe, Kartonsan products are exported to more than 20 countries in 3 continents. Countries having the highest share of Kartonsan's exports have been Bulgaria, Greece, Spain, Portugal, the UK, Romania and Egypt as in the previous years.

Kartonsan Factory

Site Area

101,270 m²

Indoor Site Area

337,390 m²

Open Site Area

438,660 m²

Total Area

Production Lines and Annual Production Capacity

BM1: 80,000 tons/year

Annual Production Capacity

BM2: 160,000 tons/year

Annual Production Capacity

Electricity Generation Capacity

528,000 KWh/day

Daily Electricity Generation Capacity

193 million KWh/year

Annual Electricity Generation Capacity

18 million KWh/year

Sellable Electrical Energy

Product Range

Normprint

Exprint

Luxtriplex

Waste Treatment Plant Installed Capacity

10,000 m³/day

Grinding Capacity

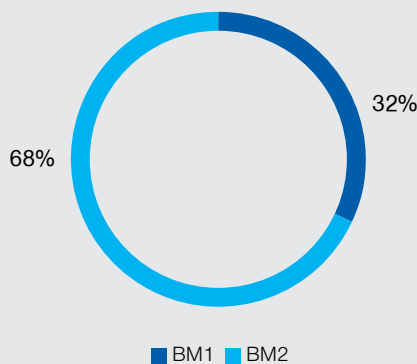
2,650 m²/year

Annual Grinding Capacity

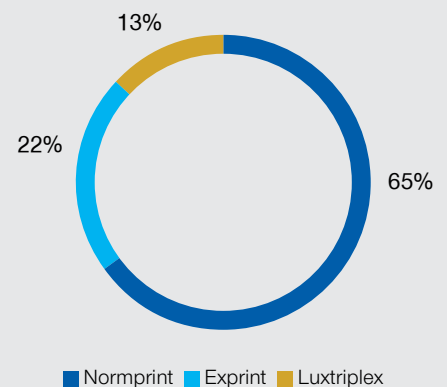
Total Production
(thousand tons - gross)



Breakdown of Production
(%)



Breakdown of Production
(%)



Kartonsan - A Retrospective

A sustainable success story which is focused on future...

Kartonsan's corporate history starts with the groundbreaking of its plant in Başiskele Kocaeli in 1967. Providing the first domestic coated cardboard to Turkish market in 1970, Kartonsan carried its success story beyond Turkey's borders and positioned itself as one of the leader producers in Europe.



1970

Kartonsan started its production as the first privately owned coated cardboard factory of Turkey.

1980-1986

Increasing its capacity over years, Kartonsan started to work on the project of its second production line BM2. In 1985, Kartonsan waste treatment facilities have started operations.

With the start of BM2 line's operations in 1986, Kartonsan's production capacity increased by 160%.

In 1986 Kartonsan went public and the Company's stocks have started to be traded on BIST national market.

1993

Computer-controlled production lines are installed. The BM2 line's production capacity is increased to 300 tons/day through additional investments and plant optimization.

1995-1997

In 1995, Kartonsan started generating its own electricity with the three turbines powered by natural gas and fuel oil. Additionally, it started to generate steam through waste heat boilers. In 1997, with the addition of a turbo-generator and waste heat boiler 19.2 MW power has been achieved at the power plant.

2002

The expansion project at Kartonsan treatment facility has been completed.

2003

Kartonsan started selling the surplus electrical power that it generates to the national grid. Kartonsan's integrated management system (ISO 9001 Quality Management System + ISO 14001 Environmental Management System + OHSAS 18001 Occupational Health & Safety Management System) was audited and approved by Bureau Veritas.

2006

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

2009

Through a successfully managed project, production capacity of BM1 was increased by 50% and total production capacity of Kartonsan reached 180 thousand tons.

2010

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



2012-2013

A Letter of Intent for Euro 16 million was signed with the Austrian Andritz AG to finance an investment to increase the capacity of BM2 by approximately 50% and the project has continued in 2013.

Projects related with FSC-CoC certification and transition to SAP were completed. The system was launched in 2013.

2014

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

Within the scope of expansionary investment, checks on the use of energy and natural resources were completed and improvements were realized on decreasing the use of steam.

Within the scope of the regulation on the follow-up of greenhouse gas emissions, a plan has been developed to follow greenhouse gas emissions resulting from

Kartonsan's activities, and this plan was submitted to the Ministry of Environment and Urban Development.

With the MBR system the Company moved up a step higher and fresh water consumption has been significantly decreased.

2015

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

Energy Management team was formed and activities have started for the requirements of ISO 50001 Energy Management System. After the inspection of Bureau Veritas, the Company was qualified to receive ISO 50001 Energy Management System certificate.

2016

Lean management activities were initiated which would provide important contributions to the various areas from production to customer satisfaction.

2017

At its 50th anniversary, Kartonsan reached the highest sales quantity and turnover of all times.

2018

While rapidly completing its efficiency projects which have key importance for Kartonsan, the Company maintained its leadership and continued its strong existence in export markets.

2019

Kartonsan, which presses ahead with its projects with a focus on increasing efficiency and growth built on its strong foundations, posted a further improvement in its performance in the production-trade cycle thanks to the initiatives it has undertaken and the right decisions it has made.



FOR A HEALTHIER AND MORE ECO-FRIENDLY PACKAGING

Within the frame of cyclical economy, Kartonsan is one of the largest producers of coated cardboard preferred in packaging industry.





Kartonsan Quality in Production

Kartonsan develops its products in accordance with market demands and expectations following the trends in global packaging industry.

Kartonsan conducts its production activities with an approach focused on developing and increasing the added value offered to consumers. Kartonsan's permanent goal is to develop, produce and present healthy and eco-friendly products that contribute to quality of life, reaching millions of people.

Kartonsan products and their areas of use

Kartonsan produces coated cardboard known as duplex (GD) and triplex (GT) in the industry.

Producing coated cardboard from recycled paper, Kartonsan responds to the needs of various sectors with a wide range of products.

Kartonsan's products reach tens of millions of consumers in more than 20 countries and they are being widely used in different areas of our lives such as food, pharmaceuticals, detergents, matches, cosmetics, textile, stationary, packaging of glass products and small appliances, book and notebook covers and corrugated lamination.

Kartonsan develops its products in accordance with market demands and expectations following the trends in global packaging industry.

Products appropriate for food packaging

Having a customer portfolio of tens of millions of consumers in approximately 30 countries, use of Kartonsan's coated cardboard products in food packaging

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

Kartonsan puts customer satisfaction at the center of all its activities and attaches particular importance to establishing long term, sustainable business relationships with its customers. Kartonsan will continue to respond to customer demands proactively and diversify its product range based on current needs.

Kartonsan's Products and Their Specifications

NORMPRINT

Normprint, a multi-coated cardboard, is a high performance product for packaging. A blade top coat has been applied to the top surface and the back side is grey. This product provides brilliant printability using substantially less ink and a high degree of varnish ability.

EXPRINT

Exprint is a multi-coated cardboard which provides high performance in all types of packaging and detailed graphic printing. The product offers brilliant printing quality with substantial ink economy and high varnish ability. It also offers excellent creasing surface due to its structure. The backside is grey and a blade coat has been applied to the top surface.

LUXTRIPLEX

Luxtriplex is preferred for special occasion cards, detailed graphic printing for advertising materials and all kinds of packaging. It provides high creasing capability, brilliant printability with substantial ink economy and high varnish ability. It is a multi-coated cardboard with a white back side and a blade coat has been applied to the top surface.

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



Kartonsan's Integrated Management System

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable.

Four-component management system

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable.

Kartonsan meets the qualified coated cardboard needs of the Turkish market for 52 years, offering an innovative, high quality and specialized product range and carries out its operations with the aim of providing dependable and sustainable products focusing on efficiency, effectiveness, customer satisfaction and profitability.

Providing a humane and modern working environment, continuity of human resources with high degrees of satisfaction and respect for environment under all circumstances are the other main elements of Kartonsan's sustainability approach.

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable. Kartonsan continues its projects and investments in a versatile and systematic way to maintain this system up to date and takes appropriate steps in line with global trends.

Kartonsan's Integrated Management System consists of four management systems.

- ISO 9001 Quality Management System,
- ISO 14001 Environment Management System,
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System

In 2019, Kartonsan continued its systematic audits and applications of its Integrated Management System. During the year, an integrated audit was performed and related processes were completed within the scopes of ISO 50001 Energy Management System, ISO 14001 Environmental Management System, ISO 9001 Quality Management System and OHSAS 18001 Occupational Health and Safety Management System.



- ISO 9001 Quality Management System,
- ISO 14001 Environment Management System,
- OHSAS 18001 Occupational Health and Safety Management System
- ISO 50001 Energy Management System

Kartonsan and Sustainability

Kartonsan conducts its operations in a responsible manner at all aspects of sustainability, maintaining its pioneering and leading producer identity.



In terms of sustainability, Kartonsan is a recycling company which produces cardboard using 92% waste paper.

With the awareness of being the “first” and the “leader” of the coated cardboard industry, Kartonsan is a manufacturer who manages its business in a responsible manner in all aspects of sustainability keeping its pioneer and leader identity.

The most crucial global risk: Climate change and increase in greenhouse gases

Sustainability addresses economic growth and development, under the light of social and environmental matters. It has taken its place in the agenda of governments, international organizations and corporations of every scale due to global climate change and increased levels of greenhouse emissions that is being apparent and is proven with scientific research in recent years.

More than 8 billions of people around the globe observe that some things in their ecological and social environment move away from their ordinary course and the change happens faster than ever. In this context, global population composed of different stakeholder groups expect appropriate and collective actions to be taken.

Companies, who take tangible actions on the future of the earth, particularly on climate change, distinguish from others in the crowded market and feel the support of their stakeholders stronger.

Use of renewable energy resources at an increasing rate, improving efficiency of all types of resources and acting responsibly towards the nature stand out as public and corporate actions which are important for sustainability.

Additionally, concepts of economic sustainability which involves appropriate and effective management of all material resources to provide value to the society and social sustainability where companies assume various responsibilities as individual units of the society increase their importance.

Sustainable Development Goals (SDG) and sustainability

SDG is a new widely accepted action set which has been built on Millennium Development Goals committed to be achieved by 2015 by the member countries of United Nations.

Millennium Development Goals that were adopted in 2000 involved many topics to be solved such as poverty, hunger, social gender inequality, access to water and healthy conditions. At the Rio+ 20 meeting in 2012, decision was taken to develop a new set of goals with the participation of a wide range of stakeholders and activities have started in that direction. In 2015, 17 Sustainable Development Goals were announced which have been developed with a high level of contribution of global private sector.

The objective of the goals is to find solutions to fundamental causes of poverty and to provide development as a universal need for everyone. Global consensus around SDG pointed out a milestone to direct our globe to a more inclusive and sustainable growth track.

Today, tens of thousands of global companies and not-for-profit organizations experience new and exciting processes towards the targets defined within the scope of SDG. Classical business manners are being reshaped and handled in the light of the universal criteria for sustainability.

For detailed information on SDG



Aside from its production-trade cycle, Kartonsan contributes to SDG with its operations in environmental and social areas as well.

Kartonsan supports the whole SDG. Moreover, the Company contributes directly to 12th, 13th, 14th and 15th goals.

THE GLOBAL GOALS For Sustainable Development



OUR CONTRIBUTION TO SDG 12

- Kartonsan is a recycling company. The Company recycles a high volume of waste paper within the scope of its operations.
- With this identity, Kartonsan is a member of cyclical economy.
- Kartonsan conducts development activities for efficient use of all resources, particularly natural resources.

OUR CONTRIBUTION TO SDG 13

- Kartonsan has positive contribution to carbon cycle with the resources it recycles.
- Kartonsan saves resources through its operations at its power plant.
- Kartonsan improves environmental foot print of its production process with investments in the area of energy efficiency.

OUR CONTRIBUTION TO SDG 14

- Kartonsan contributes to life in water with its activities at its Waste Water Treatment Plant. The Company achieved a 7.2 m³ clean water consumption per ton which is lower than Europe's average.

OUR CONTRIBUTION TO SDG 15

- Kartonsan's use of cellulose in production is limited to 1.1%. The Company contributes to protection of forests and natural life with such a low level of cellulose use.

Kartonsan and Sustainability

As a responsible manufacturer, Kartonsan proves its respect for the nature by using the maximum quantity of wastepaper in its production.

Zero Waste Project

In 2017, Republic of Turkey Ministry of Environment and Urbanization started the Zero Waste project within the scope of sustainable development principles with the objective of keeping waste under control and leaving a cleaner and more livable world for future generations. The project was first launched at the main service building of the Ministry and was later extended.

The Zero Waste Project is expected to be launched gradually all across Turkey until 2023. The implementation areas of the project are public institutions, shopping malls, hospitals, educational institutions, social and hospitality facilities and large working places at the first phase.

The purposes of the zero waste project are preventing waste to reduce costs and to increase efficiency, decreasing environmental risks and developing a "sensitive consumer" identity among individuals by increasing environment protection awareness.

Zero Waste Implementation Guide prepared for providing guidelines for implementation of zero waste can be found at www.csb.gov.tr/projeler/sifiratik web site of Ministry of Environment and Urbanization.

Waste paper is within the scope of Zero Waste Project. Recycling of paper is important in terms of providing significant savings in raw material consumption and its economic value.



For detailed information about Zero Waste:
<http://zerowaste.gov.tr/>



Kartonsan’s wastepaper usage rate has been 92% in 2019 (2017: 94%), which was higher than the average rate in Europe.

Sustainable improvement and development is a fundamental element of Kartonsan’s strategy.

Kartonsan sees sustainability as not only the key to short, medium and long term profitability but also the main tool to create value for its stakeholders.

Creating permanent and continuous value to Turkish economy for half a century, most important factors having impact on Kartonsan’s long term growth road map are technology, production power supported by expertise and experience, strong corporate competencies and skilled human resources.

Kartonsan is aware of its economic, environmental and social responsibilities at its operational cycle and carries out various sustainability projects and practices in cooperation with its stakeholders.

Kartonsan is a corporate citizen, respectful and sensitive to the environment.

Paper and cardboard producers who operate in countries which are distinguished in developed and global competition pay special attention to use waste paper. Similarly, innovative and responsible projects are being executed such as sustainable forests.

Protecting and respecting the environment are the two key concepts in Kartonsan’s economic and operational cycles.

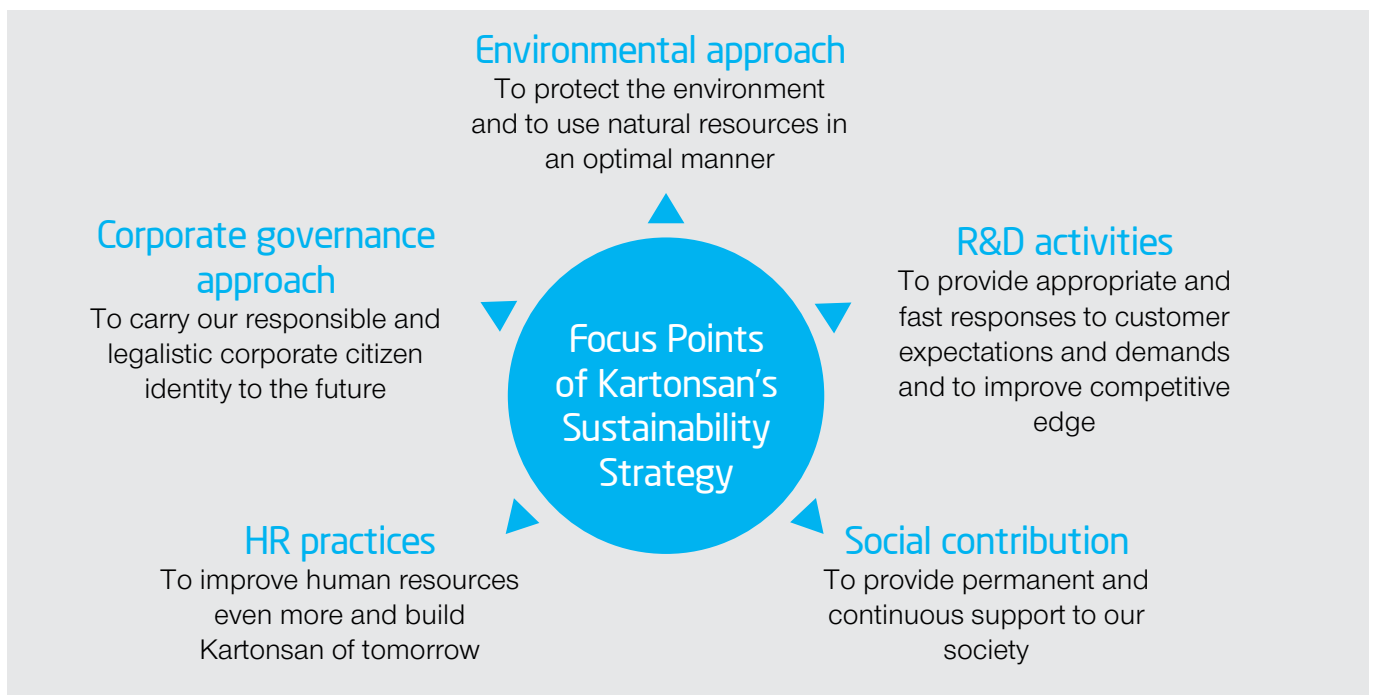
As a responsible manufacturer, Kartonsan proves its respect for the nature by using the maximum quantity of wastepaper in its production. With a waste paper use more than the European average, Kartonsan also acts as a recycling company. Kartonsan will continue its efforts without interruption to minimize its negative impacts to the environment and press on with its investments in this area.

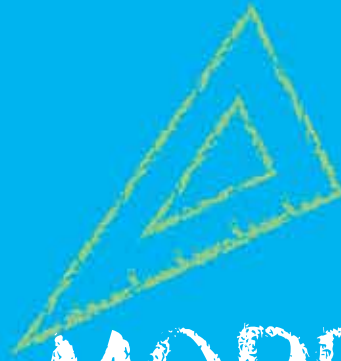
In 2019, Kartonsan used 225,605 tons of wastepaper in the production of coated cardboard and produced 224,673 tons of coated cardboard from wastepaper. Kartonsan’s wastepaper usage rate has been 92% in 2019 (2017: 94%), which was higher than the average rate in Europe in terms of the ratio of wastepaper in raw material used.

Importance of cooperation with the stakeholders

As a company which cooperates with its stakeholders on sustainability matters, Kartonsan is in close contact with suppliers, municipalities, wastepaper collection organizations and other institutions.

Kartonsan’s recent gains under the sustainability topic are summarized in Kartonsan and the Environment section of the report.





FOR A MORE LIVABLE WORLD

Kartonsan executes well-rounded practices that aim to minimize the possibility of negative impacts of its operating cycle on natural environment.





Financial Indicators and Ratios

Kartonsan continued to create a sustainable and strong stakeholder value in 2019 with its proactive, resilient and agile marketing, production and sales activities eliminating the pressures created by the global economic variables on markets.

Financial Indicators

(TL Thousand)	2018	2019
Net Sales	637,093	737,166
Total Exports	102,219	140,783
Total Assets	487,899	548,931
Net Profit	113,502	81,345

Earnings per Share

Consolidated/per TL 1 par value share)	2018	2019
Ordinary Shares	40,00742	28,67267

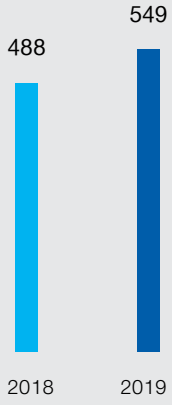
Key Ratios

Liquidity Ratios	2018 (%)	2019 (%)
Current Ratio	4.00	4.02
Acid Test Ratio	2.47	2.26
Cash Ratio	1.39	1.19

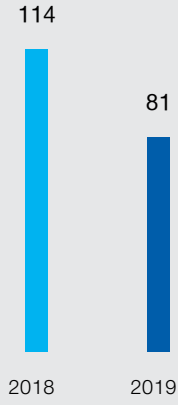
Profitability Ratios	2018 (%)	2019 (%)
Pre-Tax Profit/Net Sales	20.9	11.6
Pre-Tax Profit/Shareholders' Equity	27.8	17.8

Financial Structure Ratios	2018 (%)	2019 (%)
Total Liabilities/Shareholders' Equity	19.7	20.3
Short-Term Debt/Shareholders' Equity	16.5	16.5
Long-Term Debt/Shareholders' Equity	3.1	3.8

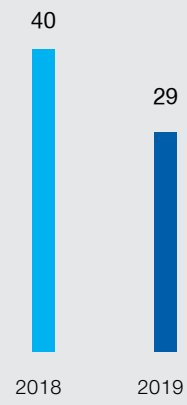
Total Assets
(TL million)



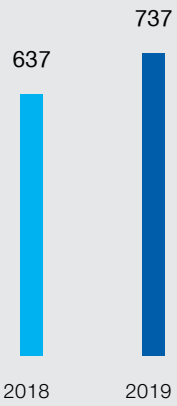
Net Profit
(TL million)



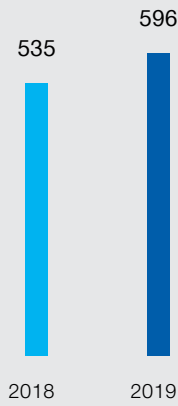
Earnings Per Share
(TL)



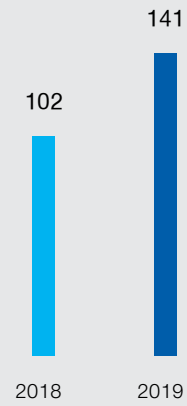
Total Net Sales
(TL million)



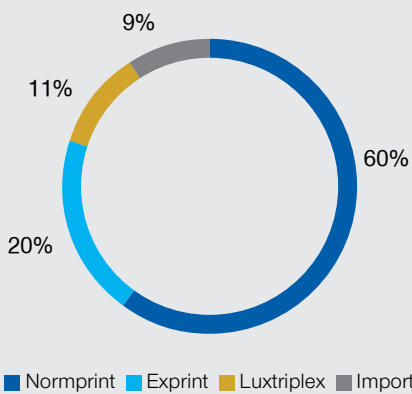
Domestic Sales
(TL million)



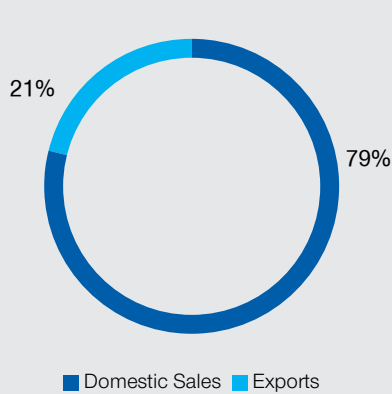
Total Exports
(TL million)



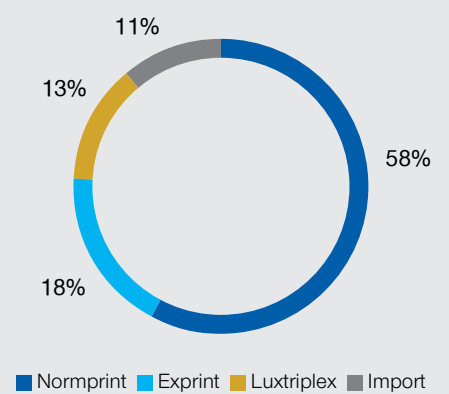
Sales by Product Type
(%)



Sales by Geography
(%)



Domestic Sales by Product Type
(%)



Chairman's Message

With an identity intertwined with recycling, coated cardboard manufacturers have become one of the most important stakeholders of sustainability worldwide.

Valued stakeholders,

We're in an age of change and transformation.

The process of change and transformation which we are observing on almost every front of the global economy is continuing at a dizzying pace.

In addition to the volatility in the markets, the global agenda is shaped by a number of parameters such as climate change, dwindling natural resources, the world's growing population, and changing consumption and production patterns.

As a corollary of this rapid change, the way business is done is in a state of renewal. The transition to a circular economy based on the effective use and recycling of all kinds of resources has been observed in all sectors.

Change and transformation require that the economic actors, who are the driving force of sustainable development, grasp the current agenda with both hands, both from its positive and negative aspects, and to correctly manage risks and the capital elements they have. In this context, integrated thinking and execution are gaining importance, and the power of internalization is prioritized as an institutional competence by following business opportunities with a proactive approach.

Our sector, the coated cardboard sector, stands out with the key role it has undertaken in this massive transformation and its place in the circular economy.

With their identity intertwined with recycling, coated cardboard manufacturers have become one of the most important stakeholders of sustainability worldwide.

Kartonsan fully fulfills the responsibilities it has taken on.

Kartonsan maintains its progress towards the future with determination through its corporate structure, competence and know-how, which it has built up over its 52-year history. By correctly the process, it is in a position to manage global change and transformation with an agile approach.

In 2019, Kartonsan continued to add value to society and the economy of which it is a part. The Company has focused on improving the satisfaction of its customers in domestic and foreign markets by maintaining its activities as a role model of its sector.

Kartonsan has come to the forefront with its identity of being a reputable producer in the European coated cardboard sector, in which it is one of the leading participants in the global league, not just in our country. Kartonsan touches the daily lives of millions of individuals with its products.

As it strives to continuously increase shareholder value, Kartonsan places priority on being an efficient organization and protecting all of the natural resources it uses, as a participant in the circular economy. Kartonsan sets itself apart with its strength in foresight, robust financial structure, ability to adapt to change and professional human resources, fulfilling its responsibilities by commanding a strong, sustainable and healthy performance in line with its main goals.

Kartonsan will continue to further strengthen its regional and national leadership with the breakthroughs it will realize in the coming year. It will continue to increase its contribution to the Turkish economy with determination, while producing more value for its stakeholders.

Kartonsan derives the energy it needs to achieve its goals from the strong support of its shareholders, the preference of its customers and the selfless work of its employees - in other words, from in the strong and long-term bond established by its stakeholders with the Kartonsan brand.

Kartonsan will remain a profitable and efficient company in 2020 and beyond.

About the future

Global markets, which have been volatile since 2008, continued to present mixed and conflicting signals in 2019.

As we enter 2020, the agreement signed to ease the trade dispute between the United States and China ushered in a return of positive expectations for the future, with predictions becoming relatively sanguine.

While our country rounded off 2019 with success in its economic stabilization process, 2020 is set to mark a return to sustainable growth. On the other hand, Turkey and the countries in its surrounding region offer great potential with their dynamic characteristics and offer us all business areas in which we can embody our growth scenarios in our performance. In the coming period, which will be marked by more competition, the changes in supply and demand will also continue.

In our sector, the change in input prices, especially in energy and scrap paper prices, will continue to be a key risk affecting production-trade cycles.

Kartonsan will remain a profitable and efficient company in 2020 and beyond. Our management approach, which carefully balances risks and opportunities, will allow Kartonsan to generate lasting value for all of its stakeholders, especially its shareholders, going forward. The strong and sustainable support of our shareholders and investors offers us the energy and internal motivation we need in the process of transforming our potential into performance.

Personally and on behalf of our Board of Directors, I would like to thank our human resources, who are the architects of our performance, our customers for their trust in the Kartonsan branded products, and all of our other stakeholders. I express my wish that 2020 brings you prosperity and peace of mind.

Respectfully,



Prof. Dr. Ünal Bozkurt
Chairman of the Board of Directors

General Manager's Assessment

Kartonsan's consolidated net sales revenues increased by 15.7% YoY in 2019 to reach TL 737 million.

Valued stakeholders,

Kartonsan, which is moving towards the future with a strategy focused on increasing efficiency and growth, built on its strong corporate foundations, notched up another sustainable performance in 2019 with its correctly constructed agile business model.

A look back at 2019...

The year 2019 will be remembered as a period of stagnation in global trade and demand, held back by trade disputes and protectionist policies taking root around the world. In the same period, a slowdown in industrial production on a global scale combined with a decline in commodity prices was observed.

While our country's economy concluded 2019 having achieved success in its stabilization process, the growth of our sector displayed a level course in the relatively stagnant domestic market conditions. According to CEPI data for September 2019, Turkey's coated cardboard sector recorded growth of around 6% in nominal terms.

The most important development of the year in our sector was the global decline in scrap paper prices and the increase in the volume of cardboard being imported in the Turkish market.

A clutch of successes in our 52nd year of activity.

In its 52nd year of operation, Kartonsan served with the sense of responsibility which comes with being the sector leader. By balancing the economic interests of its stakeholders with its environmental and social responsibilities, it has strengthened its identity of a pioneering and exemplary institutional citizen.

Kartonsan, which is one of the leading suppliers of Europe in terms of its production capacity, contributes directly to the Turkish economy through exports and employment, in addition to the total added value it generates. Our company also expands the influence it has demonstrated with its high level of waste paper use capability in production and environmentally friendly production technologies, and embraces all of its stakeholders.

Highlights of Our Performance Results...

In 2019, a year of rather mixed signals in the markets, Kartonsan's consolidated net sales revenues increased by 15.7% compared to the previous year to reach TL 737 million. Our consolidated operating profit stood at TL 90 million, with a net profit of TL 81.3 million for the period.

Based on these results, in 2019, our Company generated a Return on Equity of 18%, a Return on Assets of 15%, and a consolidated profit of TL 28.67268 per TL 1 nominally valued share.

As a result of our increased sales turnover and profitability, there was also growth in Kartonsan's net working capital and available fund amounts.

All of these developments have also reflected positively to Kartonsan's liquidity, financial structure and other financial ratios. Our financial structure remained robust thanks to our financial management strategies, which we have carried out unwaveringly.

In 2019, we maintained our 40% market share in Turkey.

In 2019, Kartonsan's domestic market share stood at 40%, with exports accounting for 21% of our total sales. While our export revenue from coated

cardboard stood at USD 27.3 million, we exported our products to over 20 countries on three continents.

The sustainable leadership of our company is not a coincidence. Our continuous identity as a leader in sustainability is a natural result of the combination of the right components and sustainable strategic execution. Kartonsan, which is a dynamic, strong and robust company, has moved its brand to new markets over the years. It has adopted state-of-the-art technology in its sector in its production cycle and has achieved healthy and stable growth.

Having managed to distinguish itself against the competition with its high quality, green products and long-term customer relations, Kartonsan has continued to be one of the leading participants in the international coated cardboard market.

We bring coated cardboard to people in all aspects of daily life.

Our company, which produces coated cardboard from recycled paper, effectively responds to the packaging needs of different sectors with its extensive product portfolio.

Kartonsan's products reach tens of millions of consumers in more than 20 countries, adding value to people's lives and to the environment with their use in day-to-day life in the fields of food, medicine, detergent, matches, perfumery, textiles, stationery, glass wares and small white goods packages, book and notebook covers and corrugated lamination.

Kartonsan carries out its production activities in line with an approach focused on improving and increasing the added value offered to the consumer in all

Kartonsan places importance on cooperation with its suppliers and customers on the axis of protecting the environment and respect for the environment. It closely monitors global initiatives and takes the necessary steps.

aspects. Kartonsan's unwavering goal is to develop, produce and offer healthy and environmentally friendly products that contribute to the quality of life.

Another issue which gives us strength here is our ability to develop our products according to the realities of mega trends affecting the global packaging sector and the changing demand conditions and customer expectations.

Kartonsan, which considers customer satisfaction as the focal point in all of its activities, attaches importance to establishing long-term and sustainable business relations with its customers. Kartonsan will continue to respond to customer demands in the future and diversify its product portfolio in light of current needs and expectations.

We are providing a clear contribution to tackling climate change, as part of a global effort with our environmentally friendly production processes.

Protecting the environment, and respect for the environment, are two concepts which play a decisive role in Kartonsan's economic and commercial activities. Kartonsan aims to minimize any potential harm that its cycle of activity may have on the natural environment, and conducts systematic work in this direction.

As the role model in the sector, Kartonsan demonstrates its respect for the natural environment by using as much waste paper as possible during the production phase.

Using waste paper in its production at a ratio of around 92%, according to 2019 year-end figures, Kartonsan reuses its wastewater by treating it with the most modern techniques, while generating its own energy and using turbine exhaust gas to produce steam. At the same time, our

company stands at a much better level than its competitors in both the Far East and in Europe in terms of the amount of water it consumes per ton of production.

In addition to our infrastructure and superstructure, we are delighted to be contributing to the global effort to tackle climate change and global warming, which are considered to be the greatest risks to threaten humanity, through the development and improvement efforts we carry out.

Kartonsan attaches importance to the cooperation with its suppliers and customers on the axis of protection of the environment and respect for the environment. It closely monitors global initiatives and takes the necessary steps.

Working towards the future, when coated cardboard will have more value.

Several countries, including in the EU, are implementing new regulations on packaging standards. On the other hand, public pressure and the dynamics that arise throughout the value chain have led manufacturers from all sectors to make more informed packaging preferences. When we look at the consumer side, the rise in awareness and perceptions in environmental issues have brought recycling to the forefront as a determining factor.

The rise of the circular economy, which is based on the principle of using renewable resources, points to a situation in favor of cardboard packaging. The ability to recycle packaging at the end of its lifecycle has become a determining factor. During the transition to the circular economy, the process of substituting plastic packaging, which is one of the most important problems faced by global and national brands in the consumption channel, by coated cardboard has begun.

Prospects for 2020

In line with the expected growth in the economy, especially in the second half of 2020, a revival in the coated cardboard market is also expected.

Kartonsan will again focus on sustainable profitability, efficiency and savings in 2020 and will make use of optimization opportunities at every stage of its activities. Our company will focus on maintaining its leadership in the domestic market while simultaneously expanding its presence in exports and foreign markets.

As we maintain our efforts to increase customer satisfaction and improve quality, we are committed to improving the total value we offer to our human resources, who are the architects of our sustainability, and to consider occupational safety and health as a key goal.

With the unwavering support of our shareholders and investors, we are determined to add new links of success in our growth journey.

I would like to thank and pay my respects to our domestic and foreign customers, suppliers, our shareholder, the Pak Community, along with our Board of Directors and, in particular, the employees of Kartonsan who have contributed to our performance in our sustainable growth journey with their selfless work.



Haluk İber
Board Member and the General Manager

Kartonsan Board of Directors

Ünal Bozkurt

Chairman

Aslı Balkır

Deputy Chairman

Süleyman Kaya

Deputy Chairman

Babür Gökçek

Board Member

Sinan Ercan Gülçur

Board Member

Mehmet İmregün

Board Member

Hatice Canan Pak İmregün

Board Member

Ahmet Göksel Yücel

Independent Board Member

Süleyman Kadri Mirze

Independent Board Member

Haluk İber

Board Member and CEO

Kartonsan Executive Management

Haluk İber

CEO

Ümit Özkan

Plant Manager

Volkan Turt

Production Manager

Güven Şanlı

Technical Manager

Ümit Dinçol

Production Services Manager

Raşit Kemal Özkırım

Marketing Manager

Şadiye Başak Kaya

Human Resources and Quality Systems Manager

Atiye S. Tuğtekin

Procurement Manager

Bülent Kuru

Finance Manager



FOR A PERMANENT AND CONTINUOUS CONTRIBUTION

Kartonsan contributes to social development with social responsibility activities in the areas of education and environment.





Outlook for the Sector

Turkey's total cardboard box production capacity is expected to approach 700,000 tons by 2023, exhibiting growth in excess of the European average.

Global outlook and the coated cardboard sector

The slowdown in global economic growth, decrease in investments, historic decline in scrap paper prices, new rules for plastic waste and changing consumer preferences were the main factors affecting the coated cardboard industry during 2019. In this process, trade disputes and the trends towards protectionism also came to the agenda as another issue affecting the coated cardboard industry and global trade. While protectionism has had a negative impact on world trade in general, 112 legal regulations supporting protectionism were implemented in 55 countries in 2018, according to UNCTAD (United Nations Conference on Trade and Development) data.

In view of these developments, the process of restructurings, mergers and acquisitions continued in the global

coated cardboard industry in 2019. By virtue of its position as an economically productive and sustainable business line, private venture capital companies are the main players in acquisition transactions in the sector. While the coated cardboard industry has evolved into a global market, company integrations which offer a scale advantage continue.

While coated cardboard production in Europe is shifting to the east of the continent, the slowdown in economic growth and the decline in demand which was observed in 2019 suppressed the industry's growth rates through pricing.

According to ECMA data, total production in the sector in Europe will increase by an average of 2.5% in the 2018-2023 period. In the same period, sales of cardboard in Europe are projected to grow by a limited 2.3%.

While the growth in sales volumes will be mainly realized in Western and Central European markets, the ECMA (The European Carton Makers Association) predicts that sales in Northern European markets will follow a stagnant course.

According to the ECMA, Turkey remains the driving force of the European coated cardboard box industry and maintains its stakeholder position, which provides the greatest contribution to growth.

It is thought that Turkey's total cardboard box production capacity will approach 700,000 tons by 2023, displaying a rate of growth in excess of the European average.

While Germany maintains its leading position in the European coated cardboard market in total production, Turkey is predicted to rise to the 3rd place by in 2023, following Italy.



In 2019, Turkey’s coated cardboard sector continued its activities in domestic and foreign markets by using the quality product structure and the logistical advantages offered by our geographical area in the most effective way.

It is thought that the prices of coated cardboard, which have been on a declining trend recently, will generally maintain this trend, which will put pressure on the profitability of the coated cardboard industry.

Another issue affecting the global market has been the change in consumer habits. Concerns over climate change and plastic waste have been growing on a global scale, while retail consumption patterns have dynamically supported this change in perceptions. In this context, issues such as e-commerce, movements to protect the environment, plastic pollution, etc. are shaping up as external forces which will determine the future of the use of coated cardboard on a global scale.

In 2019, Turkey’s coated cardboard sector continued its activities in domestic and foreign markets by using the quality product structure and the logistical

advantages offered by our geographical region in the most effective manner possible.

The coated cardboard industry in Turkey in 2019

While Turkey’s economy achieved a successful stabilization process in 2019, the right policies followed and the measures aimed at stabilizing markets resulted in a stabilization of foreign exchange rates and a decrease in inflation in general.

In this big picture, the coated cardboard sector in Turkey followed a relatively volatile and course in 2019.

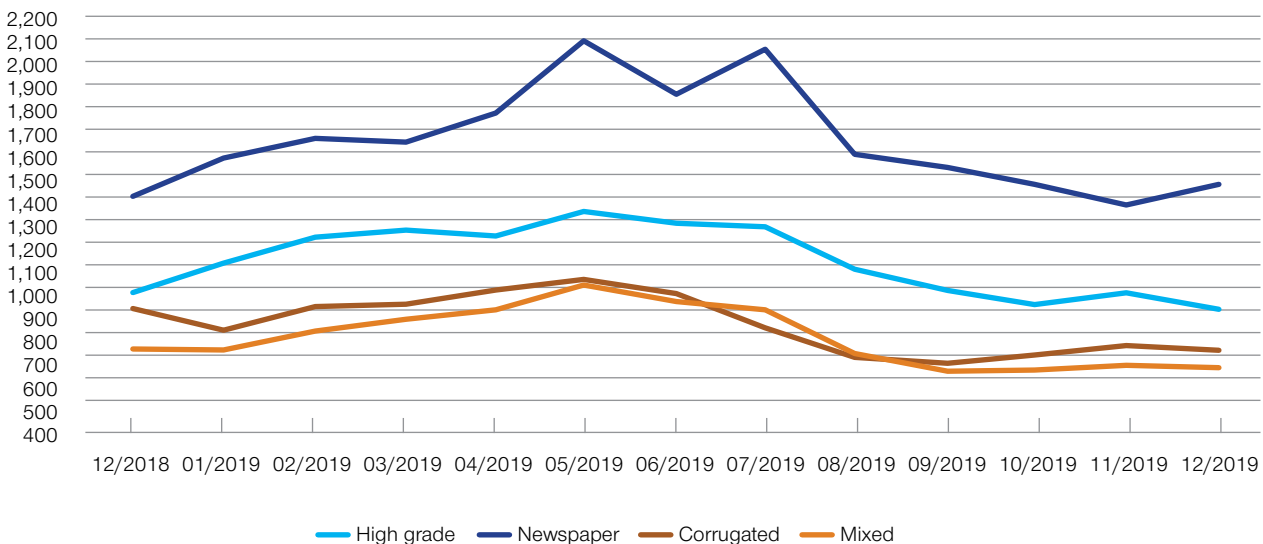
While real growth in the sector remained fairly stagnant, the CEPI (Confederation of European Paper Industries) estimates that the coated cardboard sector in Turkey had recorded nominal growth of around 6% as of September 2019.

China’s recent environmental policies have led to significant capacity reductions and reduced its scrap paper imports, leading to a surplus in the world’s scrap paper supply. This has led to a significant fall in scrap paper prices on a global scale.

On the other hand, there were signs of a decrease in demand and slowdown in economic activity in the European geographical region neighboring Turkey during 2019. This encouraged many coated cardboard producers operating in Europe to turn to the Turkish market to overcome the contraction they experienced in their domestic markets. As there was some growth in demand for European-based cardboard entering the Turkish market at cut down prices, domestic producers lowered their prices of coated cardboard.

2019 Scrap Paper Unit Price Chart

(TL)



Outlook for the Sector

The use of renewable resources is one of the basic principles of the circular economy, indicating a situation in favor of cardboard packaging.

Another development which took place in Turkey's coated cardboard sector was the increase in sales to Iran. It is estimated that Iranian companies, mostly based in Turkey, purchased about 18,000 tons of coated cardboard during the year and shipped this cardboard to their country.

In 2019, while there was no large-scale capacity increase or structural change in the coated cardboard market in Turkey, the sector continued its activities in domestic and foreign markets by best deploying the advantages such as high quality products and Turkey's logistics.

Coated cardboard stands out as the better choice in the packaging industry.

Climate change and environmental pollution have recently driven regulatory authorities, producers, retailers, NGOs and consumers to focus heavily on the nature of packaging materials and their negative impacts on the environment.

While many countries, including EU member countries, implemented new regulations on packaging standards, market dynamics are pushing producers towards more informed packaging preferences, with a focus on recycling through an approach which prioritizes sustainability.

The EU Single-Use Plastics Directive - Towards new horizons with cardboard packaging

On 19 December 2018, the EU approved a directive to reduce environmental damages of certain plastic products. The directive mainly aims to reduce the environmental damage of single-use plastics, which make up about half of all sea refuse found on the European coast.

The directive stipulates that from 2021, certain single-use plastic products, including the Expandable Polystyrene (EPS) food packaging and mugs, will be banned in the EU.

Another liability imposed by the Directive is that member states will create Extended Producer Responsibility (EPR) plans/models by 2021. These models, which include food packaging, also require producers to cover the costs of the collection and disposal of litter arising from their own products. With the introduction of the Directive, which brings in numerous regulations on plastic waste, the process of substituting plastic packaging with paper and coated cardboard packaging will gain new momentum.

Recyclability at the end of lifecycle

The ability to recycle packaging at the end of its lifecycle is a basic and determining issue. In this context, the most important problem faced by global brands on the consumption axis is the plastic packaging, especially plastic bottles, which leads to a large-scale pollution. This constitutes as one of the main discussion topics of the circular economy.

Cardboard is largely based on a recycled, fiber-made raw material (wood). This extends the lifecycle of the raw material and increases its value. The use of renewable resources is one of the basic principles of the circular economy and points to a situation in favor of cardboard packaging.

Plastic packaging is almost entirely based on fossil resources and has a low level of recyclable content. An analysis of recycling processes of packaging waste finds that paper and cardboard are high performing products in the waste hierarchy.

On a global scale, only 10% of the 6,300 million tons of plastic waste produced between 1950 and 2015 were recycled, according to the European Environment Agency. It is calculated that more than 60% of this waste is in landfills, in the natural environment or in the oceans. Plastics reaching the seas and oceans are ingested by seabirds, fish and other organisms, and then enter the human food chain.

As a result, cardboard is positioned as a product which allows a wide range of applications due to its technical and aesthetic qualities and can substitute for plastic packaging. The numerous benefits offered by cardboard will place the material as the basic packaging option of the circular economy.

Looking Ahead

It is thought that the market conditions which dominated 2019 will prevail for the first months of 2020. In parallel with the expected growth in the economy, some relative boost is expected in the coated cardboard market, especially in the second half of the year. On the other hand, both global and national economic policies, especially developments in the European markets and scrap paper prices, and cost levels in other basic inputs will have an important bearing on the competitiveness and success of the coated cardboard sector.

An Evaluation of 2019: Achievements, Strategies and Future Outlook

While providing 159.5 thousand tons of coated cardboard to domestic market, Kartonsan increased its sales quantity by 4.8 thousand tons in 2019 in comparison with 2018.

In 2019, despite the unstable outlook due to global and domestic economic conditions, Kartonsan continued to create added value for all its stakeholders, including its investors, by developing its business volume and exports.

Kartonsan's corporate goals are:

- being one of the main suppliers of export markets of Turkey's nearby geography,
- developing the logistics and supply chain to provide higher quality and faster services to its customers,
- increasing efficiency in production processes,
- increasing capacity with a regional supplier approach and
- reaching the highest level of sustainable profitability.

Operating within the frame of these main targets, Kartonsan confirmed its long term value generating power with the financial and operational performance recorded in 2019. Following the mega trends affecting coated cardboard industry closely, the Company achieved significant developments in operational efficiency.

Kartonsan continued its leadership in domestic markets in 2019 with a rational pricing approach.

In 2019, the quantity of imported cardboard coming from Europe to Turkey increased significantly. In response to this development affecting the competitive conditions, Kartonsan applied a rational pricing strategy protecting its customers and supporting sustainability of domestic production and it adjusted its prices downwards. This approach was highly appreciated by its customers and Kartonsan met the demands of domestic market timely and thoroughly.

While providing 159.5 thousand tons of coated cardboard to domestic market, Kartonsan increased its sales quantity by 4.8 thousand tons in 2019 in comparison with 2018.

In 2019, Kartonsan's market share in Turkey was stabilized at 40%.

While Kartonsan's gross cardboard production was 224.7 thousand tons in 2019, total consolidated net sales was realized as 226.2 thousand tons, consisting of total consolidated domestic coated cardboard net sales (including trade commodity) of 179.5 thousand tons and total international consolidated coated cardboard sales of 46.7 thousand tons. Domestic scrap paper sales were 10.4 thousand tons. Consolidated cardboard and scrap net sales revenue was realized as TL 737 million.



An Evaluation of 2019: Achievements, Strategies and Future Outlook

As Europe's 4th largest coated cardboard producer, Kartonsan reached its effectiveness and sales quantity targets despite increased competition and lower price levels in export markets in 2019.

During the same period, Kartonsan realized domestic sales of cardboard and scrap paper of TL 592 million on a consolidated basis. Kartonsan planned domestic and exports sales possibilities with a flexible approach and managed its inventory without any problems while meeting all customer demands.

Kartonsan responds to packaging needs of various industries with its wide product range.

Kartonsan's products are mostly used in food packaging. In addition to food, other areas where Kartonsan products are used are pharmaceuticals, detergents, matches, cosmetics, textiles, corrugated lamination, stationary packaging, book and notebook covers, packages for glassware and small appliances.

The most preferred product of Kartonsan in 2019 was once again Normprint.

Diversifying itself in the market for 52 years with its innovative, high quality and specialized product range, Kartonsan always offers its customers the best and the highest quality products under all circumstances.

R&D activities serving the Company's target of offering sustainable and innovative products are focused on efficiency, effectiveness, customer satisfaction and profitability.

Among Kartonsan products, Normprint, once again, was the most preferred coated cardboard while Exprint and Luxtriplex were the runners up.

Layner cardboard was added to the product range.

In 2019, Kartonsan added 180 gram layner cardboard to its product range and presented it to customers. Following the test production at the beginning of 2019,

the product was tested and approved by major customers and presented to the market.

Sustainable performance in exports.

As the 4th largest coated cardboard producer of Europe, Kartonsan reached its targeted effectiveness and sales quantities despite the increasing competition and decreasing price levels in export markets in 2019. As always, the Company conducted its operations in exports with a perspective focusing on favorable freight condition targets and performance efficiency.

In 2019, Kartonsan's export revenue was realized as US Dollar 27.3 million and its share in total sales quantity was 21%.

Exporting its products to more than 20 countries in three continents, the countries with the highest share at foreign markets in 2019 were Bulgaria, Egypt, Spain and Greece.

Goal of long-term partnerships in export markets

Aside from developing long-term business relations with cardboard packaging producer printing houses, Kartonsan's essential target in export markets is to become the permanent supplier of printing houses. Kartonsan develops distinctive solutions to meet its customers' needs without compromising its high quality and effective service approach in accordance with this export strategy.

Kartonsan will continue to develop its export performance in 2020 and is determined to concentrate its efforts on increasing its sales in particularly larger markets of Europe. In this respect, the Company will continue down the road being prudent, cautious, resilient against

fluctuations in the market and with a strong competitive edge, following its export strategy.

Developing customer satisfaction with marketing and sales activities

Kartonsan's primary and permanent target is to meet domestic and international customer requests who are regular users of its products, on a timely basis.

Caring about satisfaction of customers which constitute one of the main stakeholder groups, Kartonsan protects and develops these relationships under all circumstances and is focused on building long-term and sustainable business relations.

With Lean Management practices implemented recently, Kartonsan offers less production time to customers enabling them to make shorter term planning. Moreover, advantageous terms in delivery and payments were provided for customers in 2019, additional facilities were offered and no concessions were made for customer satisfaction.

Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales in 2019.

Kartonsan carried on its e-commerce project in 2019. This application which adds a new dimension and depth to customer relations will provide opportunities for customers to place orders, track their orders and current accounts over the internet. This portal is planned to be launched in 2020.

Kartonsan will continue to focus on profitability, efficiency and savings in 2020 and assess optimization opportunities at all phases of its operations.

In 2020...

Kartonsan will focus on sustainable profitability, efficiency and savings in 2020 and will utilize optimization opportunities at every stage of its operations.

In 2020, Kartonsan will concentrate on;

- Maintaining its leadership at domestic market,
- Developing its presence at export and international markets,
- Increasing customer satisfaction,
- Continuing quality improvement activities,
- Developing value presented for human resources,
- Acting in compliance with occupational health and safety rules from A to Z in all operations,
- Meeting the requirements of environmental management systems.

Kartonsan continued its efficiency increasing investments in 2019.

In 2019, Kartonsan continued its investment activities in accordance with its strategic plan. In this context, while increasing efficiency in all aspects continued to be the primary goal, increasing efficiency in production cycle and improving automation level at various functions were determined as the corporate vision.

The Company started efficiency projects and investments in 2019, which contributes not only to financial capital but also natural capital. Kartonsan realized a total investment spending of Euro 2.5 million in 2019.

Highlights of the investment activities are summarized below:

BM2 Wet Section Mist Dismissal System

Kartonsan is at the last phase of BM2 Wet Section Mist Dismissal System project at BM2 production line which has at a cost of TL 3.2 million. The project is expected to be launched in the first quarter of 2020. With the new system, humidity accumulated at the wet sections, sieve and press areas of the machine which causes rusting at the machine's construction, will be sucked and dismissed out of the machine.

Line 12 Pulper Base Waste Removal System

Line 12 Pulper Base Waste Removal System which is expected to be completed at a cost of TL 1.8 million will provide for recycling of fiber and lesser waste quantity. The system is expected to be put in use at the first quarter of 2020.

Renewal of Rain Water Infrastructure

Kartonsan completed the rain water infrastructure project in 2019. This project which costed TL 1.5 million allows collection and removal of both rain water and surface water separately at the factory area. Within the scope of this project, increase in performance of waste water plant is achieved by reducing its work.

Conveyor Change Project

Kartonsan carried on the conveyor change project with a cost of TL 1.4 million in 2019. As a result of this project, which is expected to be completed in the first quarter of 2020, BM2/14th line

conveyor will be completely renewed, of which construction material was worn off, repair and maintenance expenses increased and production wastage was being incurred.

Renewal of Waste Heat Boiler Economizer

Renewal of turbine waste heat boiler economizer units at the power plant is planned which will allow the maximum use of heat from burning. Additional steam energy will be obtained and consumption of natural gas which is a main input will decrease. The order has been placed and it is expected to be completed in the first quarter of 2020.

Renewal of Turbine Combustion Air Filter Rooms

Renewal of combustion air filter rooms of 4 turbines used at the power plant is planned to increase the performance of turbines. The order has been placed and it is expected to be completed in the first quarter of 2020.

BM1 Wet Section Vibrating Sieve Waste Removal System Revision

Both recycling of fiber and less waste quantity is planned. The order has been placed and it is expected to be completed in the first quarter of 2020.

SY-35 Cutter Overhaul

Production capacity of SY-35 machine used in cardboard plate production will be increased by updating it with new technologies. The order has been placed and it is expected to be completed at the second quarter of 2020.

Kartonsan and Environment

Kartonsan's waste management approach primarily targets recycling. Waste that is not suitable for recycling is set aside for disposal.

Kartonsan's environmental goal

Kartonsan is a producer respectful and sensitive for the environment.

Kartonsan's main operating principle in terms of environment is preventing pollution, providing full and continuous compliance with environmental regulations applicable in our country.

Climate change risk

Climate change, which is proven to be real through scientific research and a significant and fundamental risk for the future of humankind, directly impacts the coated cardboard industry.

Our planet's climate has shown a rapid change during the period from the industrial revolution.

Based on scientific measurements disclosed by NASA, the average temperature since 19th century increased by 0.9°C. Warming has taken place primarily during the last 35 years and the 5 warmest year ever was recorded after 2010. The warmest 19 years happened after 2001 and 2016 was the warmest year of all times. Scientific studies point out that this warming is due to human activities.

The long term target of Paris Agreement signed at the COP21 meeting in 2015 is to keep global warming lower than 2°C compared to the period before industrial revolution, even to limit it to 1.5°C. Based on evaluations done in scientific world, even if all national contributions are realized by the countries within the scope of Paris Agreement, reaching the target of 2°C will be hard to achieve.

Requirement to reduce greenhouse gases

Slowing down the climate change requires reduction of greenhouse emissions above all. This situation which threatens the future and sustainability of humankind is a risk of significance and priority which cannot be ignored by any economic actor operating on the globe.

Cardboard industry's status

As far as the cardboard industry is concerned, we observe that the industry has been taking significant steps to control and decrease its potential impacts on climate change. For the cardboard industry, reduction of release of greenhouse emissions during the production process through use of technological innovations as well as higher use of waste paper rather than cellulose are of great significance. Coated cardboard producers operating in both developed and developing markets show systematic efforts on areas such as forest management, waste paper use and use of renewable energy.

Kartonsan uses 82% to 100% waste paper in its production processes.

Kartonsan uses 82% to 100% waste paper in its production processes. Having an Environmental Permit and License issued by Republic of Turkey Ministry of Environment and Urbanization, Kartonsan cooperates with its subsidiary DÖNKASAN on organization of waste paper and its procurement.

In 2019, the total quantity of waste paper used in coated cardboard production of Kartonsan was 225,605 tons.



At the periodic environmental trainings organized for employees' information on waste types, waste treatment transactions, legal requirements and importance of separating waste are shared.

Waste management at Kartonsan

By the nature of its operations, Kartonsan is an industrial plant which recycles wastes. By recycling 220,000 tons of waste paper on an annual basis, the Company contributes to waste treatment at national scale. At the periodic environmental trainings organized for employees, information on waste types, waste treatment transactions, legal requirements and importance of separating waste are shared. Hazardous waste, non-hazardous waste and scrap waste are temporarily stored separately at areas designated for them. Wastes are sent to licensed firms for recycling or disposal within the process.

Kartonsan's waste management approach primarily targets recycling. Waste that is not suitable for recycling is set aside for disposal.

Developments in energy generation

Since 1995, Kartonsan has been generating its own electrical and steam energy in order to minimize waste and quality problems caused by power interruption and voltage fluctuations.

Studies to generate maximum quantity of electrical and steam energy with the use of minimum and clean natural resource at the cogeneration plant of Kartonsan continued in 2018.

With a generation capacity of 193 million kW of electrical energy with four turbines which can be operated with natural gas and fuel, Kartonsan sells the excess electrical energy through the interconnected network.

Kartonsan's second item in production after raw material is energy. Within the framework of energy efficiency project which was conducted in 2018 an additional steam saving in the four turbines in cogeneration plant is completed by using waste heat in water heating systems. With the project 45 tons of steam was saved which means a saving of approximately 3,250 m³/day of natural gas.

In its 2018 investment plans Kartonsan changed turbine 1 in its energy plant and increased the installed power from 5,200 kW to 5,500 kW.

Recycling of waste water is an area of great success for Kartonsan.

Front unit pilot facility studies were performed to increase the performance of the MBR unit set up at the Kartonsan Waste Water Treatment Facility to protect ground water resources and to increase water savings. Results of the studies will be evaluated in 2020 and project planning will be made.

Water consumption of 7.2 m³ per ton

With the improvement and efficiency activities started in 2018, Kartonsan reduced the quantity of fresh water used for producing one ton of cardboard from 8.95 m³ (2007-2017 average) to 7.2 m³ and efforts in this area continue with the planning of the MBR project. Kartonsan is in a far better position than its competitors in Far East and Europe in terms of fresh water consumption per ton in production processes.

In future periods, Kartonsan will continue to reduce consumption of natural resources, increase efficiency in all types of resources and reach higher recovery rates through systematic and well-planned activities.

FSC-CoC certification

Within the scope of protection and development of forested land, Kartonsan met its obligations on the FSC-CoCTM certification it holds since 2011. It has passed the audit performed in 2019 and received the accreditation for the new period. Kartonsan purchases cellulose used in production from sources holding FSC certificates.

Major indicators showing Kartonsan's use of cellulose and waste paper are presented below:

Product Type (Kg)	2015	2016	2017	2018	2019
Cellulose	314,418	1,801,354	2,657,701	1,547,731	2,584,575
Groundwood Pulp	-	1,802,264	12,369,282	13,118,954	15,877,119
Imported Waste Paper	5,478,950	29,644,364	38,761,951	29,201,117	34,696,864
Domestic Waste Paper	180,381,363	174,750,213	181,111,147	167,373,112	190,908,487

Kartonsan and Human Resources

Kartonsan placed setting up the infrastructure for organization and human resources that will support its strategies to the center of its human resources applications.

In human resources area, Kartonsan is focused on sustaining a business environment where employee rights are protected, talents are developed, discrimination is not allowed, equal opportunity for men and women is provided and highest standards for occupational health and safety are followed.

Kartonsan placed setting up the infrastructure for organization and human resources that will support its strategies to the center of its human resources applications.

Human resources of Kartonsan consist of individuals who are deeply connected to corporate culture, who believe in the power of production, who research and develop and who consider progress, in its broadest sense, as a responsibility for the society.

As of 2019 year end, Kartonsan has 267 employees of which 21 were female and 247 were male. 96 of them are white-collar employees, and 171 of them are blue-collar. All the employees are working full time and the age composition of them are as follows:

- 3% under the age of 25,
- 35% between the ages 26-35,
- 42% between the ages 36-45,
- 20% who are 46 and above.

Focus on continuous development of human resources: Training activities

Updating technical and professional competencies of employees is a priority topic for Kartonsan.

Kartonsan applies inhouse training and education programs to increase competencies and skills of its employees. These programs are being designed based on the needs of employees and Kartonsan organization and they are planned for all employees.

With a wide range of diversity, Kartonsan training programs contributes to Kartonsan's sustainable future and its value generating and competitive power. Besides professional development trainings, occupational health and safety, lean management, energy and environmental trainings are also offered to employees.

In 2019, 57 training programs of which 26 were with internal and 31 were external were realized in the following subjects:

- 13 occupational health and safety,
- 5 environmental,
- 3 energy,
- 3 lean management and
- 33 technical trainings.

During the same period, training time per employee was realized as 17.56 hours/ man including the contracted employees.

In 2019, training hours per employee were in line with the targets and increased by 3% when compared to 2018.

Supporting students and new graduates

In order to contribute to students' and new graduates' professional development as well as supporting their participation to business life, Kartonsan provides them with opportunities for internship.

In 2019, 20 students from vocational and technical high schools and undergraduate programs worked as trainees at Kartonsan.

Strong union relations, an exemplary industrialist identity

Kartonsan is an industrial concern with a tradition of union relations which has its roots for a long time. Union relations constitute an irreplaceable communication channel through which Kartonsan establishes dialogs with one of its primary stakeholder groups, its employees.



The Individual Suggestion System has an objective of contribution of human resources to Kartonsan with their innovative and remedial opinions.

During the reporting period, Collective Labor Agreement (CLA) with Cellulose Labor Union signed in March 2019 was in effect. The CLA will be effective until August 2020 and negotiations for the new period labor agreement will start on 1 September 2020.

As of 2019 year end, Kartonsan has 167 employees who are members of the union.

Efforts to reinforce employee satisfaction

In 2019, Kartonsan continued its efforts to develop employee satisfaction and to strengthen the value offered for people.

Kartonsan set up a library at the factory premises to provide an opportunity for employees to make good use of their rest time and to develop reading habits.

Cultural trip organizations continued in 2019 with Bursa Gölyazı tour which Kartonsan employees participated with their spouses and children. Within the scope of these organizations, each year a different city is visited to provide an opportunity to get to know its historic and natural wealth.

A survey was conducted to determine social activity clubs with the objective of bringing employees together for a common cause and create bonding. Social activity clubs determined are planned to start operating in 2020.

Kartonsan regularly organizes school visits and provides an opportunity to share information with students on energy efficiency and environmental protection. In this context, activities are performed to create awareness among children and to teach them to protect the nature.

Kartonsan Individual Suggestion System

The Individual Suggestion System, which was introduced in 2017 continued at full speed in 2019, has an objective

of contribution of human resources to Kartonsan with their innovative and remedial opinions. It provides an opportunity to Kartonsan employees to make suggestions on areas they work on or other matters.

Being able to present their ideas in a setting where senior management is present, Kartonsan employees are awarded if their suggestions for improvement areas are accepted and implemented. The system attracts more interest every period and it is expected to develop more and contribute to increased employee satisfaction.

Number of ideas submitted to the Individual Suggestion System increased by 44.45% in 2019 compared with prior year.

Occupational health and safety at Kartonsan

Occupational health and safety practices at Kartonsan are conducted under Human Resources and Quality Systems Department's responsibility and coordination.

Meeting occupational health and safety criteria completely without any exception under all circumstances is an indispensable goal for Kartonsan. Occupational Health and Safety Board of Kartonsan continued its systematic and effective activities in 2019. In this context, corrective and preventive activities such as trainings, improvements and scanning of employees were carried on in order to decrease the number of occupational accidents.

Additionally, within the scope of occupational health and safety activities, physical conditions and technical infrastructure of Kartonsan plant are being controlled periodically. Notification and warning systems in the plant were improved, problematic areas were identified and solutions were provided.

The main objective of Kartonsan's occupational health and safety topics is to be fully in compliance with the regulations under all circumstances and completely meet the required criteria.

Kartonsan Demographics*	2018	2019
Total number of employees	398	401
Kartonsan	268	267
Male	247	245
Female	21	22
Average age (years)	38	39
Educational Demographics	2018	2019
Masters and doctorate degree	12	14
Undergraduate degree	50	48
Vocational higher education	62	61
High school	129	131
Primary education	15	13
Speaking one foreign language	50	49
Proficient in two or more languages	5	5

* Number of people unless specified otherwise

Lean Management at Kartonsan

In 2019, Kartonsan achieved progress in lean management studies which started in 2016.

Continuous improvement cycle: lean management

Lean management can be applied in all sectors and all processes and it is comprised of fundamental principles which increase an organization's success and effectiveness. Lean management approaches

- provide speed and flexibility through organizing business processes and
- increase the company's competitive power by providing a possibility to decrease costs.

At the same time, lean management enables the company to evaluate its tangible and intangible capital elements as a whole and carry the relationship between them further to a more productive level.

Wins realized in 2019...

In 2019, Kartonsan achieved progress in lean management studies which started in 2016. The Company continued to record new achievements in various areas like efficiency, human resources, customer satisfaction and production. Decisive steps were taken with each 5S and Kaizen projects opened.

As a result of studies creating awareness and trainings organized between 2016 and 2019, suggestions of Kartonsan employees for the jobs they perform or improvement areas they detected have been increasing continuously. Number of suggestions which was 56 in 2016, increased to 96 in 2017, 131 in 2018 and 146 in 2019.

Kartonsan assessed these suggestions from employees and created Kaizens in potential improvement areas.



During this period, 287 of employee suggestions were transformed into Kaizens and 255 of them were resolved.

5S Practices

At Kartonsan 5S practices are being performed with the participation of employees. With these practices, visual dirtiness and untidiness was eliminated.

Accessing consumption materials and equipment became easier and more ergonomic.

Product flow time became faster and finished product inventory was reduced. Inventory quantities of raw materials and other consumption materials were lowered to optimum levels and order levels were adjusted which contributed to cost optimization.

Every day, Board Head meetings are held, company goals and current realizations are shared with employees. This method has positive affect on employees' contributions and motivations.

Sharing experiences with stakeholders

Kartonsan shared its success and experiences within the scope of lean management with participants of the Lean Symposium organized biennially by Lean Institute Association.

With 5S practices, primary win areas are highlighted as seeing the problem, process-focused approach, solving the problem, standardization of information and information sharing.

Corporate Social Responsibility

Kartonsan designs and implements its social responsibility activities with a long term approach aiming to create permanent value.

Kartonsan focuses on educational and environmental subjects in social responsibility activities and contributes to social development with its projects.

Kartonsan shares the value it creates with its largest stakeholder, society. The main areas of the value the Company creates are educational and environmental areas.

Kartonsan designs and executes its social responsibility activities with a long-term approach aiming to create permanent value. Kartonsan contributes to social development with its social responsibility activities in education and environment areas and supports our country to reach the level of modern civilizations.



Başiskele Site Primary School Project

Construction of the Primary School building in Kocaeli Başeski site, where Kartonsan plant is located, was finished in the first quarter of 2012. The school operates with 16 classrooms.

Kartonsan Primary School- Kullar Village, Kocaeli

The Company continues its support for Kartonsan Primary School which is in Kullar village of Kocaeli, where Kartonsan plant is located.

At the Kartonsan Primary School trainings on environment and energy subjects were given to a group of approximately 200 students.

Supporting recycling of packaging waste

Within the frame of regulations on controlling the packaging waste, Kartonsan operates as a packaging waste recycling company as well. It gathers packaging waste resulting from its operations which cannot be reused in its operations and gives them to licensed recycling firms.



Cooperation with Kocaeli Environment and Urbanization Administration at Environment Day

Kartonsan supported the Environment Day activities organized by Kocaeli Environment and Urbanization Administration on 5 June by setting up a booth, and carried out informative activities to increase environmental awareness.

The donations made by Kartonsan in 2019 are summarized in the table below.

Donations to	Amount (TL)
Universities, high schools and primary schools	900
Associations and foundations (Educational, sports-related, sectoral and social)	20,180
Other institutions and organizations	13,454
Total	34,534

SELKA İç ve Dış Ticaret A.Ş.

Selka meets coated cardboard needs of printing, packaging and cardboard industries in Turkey in a quick, economic and perfect manner with its high quality product range.

Selka meets coated cardboard needs of printing, packaging and cardboard industries with its high quality product range.

Founded in 1991, Selka İç ve Dış Ticaret A.Ş. (Selka) conducts its operations in coated cardboard trade area. Selka meets coated cardboard needs of printing, packaging and cardboard industries in Turkey in a quick, economic and perfect manner with its high quality product range.

Selka sells Kartonsan's standard sized or mixed sized cardboard. It is also the sole seller of lower quality cardboard (K-3) which is the output of the production process.

Selka also imports chromo boards in accordance with Kartonsan's strategic market policies within current market conditions. Since 2017, the Company has been importing Bristol board which is not produced in Turkey and selling them in the domestic market.

Selka provides logistic services to Kartonsan in its premises in Istanbul-Sefaköy where it handles its marketing and sales activities.

Selka's coated cardboard sales amount which was 38,438 tons in 2018 increased by 6,799 tons to reach a total of 45,237 tons at the end of 2019. In the same period, the Company's turnover increased by 29% to approximately TL 147.1 million.

Net pre-tax profit of the Company has been TL 811 million in 2017 which was in line with its target.

Selka is a subsidiary of Kartonsan which has an ownership stake of 99.37%

Selka's comparative net sales quantities and amounts for 2018 and 2019 are presented below:

	January-December 2018	January-December 2018	January-December 2019	January-December 2019
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (tons)	Sales Amount (TL)
K1-K2 cardboard	7,692	23,276,524	20,478	76,286,129
K3 cardboard	10,610	24,309,170	10,353	34,557,418
Imported cardboard	20,136	66,458,048	14,406	36,316,684
Total	38,438	114,043,742	45,237	147,160,231

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

DÖNKASAN continues to supply scrap paper in line with Kartonsan's market policies with the objective of growing parallel with market conditions.

Contribution to cyclical economy through recycling

Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. (DÖNKASAN), established in 1978, is involved in the collection of wastepaper, sorting them according to their types and preparing them for the production of paper and cardboard.

DÖNKASAN has reached a higher capacity with its infrastructure investments and turned into a company that operates even more efficiently. DÖNKASAN continues its activities in the facilities located in Esenyurt, İstanbul. DÖNKASAN has achieved a net revenue of TL 26.7 million in 2018, with 36 thousand tons of scrap paper sales, including intra-group sales. The company sold 39.1 thousand tons of scrap paper in 2019, including intra-group sales, and generated net revenue of approximately TL 34.2 million.

Net sales from separating services have been TL 1.4 million in 2019 with a quantity of 3,849 tons (2018: 3,643 tons).

DÖNKASAN continues to supply paper in line with Kartonsan's market policies and targets a growth parallel with market conditions.

	January-December 2018	January-December 2018	January-December 2019	January-December 2019
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (tons)	Sales Amount (TL)
Scrap paper	36,460	26,659,525	39,151	34,201,461
Income from separating services	3,643	1,139,141	3,849	1,430,612
Total	40,103	27,798,666	43,000	35,632,073

Independent Auditor Report about the Annual Report of the Board of Directors



To the Board of Directors of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Opinion

We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi for the financial period of 01.01.2019-31.12.2019.

According to our opinion, the financial information contained in the annual report of the board of directors and the opinions of the board of directors about the condition of the Company comply with the full set audited financial statements in all material aspects and the information that we have acquired during the independent audit and represent the truth.

Basis of the Opinion

The Independent audit conducted by us has been carried out in accordance with the Independent Audit Standards (IASs) which are a part of the Turkish Audit Standards published by the Public Oversight, Accounting and Auditing Standards Authority (POA). Our responsibilities under these Standards are described in details in the relevant section in our report entitled Independent Auditors' Responsibility for the Independent Audit of Annual Report. We declare that we are independent from the Company in accordance with the Code of Ethics for Independent Auditors as published by the POA ('Code of Ethics') and the ethical provisions in the related legislation regarding independent audit. Ethical Rules and other responsibilities regarding ethics in the legislation have also been fulfilled by us. We believe that the independent audit evidence that we have acquired during the independent audit constitutes sufficient and appropriate basis to provide our opinion.

Our Auditor Opinion on Full Set Financial Statements

We have provided positive opinion in our auditor report dated 21.02.2020 in connection with the full set financial statements of the Company for the financial period of 01.01.2019 - 31.12.2019.

Responsibility of the Board of Directors for Annual Report

In accordance with the Article 514 and 516 of the Turkish Commercial Law (TCL) No 6102, the management of the Company is responsible for the following duties regarding annual report:

- Prepares and submits the annual report to the general assembly within the first three months following the date of balance sheet.
- Prepares the annual report in a way that will reflect the flow of the activities and the financial condition of the company for that year in all aspects in an accurate, complete, straightforward, true and honest way. In such report, the financial condition of the Company is assessed in accordance with the financial statements. Besides, the report clearly points out the development of the company and the possible risks that might occur. The assessment of the board of directors regarding these issues is also indicated in such report.
- Annual report also contains as follows:
 - Significant events that occur upon the end of the financial year,
 - Research and development activities of the Company,
 - Financial benefits paid to Board members and senior managers such as wages, premiums and bonuses, allowances, travel, accommodation and representation costs, in-kind and cash benefits, insurances and similar guarantees.

During the preparation of the annual report, the Board of Directors takes into consideration the secondary legislative arrangements made by the Ministry of Customs and Trade and other relevant authorities.

Responsibility of the Independent Auditor for the Independent Audit of Annual Report

In accordance with the provisions of the Turkish Commercial Law, our purpose is to provide opinion on whether the financial information contained in the annual report and the opinions of the board of directors comply with the audited financial statements and the information that we have acquired during the independent audit and whether they represent the truth and to prepare a report containing our opinion.

The independent audit conducted by us has been carried out in accordance with the Independent Audit Standards. Such standards requires the compliance with the ethical provisions as well as planning and execution of the independent audit in a way that will provide reasonable assurance on whether the financial information contained in the annual report and the opinions of the Board of Directors comply with the financial statements and the information acquired during the independent audit and whether they represent the truth.

The responsible auditor that has conducted and finalized this independent audit is Mustafa Özgür Günel.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An Independent Member of BAKER TILLY INTERNATIONAL



Dr. Mustafa Özgür Günel
Responsible Associate Chief Auditor
İstanbul, 06.03.2020

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Financial Statements and Independent Audit Report
As of January 01 - December 31, 2019

INDEPENDENT AUDIT REPORT



**To the Board of Directors of
Kartonsan Karton Sanayi ve Ticaret Anonim Sirketi;**

Independent Auditing of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kartonsan Karton Sanayi ve Ticaret Anonim Sirketi and its subsidiaries (the Group) dated on at December 31, 2019 and consolidated profit or loss statement, consolidated other comprehensive income statement, consolidated equity change statement and consolidated cash flow statement which belongs to the accounting period ending at the same date and footnotes summarizing important accounting policies and the accompanying financial statements which consist of other explanatory notes.

According to our opinion, the affixed consolidated financial statements represent the financial position as of December 31, 2019 and its financial performance and its cash flows of the accounting period ended on the same date in a fair manner with appropriate to Turkey Accounting Standards (TAS) as all the important aspects.

Basis of the Opinion

The Independent auditing that we have carried out has been conducted according to the Independent Audit Standards (IAS) which is a part of Turkey Auditing Standards released by Public Oversight, Accounting and Auditing Standards Agency (UPS). Our responsibilities under these Standards are explained in detail in the section entitled Independent Auditors' Responsibility for Independent Audit of Financial Statements. We declare that we are independent from the Company in accordance with the Code of Ethics for Independent Auditors published by the "UPS" (Code of Ethics) and the ethical provisions contained in the related legislation with independent auditing of financial statements. Ethical Rules and other ethical responsibilities under the legislation have also been fulfilled. We believe that the independent audit evidence we obtain during the independent audit is sufficient and appropriate basis for the establishment of our opinion.

Key Audit Issues

The key audit issues are the issues which are of critical importance in the independent audit of the financial statements belonging to the current period in accordance with our professional reasoning. The key audit issues were dealt with within the framework of the independent audit of the financial statements as a whole and in the forming of our opinion regarding the financial statements and we do not notify a separate opinion on these issues.

Trade Accounts Receivable	
Please See Footnotes 2.5 and 6 Related to Consolidated Financial Statements.	
Key Audit Issue	How the Issue was Handled in Our Audits
Trade receivables constitute an important part of the Group's asset size. The Group management has used some estimates and assumptions when calculating the provision for doubtful trade receivables related to trade receivables. The assessment of these estimates and assumptions, verification of balances of trade receivables and calculation of the rediscount of trade receivables have been considered by us as a key audit subject.	<p>Our audit procedures are designed to question the accuracy of Trade Receivables.</p> <p>As part of the audit procedures we have designed, the following are actualized;</p> <ul style="list-style-type: none"> - The processes of identifying, calculating, recording, monitoring and collecting reserves required to be allocated for impaired trade receivables has been tested, and have been evaluated. - Rediscount studies of trade receivables are obtained, calculated maturities and rediscount rates used have been evaluated. - By attaining a detailed list of Trade Receivables, written agreements were made with the buyer firms which formed the balance of Trade Receivables in the Group's records or the alternative method was applied and were checked with the payments made after the balance sheet date. If there have been uncollected receivables for a long time existed, their reasons have been investigated. <p>In addition, the Group's impairment on trade receivables calculations have also been evaluated by us.</p>

INDEPENDENT AUDIT REPORT

Inventories	
Please See Footnotes 2.5 and 9 Related to Consolidated Financial Statements.	
Key Audit Issue	How the Issue was Handled in Our Audits
<p>Inventories are evaluated in the Financial Statements with the lowest of the cost, or with the lowest of the net realizable value.</p> <p>The Group applies the monthly weighted average cost method to calculate the cost of inventories.</p> <p>The Group's cost calculation, its inventory impairment policy, its determination of the provision for impairment of inventories, and valuation of inventories have been considered by us as a key audit topic.</p>	<p>Our audit procedures are designed to question the net realizable value of inventories and impairment calculations.</p> <p>As part of the audit procedures we have designed, the following are actualized;</p> <ul style="list-style-type: none"> - In the light of changes in gross sales profit on general or product basis, whether net realizable value provisions are or not needed have been evaluated. - Sales invoice samples are reviewed after the balance sheet date and unit prices in these invoices have been evaluated by comparing them with unit prices in the balance sheet period. -By subjecting inventory items to aging study, whether or not there were inventories which have lost their ability to be sold in previous periods has been examined and evaluated. -The ratio of cost of sales to sales, inventory turnover and cost table of sales are evaluated by comparing with previous period rates and amounts. - Group's cost calculation was evaluated, by re-calculating the stock cards which were selected as examples. - The Group's inventory impairment study has been obtained and evaluated.
Tangible Fixed Assets	
Please See Footnotes 2.5 and 11 Related to Consolidated Financial Statements.	
Key Audit Issue	How the Issue was Handled in Our Audits
<p>The Group has tangible assets amounting to TL 205.839.987 TL present in their consolidated financial statements, and the Group calculates the depreciation of tangible assets by using the straight-line method of depreciation, and calculates by making some estimates for its tangible assets. In addition, the management of the Group observes whether or not there is any impairment in tangible assets.</p> <p>The accounting estimates used by the Group in calculating amortization, and the amortization calculations based on these estimates, as well as their impairment studies, have been considered by us as a key audit topic.</p>	<p>Our audit procedures are designed to question depreciation calculations and impairment of fixed assets.</p> <p>As part of the audit procedures we have designed, the following are actualized;</p> <ul style="list-style-type: none"> - The Group's impairment testing model has been critically reviewed and the discounted cash flow projections and the Company's past financial performances are reviewed on the basis of each activity. The impairment model, which has been used to evaluate the sensitivity of the growth rates, discount rates and basic assumptions used by the Group in its estimations, has been recalculated and evaluated. - The consistency of the estimates used by the Group for tangible assets has been evaluated. - The depreciation calculation of the Group has been provided and the depreciation was evaluated by having them recalculated.

Returns	
Please See Footnotes 2.5 and 19 Related to Consolidated Financial Statements.	
Key Audit Issue	How the Issue was Handled in Our Audits
The registration of revenues for the timely and accurate determination of income have been considered by us as a key audit topic.	<p>Our audit procedures are designed over to question the accuracy of recording of the revenues.</p> <p>As part of the audit procedures we have designed, the following are actualized;</p> <ul style="list-style-type: none"> - The sales and delivery procedures of the Group were examined and evaluated with regard to the revenue process. - Our procedures have been extended to include the risk and the non-transferable status, and the sample of the invoices and by checking dispatch dates, warehouse check-out and delivery documents of some sales transactions, whether or not the actual delivery had been made before the balance sheet date has been evaluated. - Material verification procedures were applied to returns in the period following the end of the year, and whether or not the revenue was recorded properly during the year was evaluated.

Responsibility of the Management and Senior Management for the Consolidated Financial Statements

The Group management is responsible for preparation of consolidated financial statements in accordance with Turkey Accounting Standards (TAS) and for presentation of them fairly, internal control deems necessary to ensure the preparation of financial statements that are free from material misstatement, error or fraud.

The Management when preparing financial statements; It is the responsibility of the company to assess its ability to maintain its continuity and to use the continuity of the operation as long as it is necessary to clarify the circumstances of the continuity and when there is no intention or obligation to liquidate the company or to terminate the business.

Those responsible for senior management are responsible for overseeing the financial reporting process of the group.

Responsibility of the Independent Auditor for the Consolidated Financial Statements

In an independent audit, the responsibilities of us as independent auditors are:

Our aim is to obtain reasonable assurance as to whether the financial statements contain material error in error or fraud and to issue an independent auditor's report in our opinion. Reasonable assurance as a result of an independent audit carried out in accordance with the BDS; is a high level of assurance, but does not guarantee that an important mistake that exists will always be detected. Inaccuracies can be due to errors or frauds. These mistakes are deemed important if the mistakes are reasonably expected to affect the economic decisions that the users of the financial statements are willing to undertake in this table alone or collectively.

As required by an independent audit carried out in accordance with the BDS, we use our professional judgment during the independent audit and continue our professional skepticism. We also:

- The risks of "significant mistakes" resulting from error or fraud on the financial statements is identified and assessed; audit procedures that respond to these risks are designed and implemented, and sufficient and appropriate audit evidence is obtained to provide a basis for the audit. (The risk of not detecting an important fraudulent error is higher than the risk of not detecting an important mistake due to fraud, as fraud may involve collusion, fraud, intentional negligence, untruthful declaration or internal control violation.)
- The internal control of the audit is assessed to design audit procedures that are appropriate to the status, not to report an opinion on the effectiveness of the company's internal control.
- The accounting estimates made by the appropriateness of the accounting policies used by the management and whether the related disclosures are reasonable are evaluated.

INDEPENDENT AUDIT REPORT

- Based on the audit evidence obtained, we have come to the conclusion as to whether the management has reason to believe that there is a significant uncertainty about the circumstances or events that may cause serious doubt about the ability of the Company to continue to be sustainable and the appropriateness of management using the continuity of the management. If we reach a conclusion that there is a significant uncertainty, we should draw attention to the relevant disclosures in the financial statements or give any opinion other than affirmative opinion if these statements are inadequate. The results we have are based on the audit evidence obtained until the date of the independent auditor's report. However, future events or circumstances may terminate the continuity of the Company.
- Whether the consolidated financial statements, including disclosures, reflect the overall presentation, structure and content of such statements in a manner that would enable them to provide a fair presentation of the underlying transactions and events.
- In order to provide an opinion on the consolidated financial statements, sufficient and appropriate audit evidence is obtained on the financial information of the enterprises or segments within the group. We are responsible for directing, supervising and conducting group audit. We are solely responsible for the audit opinion we provide.

As well as other matters, we report to the persons responsible for the senior management the planned coverage and timing of the independent audit, as well as significant audit findings, including any significant internal control deficiencies we identified during the audit.

We have informed those responsible for the senior management that we have complied with the ethical provisions regarding independence. We have also communicated to all those responsible for the senior management all the relations and other aspects that may be considered to have an effect on independence.

Among the issues that are reported to those responsible for the senior management, we specify the most important issues in the independent audit of the financial statements of the current period, namely the key audit topics. Where the legislation does not allow the disclosure of the matter to the public or in exceptional circumstances where it is reasonably expected that the negative consequences of disclosure of the public statement will be likely to exceed the public interest that would arise from public disclosure, we may decide that the relevant matter is not reported to the independent auditor.

Other liabilities arising from the legislation

- 1) The Auditor's Report related to Early Detection of Risk System and Committee issued in accordance with the fourth paragraph of Article 398 of the Turkish Commercial Code No. 6102 ("TCC") was presented to the Company's Board of Directors on February 21st, 2020.
- 2) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code (TCC), we have not found any important issue in the accounting period of the Company for the accounting period of January 1 - December 31, 2019 regarding that the book and the Company's articles of incorporation do not conform to the financial reporting requirements.
- 3) In accordance with the fourth paragraph of Article 402 of the Turkish Commercial Code (TCC), the Board of Directors has made the required explanations within the scope of the audit and issued the requested documents.

Mustafa Özgür Günel is the responsible auditor who conducted and finalized this independent audit.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
An Independent Member of BAKER TILLY INTERNATIONAL

Dr. Mustafa Özgür Günel
Responsible Partner Chief Auditor
Istanbul, 21 February 2020

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statement of Financial Position (Balance Sheet) For the Accounting Period as of December 31, 2019 and 2018

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Footnote References	Independently Audited December 31, 2019	Independently Audited December 31, 2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	90.098.119	93.925.629
Trade Receivables	5-6	62.471.232	64.882.123
- Trade Receivables from Related Parties	5	5.325.214	3.326.112
- Trade Receivables from Non-Related Parties	6	57.146.018	61.556.011
Other Receivables	8	3.204.437	243.663
- Other Receivables from Non-Related Parties	8	3.204.437	243.663
Inventories	9	133.081.463	103.454.020
Inventories	5-17	10.666.154	7.091.001
- Prepaid Expenses to Related Parties	5	4.433.935	1.239.119
- Prepaid Expenses to Non-Related Parties	17	6.232.219	5.851.882
Other Current Assets	17	3.968.580	13.225
- Other Current Assets from Non-Related Parties	17	3.968.580	13.225
Total Current Assets		303.489.985	269.609.661
Fixed Assets			
Other Receivables	8	41.895	15.619
- Other Receivables from Non-Related Parties	8	41.895	15.619
Investment Properties	10	229.270	229.270
Tangible Assets	11	205.839.987	187.952.091
- Lands and Parcels		24.059.097	24.059.097
- Land improvements		5.303.462	2.204.643
- Buildings		29.475.356	29.147.305
- Plant machinery and equipment		126.863.385	123.113.610
- Vehicles		1.185.393	1.367.130
- Furniture and fixtures		7.026.936	6.515.441
- Special costs		96.983	123.917
- Ongoing investments		11.088.370	624.736
- Other tangible assets		741.005	796.212
Right of Use Assets		3.254.901	-
Intangible Assets		4.232.424	4.948.585
- Other Intangible Assets		4.232.424	4.948.585
Prepaid Expenses		7.668.325	5.556.352
- Prepaid Expenses to Non-Related Parties		7.668.325	5.556.352
- Deferred tax assets		24.173.907	19.587.402
Total Fixed Assets		245.440.709	218.289.319
Total Assets		548.930.694	487.898.980

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statement of Financial Position (Balance Sheet) For the Accounting Period as of December 31, 2019 and 2018

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Footnote References	Independently Audited December 31, 2019	Independently Audited December 31, 2018
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings	5-7	1.794.224	713.512
- Short-term borrowings to non-related parties	5-7	758.422	-
- Payables from Financial Leasing Transactions	5-7	758.422	-
- Short-term borrowings to non-related parties	7	1.035.802	713.512
- Bank loans	7	911.950	713.512
- Payables from Financial Leasing Transactions	7	123.852	-
Trade Payables	5-6	64.945.639	52.283.578
- Trade Payables to Related Parties	5	54.906	41.729
- Trade Payables to Non-Related Parties	6	64.890.733	52.241.849
Payables for Employee Benefits		2.810.582	2.351.857
Other Payables	5-8	2.500.853	4.996.270
- Other Payables to Related Parties	5	23.666	17.287
- Other Payables to Non-Related Parties	8	2.477.187	4.978.983
Tax Liabilities of Period Profit	25	356.401	1.572.820
Short-Term Provisions	14-16	3.083.045	5.461.285
- Short-Term Provisions for Employee Benefits	16	1.000.099	1.555.187
- Other Short-Term Liabilities	14	2.082.946	3.906.098
Total Short-Term Liabilities		75.490.744	67.379.322
Long-Term Liabilities			
Long-Term Provisions	5-7	2.627.062	-
- Short-term borrowings to non-related parties	5-7	2.077.455	-
- Payables from Financial Leasing Transactions	5-7	2.077.455	-
- Long-term borrowings to non-related parties	7	549.607	-
- Payables from Financial Leasing Transactions	7	549.607	-
Long-Term Provisions	16	12.467.379	9.925.980
- Long-Term Provisions for Employee Benefits	16	12.467.379	9.925.980
Deferred tax liabilities	25	2.177.194	2.871.680
Total Long-Term Liabilities		17.271.635	12.797.660
SHAREHOLDERS' EQUITY			
Parent Company Shareholders' Equity		455.995.055	407.586.337
Paid-In Capital	18	2.837.014	2.837.014
Capital adjustment differences	18	93.298.657	93.298.657
Share premium		7.529	7.529
Accumulated Other Comprehensive Income/Expense not to be Reclassified to Profit or Loss	18	(2.232.699)	(1.302.312)
- Defined benefit plans re-measurement losses	18	(2.232.699)	(1.302.312)
Restricted Reserves from Profit	18	33.055.650	29.619.682
- Property or participation earnings to be added to capital	18	2.315.343	2.315.343
- Legal reserves	18	30.740.307	27.304.339
Retained Profits		247.684.119	169.624.160
Net Profit of the Period		81.344.785	113.501.607
Non-Controlling Shares		173.260	135.661
Total Shareholders' Equity		456.168.315	407.721.998
TOTAL LIABILITIES		548.930.694	487.898.980

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statement of Profit or Loss For the Accounting Period as of December 31, 2019 and 2018

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Footnote References	Independently Audited January 1- December 31, 2019	Independently Audited January 1- December 31, 2018
Revenue	19	737.165.985	637.093.284
Cost of Sales (-)	19	(613.184.889)	(476.584.019)
Gross Profit (Loss) from Commercial Activities		123.981.096	160.509.265
Gross Profit (Loss)		123.981.096	160.509.265
General Administration Expenses (-)	20	(17.591.945)	(16.721.741)
Marketing Expenses (-)	20	(24.949.127)	(21.907.345)
Other Income from Real Operations	22	24.239.730	31.786.342
Other Expenses from Real Operations (-)	22	(15.635.466)	(24.443.009)
Profit (Loss) of Real Operations		90.044.288	129.223.512
Investment Operating Income	23	17.974.040	34.762.404
Investment Operating Expenses (-)	23	(6.356.043)	(18.773.239)
Operating Profit before Financing Expense		101.662.285	145.212.677
Financing Expenses (-)	24	(15.866.919)	(12.008.174)
Continued Operations Profit Before Taxation		85.795.366	133.204.503
Continued Operations Tax Expense (-)		(4.395.686)	(19.652.767)
Period Tax Expense (-)	25	(9.429.853)	(25.518.696)
Deferred Tax (Expense)/Income	25	5.034.167	5.865.929
Continued Operations Period Profit		81.399.680	113.551.736
Profit (Loss) for the Period		81.399.680	113.551.736
Distribution of period profit		81.399.680	113.551.736
- Non-Controlling Shares		54.895	50.129
- Parent Company Shares		81.344.785	113.501.607
Earnings Per Share	26		
- Profit (Loss) from Continuing Operations Earnings Per Share	26	28,67268	40,00742
Other Comprehensive Income			
Items not to be reclassified in Profit or Loss Items not to be reclassified in Profit or Loss	18	(930.387)	228.039
- Defined benefit plans re-measurement losses	18	(930.387)	228.039
Other Comprehensive Income		(930.387)	228.039
Total Comprehensive Income		(930.387)	228.039
Distribution of Total Comprehensive Income		80.469.293	113.779.775
- Non-Controlling Shares		54.895	50.129
- Parent Company Shares		80.414.398	113.729.646

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statement of Change in Shareholders' Equity For the Accounting Period as of December 31, 2019 and 2018

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

Current Period - December 31, 2018 (Independently Audited)

	Paid-in Capital	Capital Adjustment Differences	Share issuances premiums/ discounts	Accumulated Other Comprehensive Income or Loss Not To be Reclassified to Profit or Loss	Defined benefit plans re-measurement gain/ loss	Restricted Reserves From Profit	Accumulated Profits		Parent Company Shareholders' Equity	Non-Controlling Shares	Shareholders' Equity
							Retained Earnings	Net Profit/Loss of the Period			
Balances at the beginning of the period	2.837.014	93.298.657	7.529	(1.530.351)	27.729.168	152.102.490	38.426.713	312.871.220	91.861	312.963.081	
Adjustments on Compulsory Changes in Accounting Policies	-	-	-	-	-	(699.927)	59.448	(640.479)	-	(640.479)	
Amount After Adjustments	2.837.014	93.298.657	7.529	(1.530.351)	27.729.168	151.402.563	38.486.161	312.230.741	91.861	312.322.602	
Transfers	-	-	-	-	1.890.514	36.536.199	(38.426.713)	-	-	-	
Total comprehensive income	-	-	-	228.039	-	-	113.442.159	113.670.198	50.129	113.720.327	
Dividends	-	-	-	-	-	(18.314.602)	-	(18.314.602)	(6.329)	(18.320.931)	
End-of-period balances	2.837.014	93.298.657	7.529	(1.302.312)	29.619.682	169.624.160	113.501.607	407.586.337	135.661	407.721.998	

Current Period - December 31, 2019 (Independently Audited)

	Paid-in Capital	Capital Adjustment Differences	Share issuances premiums/ discounts	Accumulated Other Comprehensive Income or Loss Not To be Reclassified to Profit or Loss	Defined benefit plans re-measurement gain/ loss	Restricted Reserves From Profit	Accumulated Profits		Parent Company Shareholders' Equity	Non-Controlling Shares	Shareholders' Equity
							Retained Earnings	Net Profit/Loss of the Period			
Balances at the beginning of the period	2.837.014	93.298.657	7.529	(1.302.312)	29.619.682	169.624.160	113.501.607	407.586.337	135.661	407.721.998	
Amount After Adjustments	2.837.014	93.298.657	7.529	(1.302.312)	29.619.682	169.624.160	113.501.607	407.586.337	135.661	407.721.998	
Transfers	-	-	-	-	3.435.968	110.065.639	(113.501.607)	-	-	-	
Total comprehensive income	-	-	-	(930.387)	-	-	81.344.785	80.414.398	54.895	80.469.283	
Dividends	-	-	-	-	-	(32.005.680)	-	(32.005.680)	(17.296)	(32.022.976)	
End-of-period balances	2.837.014	93.298.657	7.529	(2.232.699)	33.055.650	247.684.119	81.344.785	455.995.055	173.260	456.168.315	

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Statement of Cash Flow For the Accounting Period as of December 31, 2019 and 2018

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Footnote References	(Independently Audited) Current Period December 31, 2019	(Independently Audited) Previous Period December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		70.476.283	105.072.939
Profit (Loss) for Period		81.399.680	113.551.736
Profit (Loss) for Period from continuing operations		81.399.680	113.551.736
Amendments related to period profit (loss) reconciliation		36.593.120	51.434.454
Adjustments Related to Amortization and Depreciation	11,12,21	30.524.657	26.860.385
Adjustment Related to Impairment (Cancellations)		2.858.683	190.994
Adjustment Related to Impairment (Cancellations) of receivables		2.494.148	-6.500
Adjustment Related to Impairment (Cancellations) of Inventory		364.535	197.494
Adjustment Related to Provisions		-3.354.247	1.344.398
Adjustment Related to Provisions for employee benefits (Cancellations)		-1.531.095	2.487.998
Adjustment Related to Free Provisions for Potential Risks (Cancellations)		0	-699.927
Adjustment Related to Other Provisions		-1.823.152	-443.673
Adjustment Related to interest income and expenses		2.584.133	3.690.650
Adjustment Related to interest income		-6.237.066	-4.333.588
Adjustment Related to interest expenses	24	15.866.919	12.008.174
Deferred financing expense arising from forward purchases	22	3.413.455	3.802.800
Unearned finance income from forward sales	22	-10.459.175	-7.786.736
Adjustment Related to Tax expense	25	4.395.686	19.652.767
Adjustments for Losses (Profits) Resulted from Disposal of Fixed Assets		-415.792	-304.740
Adjustments for Losses (Profits) Resulted from Disposal of Tangible Assets		-415.792	-304.740
Changes in working capital		-27.835.681	-25.921.862
Adjustment related to decrease/(increase) in trade receivables		252.784	-8.315.689
Decrease (increase) in trade receivables from related parties		-1.999.102	1.146.357
Decrease (increase) in trade receivables from non-related parties		2.251.886	-9.462.046
Adjustment related to decrease (increase) in other receivables related to operations		-2.987.050	484.475
Decrease (increase) in related receivables related to operations from related parties		-2.987.050	484.475
Adjustments related to decrease (increase) in Inventory		-29.991.978	-30.466.579
Decrease (increase) in prepaid expenses		-3.575.153	-739.564
Adjustment Related to Increase/(decrease) in trade payables		12.573.042	9.984.701
Increase (decrease) in trade payables to related parties		13.177	5591
Increase (decrease) in trade payables to non-related parties		12.559.865	9.979.110
Increase (decrease) in debt due to employee benefits		458.725	-516.554
Adjustments related to increase (decrease) in other liabilities related to activities		-2.495.417	3.415.026
Increase (decrease) in other liabilities related to operations to related parties		6.379	1.581
Increase (decrease) in other liabilities related to operations to non-related parties		-2.501.796	3.413.445
Adjustments related to other increase (decrease) in working capital		-2.070.634	232.322
Decrease/(increase) in other assets related to operations		-2.070.634	232.322
Cash flows obtained from operations		90.157.119	139.064.328
Interest Paid		-19.191.355	-15.899.364
Interest Received		10.156.791	7.883.863
Tax Payments	25	-10.646.272	-25.975.888
CASH FLOWS FROM INVESTING ACTIVITIES		-42.288.311	-27.421.648
Cash Inflows from Sales of Tangible and Intangible Assets		722.076	591.594
Cash Inflows from Sales of Tangible Assets		722.076	591.594
Cash Outflows from Purchase of Tangible and Intangible Assets		-47.292.767	-30.376.523
Cash Outflows from Purchase of Tangible Assets	11	-46.776.618	-25.856.223
Cash Outflows from Purchase of Intangible Assets	12	-516.149	-4.520.300
Repayments from cash advance and debts given		-2.111.973	-1.826.608
Repayments from other cash advance and debts given		-2.111.973	-1.826.608
Interest Received		6.394.353	4.189.889
CASH FLOW FROM FINANCING ACTIVITIES		-31.824.538	-17.709.366
Cash Inflows Arising from Borrowing		198.438	611.565
Cash outflows related to debt payments		0	0
Cash outflows related to loan repayments		0	0
Cash Outflows Related to Debt Payments Arising from Lease Agreements		0	0
Interest Paid		-32.022.976	-18.320.931
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE FOREIGN CURRENCY TRANSLATION DIFFERENCES EFFECT		-3.636.566	59.941.925
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-3.636.566	59.941.925
CASH AND CASH EQUIVALENTS IN BEGINNING OF THE PERIOD	4	93.616.867	33.674.942
CASH AND CASH EQUIVALENTS IN END OF THE PERIOD	4	89.980.301	93.616.867

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

FOOTNOTE 1 - THE COMPANY'S ORGANIZATION AND FIELD OF ACTIVITY

The field of activity of Kartonsan Karton Sanayi ve Ticaret AS ("Company" or "Kartonsan") is the production and trade of coated cardboard. Kartonsan is registered with the Capital Markets Board ("CMB"), and its shares have been listed on the stock exchange of Borsa Istanbul AS ("BIAS") since 1985. All of its shares are quoted on BIAS and are traded on the star market. Kartonsan's free float rate is 21,84%, and the Company's final control is in the PAK Family members through the PAK Group of companies (Footnote 18).

The company's registered office address is Dr. Bulent Tarcan Cad. No: 5 Pak Business Mrk. Kat: 3 Gayrettepe/ISTANBUL. The Company's main headquarters is in Istanbul and has a factory in Kullar Koyu 41001 Kocaeli.

The details of subsidiaries subject to fully consolidation as of December 31, 2019 and December 31, 2018 are as follows:

Company Title	Field of activity	Company shareholding	
		December 31, 2019	December 31, 2018
Selka İc ve Dış Ticaret A.Ş. ("Selka")	Coated cardboard trade	99,37%	99,37%
Donkasan Donusturulen Atık Kağıt San. ve Tic. A.Ş. ("Donkasan")	Waste Paper production and trade	100,00%	100,00%

The Company and its subsidiaries will be referred to as the "Group" in the consolidated financial statements and explanatory notes.

As of December 31, 2019, the Group has 306 employees, excluding subcontractors. (December 31, 2018: 306).

These consolidated financial statements have been approved for issue by the Board of Directors meeting dated 21 February 2020 with no YK/2020-04 and on behalf of the Board of Directors they were signed by Member of the Board of Directors and General Manager Haluk İber and Chairman Unal Bozkurt.

FOOTNOTE 2 - PRINCIPLES FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basic principles of presentation

2.1.1 Applied financial reporting standards

The affixed Consolidated Financial Statements have been prepared in accordance with the provisions of CMB's II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" ("Communiqué") published in the Official Gazette No. 28676 dated 13 June 2013 and in accordance with Article 5 of the Communiqué, Accounting and Auditing Standards Board ("UPS") that have been put into effect by the addition and reviews related to them Turkey Accounting Standards ("TAS") are considered.. TAS's; contain Turkey Financial Reporting Standards ("TFRS") and additions and interpretations ("TAS/TFRS") related to them.

The consolidated financial statements are presented in accordance with the formats announced by the "Announcement on TMS Taxonomy" published by POA on 2 June 2016 and with Announcement dated 7 June 2013 by CMB including the compulsory disclosures.

CMB, with a decision taken on 17 March 2005, declared that inflation accounting is not necessary starting from 1 January 2005 for public companies operating in Turkey. The Group's consolidated financial statements are prepared in accordance with this decision.

The Company and its subsidiaries in Turkey, comply with Principles and conditions issued by CMB, Turkish Commercial Code ("TCC"), the tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance in keeping the accounting records and preparing the statutory financial statements. The consolidated financial statements have been prepared on the historical cost basis except for the financial assets and liabilities which are shown with their fair values, and have been prepared by reflecting the necessary corrections and classifications in order to provide correct presentation in accordance with TMS.

2.1.2 Functional and reporting currency

The items in the financial statements of the Company are measured in Turkish Lira (TL), which is the currency (functional currency) of the economy in which it operates. The financial statements are presented in TL, which is the Company's reporting currency

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

2.1.3 Comparative Information and Adjustment of the Financial Statements for the Previous Period

The Group's current period consolidated financial statements are prepared comparatively with the previous period in order to enable determination of the financial situation and performance trends. Comparative information is reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements.

2.1.4 Consolidation

Consolidation principles

The consolidated financial statements include Group accounts prepared in accordance with the principles set out in the following basics. Required adjustments and reclassifications have been made for compliance with CMB Financial Reporting Standards and compliance with accounting policies and presentation formats applied by the Group during the preparation of the financial statements of the companies included in the scope of consolidation. The operating results of the subsidiaries and joint ventures are included or excluded from the effective dates of such transactions in accordance with the purchase or disposal procedures.

Subsidiaries

Subsidiaries (a) mean the companies having the power and authority to control financial and business policies of the Parent through having the authority to exercise more than 50% of the voting rights for its direct and/or indirect shares of the Parent and/or shares in the other companies controlled by it or (b) exercise of the actual control on the financial and business policies without any right to exercise more than 50% of the voting right in line with its interests.

The balance sheets and income statements belonging to the Subsidiaries are consolidated by using the full consolidation method, and the registered contributory values of the shares held by Kartonsan and its Subsidiaries are net settled with the related shareholders' equity. Intercompany transactions and balances between Kartonsan and its Subsidiaries are net settled during the consolidation. The cost of, and the dividends arising from the shares held by Kartonsan are net settled from the related shareholders' equity and income table accounts, respectively. Subsidiaries are included in the scope of consolidation as of the date of the control over the Group's operations, and are excluded from the scope of consolidation, as of the date when the control was lifted. Net assets of the Subsidiaries and the minority shareholders' shares in the operating results are presented in the consolidated balance sheet and statement of income as "Non-controlling interests".

The details of fully consolidated subsidiaries are as follows:

Company Title	Company shareholding				
	Capital	December 31, 2019		December 31, 2018	
		Direct and Indirect Partnership rate	Effective partnership rate	Direct and indirect partnership rate	Effective partnership rate
Selka	1.250.000	99,37%	99,37%	99,37%	99,37%
Donkasan	93.152	100,00%	100,00%	100,00%	100,00%

2.1.5 Significant accounting assessments, estimates and assumptions

In preparation of the consolidated financial statements, the Group management is required to make assumptions and estimates that would affect the reported amounts of assets and liabilities and determine possible liabilities and commitments as of the balance sheet date and income and expense amounts as of the reporting date. Actual results may be different from the estimates. Estimates are regularly reviewed; necessary corrections are made and reflected to the statement of profit or loss in the period in which they occur.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

The interpretations that may have significant impact on the amounts reflected in the consolidated financial statements and the assumptions made in view of the main sources of the estimates that may or may occur in the balance sheet date are as follows:

Deferred tax assets

The Group kept recognition of deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported and its financial statements prepared in accordance with Turkish Accounting Standards (TAS). The Group has deferred tax assets resulting from unused tax losses and deferred tax assets resulting from deductible temporary differences arising from investment incentives that can be deducted from future profits. During when the Group kept recognition of the deferred tax assets, it has taken into consideration the future profit projections and the last dates of the losses that occurred in the current period that can be used (Footnote 25). Where the final tax consequences of this matter are different from the amounts initially recorded, these differences may have an effect on the income tax and deferred tax assets and liabilities in the period in which they are determined.

Reduced Corporate Tax Application

As explained in the Footnote 13, the Group, as a result of the evaluation, by stipulating that the reduced corporate income tax may be utilized in the current period and in the following periods within the framework of Article 32/A of the Corporate Tax Law No. 5520, has calculated the deferred tax assets in a TL amount corresponding to 15% of the total investment expenditures within the scope of incentives, of which the details are shown below and has included in the financial statements. (Footnote 25). Completion examination was completed in April 2018. Total investment expenditure is TL 139.662.402.

	31.12.2019	31.12.2018
	Deferred Tax Asset	Deferred Tax Asset
Outstanding (Beginning of Period)	25.251.831	19.917.081
Investment Discount Indexing	5.701.863	8.477.041
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(1.738.399)	(3.142.291)
Balance (End of Period)	29.215.295	25.251.831

In 2018, the Group filed an application to the Ministry of Industry and Technology in order to modernize its production facilities and to link some investments, which were made intended for continuance of the facilities activities, to the "Certificate of Investment Incentive". As a result of the application and a subsequent application filed for amendment thereof, the final certificate of investment incentive with no B137821 dated 18.10.2018 has been issued. The following incentives have been provided for the investment that is to be made pursuant to the incentive certificate.

- Investment Period: 09.04.2018-09.04.2021
- VAT Exemption
- Customs Duty Exemption
- Tax Reduction Rate: 50%
- Investment Contribution Rate: 15%

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate with no B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 8.660.597 and the total sum of expenditures having been incurred is equals to TL 10.323.064. A discounted corporate tax has been imposed on the Group based on such sum of expenditures for the period in question

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2.2 New standards, amendments and interpretations

Among the new and revised standards and interpretations issued under Turkish Accounting Standards (“TAS”) or Turkish Financial Reporting Standards (“TFRS”), which became effective on January 1, 2019, the Group adopted the ones that are associated with its respective fields of business.

a) New standards in effect as of 31 December 2019, and amendments in and new interpretations of previous standards.

- **TFRS 9 “Amendments in Financial Instruments”** are valid for annual reporting periods starting on or after January 1, 2019. This amendment clarified two issues: while considering whether a financial asset represents only principal amount and interest accrued thereon, a prepaid sum may have both negative and positive cash flows, and confirms the issue of accounting for the resulting gain or loss directly in profit or loss when a financial liability, measured at amortized cost, is changed without being excluded from the financial statement. The profit or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted from the original effective interest rate. This means that, unlike TAS 39, the difference is not possible to be accounted for by spreading over the remaining life of the instrument.
- **TAS 28 “Amendments in investments in subsidiaries and joint ventures”** is valid for annual reporting periods starting on or after January 1, 2019. It was clarified that the company shall account its investments subject to long term participation or joint management, for which the equity method is not applied, using the TFRS 9 standard.
- **TFRS Interpretation 23 “Uncertainties in tax practices”** is valid for annual reporting periods starting on or after January 1, 2019. This interpretation clarifies some uncertainties in the applications of the TAS 12 Income Taxes standard. The TFRS Interpretation Committee has clarified that, when there is an uncertainty in tax practices, this uncertainty should be handled according to the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets” standard instead of TAS 12 standard.

TFRS Interpretation 23 provides an explanation on how to measure and account for deferred tax calculations when there are uncertainties in income taxes. An uncertainty as to tax application arises when it is not known whether a tax application made by a company is acceptable to the tax authority. For example, any uncertainties in the tax law regarding the recognition of an expense item as a discount or regarding whether a particular item should be included in the reimbursable tax calculation. The TFRS Interpretation 23 is applicable in all cases when the tax practices regarding an item are uncertain, including taxable incomes, expenses, taxable amounts of assets or liabilities, tax expenses, receivables and tax rates.

The TAS 19 “Employee Benefits; Improvements regarding amendments, reductions, or fulfilment of the plan” is valid for annual reporting periods starting on or after 1 January 2019. These improvements require the following changes:

- Using current assumptions to determine current service cost and net interest for the period after any change, reduction or fulfillment of the plan;
- Recognition in profit or loss as part of past service costs, or Inclusion into financial statements of any decreases in surplus values, or of any gains or losses derived from executions, even if they have not been included in the financial statements with the effect arising from the asset ceiling.

It is valid for annual reporting periods beginning on or after 1 January 2020. These amendments provide specific facilitating practices in relation to the reform of benchmark interest rates. These practices are related to hedge accounting, and the impact of IBOR reform should generally not result in termination of hedge accounting. However, any hedging ineffectiveness should continue to be recorded in the income statement. Given the prevalence of hedge accounting in IBOR-based contracts, these facilitating practices will affect all companies in the sector.

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It is expected that the new and revised accounting standards and interpretations announced will not have any significant impact on the Company's accounting policies.

- Improvements between 2015 and 2017 are valid for annual reporting periods on and after 1 January 2019.

These improvements include the following amendments:

- TFRS 3 "Business Mergers": The entity that provides control measures the share it had previously acquired in the joint operation.
- TFRS 11 "Joint Agreements": The entity that provides the joint control does not re-measure the share it had previously acquired in the joint activity.
- TAS 12 "Income Taxes": The entity accounts for the effects of dividends on income tax in the same way.
- TAS 23 "Borrowing Costs": It considers each borrowing, which is made to get a qualifying asset ready for its intended use or sale, as part of the general borrowing process.

b) Standards and amendments that were published as of 31 December 2019 but not yet taken into effect:

- Amendments in the significance definition of TAS 1 and TAS 8: They are valid for annual reporting periods starting on or after January 1, 2020. Amendments in TAS 1 "Presentation of Financial Statements" and TAS 8 "Accounting Policies, Amendments and Errors in Accounting Policies", and consequent changes in other TFRS made based on such changes are as follows:
 - Use of the materiality definition that is consistent with the TFRS and the financial reporting framework
 - Clarification of the description about the materiality definition, and
 - Inclusion of some guidance in TAS 1 regarding non-essential information
- **"Amendments in TFRS 3 - Business Definition"** is valid for annual reporting periods starting on or after January 1, 2020. With this amendment, the business definition has been revised. According to the feedback received by the IASB, the guidance on current practices is often considered to be very complex, and these results in too many processes to meet the definition of business mergers.
- **TFRS 17 "Insurance Contracts"** is valid for annual reporting periods starting on or after January 1, 2021. This standard replaces the TFRS 4, which currently allows for a wide range of applications. The TFRS 17 will fundamentally amend the accounting for all businesses that issue insurance contracts and investment contracts featuring optional participations.

c) Standards and amendments that were published and put into effect as of January 01, 2019

- "Amendments to TFRS 9, TAS 39 and TFRS 7 - Reform of Benchmark Interest Rate" is valid for annual reporting periods beginning on or after 1 January 2020. These amendments provide specific facilitating practices in relation to the reform of benchmark interest rates. These practices are related to hedge accounting, and the impact of IBOR reform should generally not result in termination of hedge accounting. However, any hedging ineffectiveness should continue to be recorded in the income statement. Given the prevalence of hedge accounting in IBOR-based contracts, these facilitating practices will affect all companies in the sector.

It is expected that the new and revised accounting standards and interpretations announced will not have any significant impact on the Company's accounting policies.

2.3 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

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2.4 Changes and errors in accounting forecasts

The effect of changes in accounting forecasts is reflected prospectively and in the following periods in relation to profit or loss:

- In the period where if only the change is related to the current period where the change is made, or
- In the period where if only the change is related to the current period where the change is made, or

The significant estimates used during the preparation of the consolidated financial statements for the period between January 1st and December 31st, of 2019 are consistent with the estimates used in the preparation of the financial statements for the period between January 1st and December 31st, of 2018. Significant errors are corrected retrospectively and prior period financial statements are restated.

2.5 Summary of Significant Accounting Policies

Netting/Offsetting

The financial assets and liabilities are shown at their net values in the balance sheet if there is a legal right of netting, they are paid on a net basis or may be collected or acquisition of the asset and satisfaction of the liability may occur concurrently.

Recognition of Incomes

The Group recognizes revenue in its financial statements in the five-step model below.

- Determination of contracts with customers
- Determination of performance obligations in contracts
- Determination of the transaction fee in contracts
- Distribution of obligations for transaction fee
- Revenue recognition

The Group evaluates the goods or services which has committed them in each contract with the customers and determines each commitment to transfer the said goods or services as a separate obligation.

For each performance obligation, it is determined at the beginning of the contract that the performance of the performance obligation will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements.

The Group, when the Group fulfills or fulfills the performance obligation by transferring a contracted product or service to its customer, records the transaction amount corresponding to this performance obligation as revenue in the financial statements. The goods or services are transferred when the goods or services are checked (or passed) by the customers.

When the Company evaluates the transfer of control of the goods or services sold to the customer, it takes into account the followings:

- a) Ownership of the Company's right for collection related to goods or services,
- b) Ownership of the legal property of the customer's goods or services,
- c) The possession transfer of goods or services,
- d) Ownership of significant risks and incomes arising from the ownership of the customer's goods or services,
- e) Conditions for customer acceptance of goods or services.

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In the event that there is an important financing element in the revenue, the revenue is determined by deducting the future collections with the interest rate within the financing element. The difference is recognized in the income statement on other accrual basis as other operating income.(Footnote 22).

In case there is an important financing element in sales, the fair value is determined by discounting the future cash flows with the hidden interest rate within the financing element. The difference is recognized in the consolidated financial statements on an accrual basis.

Inventories

The Group's inventories consist mainly of raw materials, chemical materials, operating materials and scrap paper stocks; on the other hand, finished goods inventories are composed of ready-made coated cardboard stocks.

Inventories are valued at the lower of the costs or at the lower of the net realizable value. Cost of inventories; includes all acquisition costs, conversion costs, and other costs incurred in bringing the inventories to their present location and condition. The cost of conversion of inventories; includes the costs directly related to production, such as direct labor costs. These costs also include the systematically distributed amounts of fixed and variable overhead expenses incurred in converting the first substance and material into product.

In calculating the cost of inventories, the monthly weighted average cost method is applied. Net realizable value is achieved by subtracting the total amount of the estimated cost of completion and estimated cost required to be born for the realization of the sales from the estimated sales price accrued in the ordinary course of business (Footnote 9).

Tangible assets

Tangible assets are reflected in the consolidated financial statements with their net values resulting from accumulated depreciation from expense values and impairment if any.

Amortization is calculated on the basis of the following ratios based on the economic lives to bring the cost of each asset to the value of the trace cost with the straight-line method.

Type	2019 Ratio (%)	2018 Ratio (%)
Buildings	2 - 2,5	2 - 2,5
Land improvements	4 - 6,67	4 - 6,67
Plant machinery and equipment	6,67 - 25	6,67 - 25
Furniture and fixtures	20 - 33	20 - 33
Vehicles	20 - 25	20 - 25
Special Costs	20	20
Other Tangible Assets	10 - 20	10 - 20

Gains and losses arising from the sale of fixed assets are determined by comparing the net book values with the sales price and included in the operating profit. Maintenance and repair expenses are charged as they are incurred. If maintenance and repair expense is related to expansion or visible improvement (Footnote 11).

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Intangible assets

The Group's intangible assets consist of computer software acquired through acquisition. Intangible assets are carried at cost less accumulated amortization and impairment, if any. These assets are amortized using the straight-line method based on their expected useful lives. Depreciation rates are between 20% and 33%. Expected useful life and depreciation method is reviewed every year in order to determine the possible effects of the changes in the estimates and the changes in the estimates are accounted for prospectively. (Footnote 12).

Impairment of assets

For the assets subject to amortization, the Group assesses at each balance sheet date whether there is any indication of impairment. If any such indication exists, the recoverable amount of that asset is estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount by its use or sale. The recoverable amount is determined by selecting the higher of the fair value less costs to sell and the value in use. Value in use is the present value of the expected future cash flows expected to be derived from the continuous use of an asset and its disposal at the end of its useful life. Impairment losses are recognized in the income statement. The cash-generating unit represents the smallest group of identifiable assets whose cash inflows are substantially independent of other assets or assets.

An impairment loss in the amount of an asset or an impairment loss in the event that the subsequent increase in the recoverable amount of an asset is attributable to an event that occurred in the subsequent periods after the recognition of the impairment, and shall be reflected as income in the consolidated financial statements. There is no impairment of assets in the current and prior period.

Leases

At the beginning of a contract, the Group evaluates whether the contract is of lease nature or not. The contract includes a lease if it transfers the right to control the use of any asset defined for a price for a certain period of time. The Group takes into consideration the following conditions when evaluating whether a contract transfers its right to control the use of a defined asset for a specified period of time:

- Whether the contract contains any identified asset; an asset is usually identified in the contract explicitly or implicitly.
- A functional part of the asset is physically separated or represents nearly all of the asset's capacity: The asset is not considered identified in the case that the supplier has a fundamental right to substitute the asset and obtain an economic benefit therefrom.
- A right is obtained to receive nearly all of the economic benefits associated with the use of the identified asset.
- A right is available to manage the use of the identified asset. The Group is considered to be entitled to use an asset if it has made decisions in advance regarding how and for what purpose the asset would be used. The group is deemed to hold the right to manage the use of the asset in the following situations:

The Group has the right to operate the asset throughout its lifetime (or to direct the others to operate the asset in the manner as designated by the Group), and the supplier has no right to change these operating instructions, or the Group has designed the asset (or certain aspects of it) by determining the manners and the purposes in which and for which the asset would be used throughout its utilization period.

Presence of the Group's entitlement to use as a Tenant

The Group reflects a right to use and a lease obligation in the financial statements at the date when the lease actually begins.

The asset involving a right to use is first accounted for using the cost method and includes the following items:

- The amount of the first measurement regarding lease obligation;
- The amount obtained by deducting all lease incentives received out of all lease payments made on or before the lease actually starts;
- Any initial direct costs incurred by the Group ; and
- an estimate of costs to be incurred by the company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The group is liable for these costs starting from the date the lease actually begins or as a result of using the underlying asset for a certain period of time.

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When the company applies the cost method, the right to use is measured:

- after accumulated depreciation and losses from accumulated impairment are deducted; and
- based on the cost adjusted according to the reassessment of the lease obligation

The Group applies the provisions regarding depreciation as available in IAS 16 "Property, Plant and Equipment" for depreciating its rights to use. If the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term, or if the cost of the right to use indicates that the Group will use a purchase option, the Group will depreciate the asset until the end of the useful life of the underlying asset starting from the actual commencement date of the lease involving the right to use. In other cases, the Group depreciates its right to use for the lesser of the useful life or lease period of the asset, starting from the date the lease actually started.

The Group applies IAS 36 Impairment on Assets in order to determine whether the right to use has suffered any impairment and to recognize any impairment losses determined.

Lease obligation

At the date when a lease actually starts, the Group measures its rental liability based on the present value of such rental payments that have not been paid at that time. Rental payments are discounted by using the implicit interest rate applicable for the lease if this rate can be easily determined. If this rate cannot be determined easily, the Group uses the alternative borrowing interest rate used by the Group.

At the date when a lease actually starts, the lease payments included in the measurement of the lease liabilities consist of the following payments that are to be made for the right to use the underlying asset during the lease period and that have not yet been paid at the date when a lease actually starts:

- The amount obtained by deducting all types of receivables involving rental incentives from fixed payments,
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- payments of penalties for terminating the lease, if the lease term applied to the lease reflects the Group exercising an option to terminate the lease

After the lease actually starts, the Group measures its lease obligation as follows:

- It increases the book value to reflect the interest on the lease obligation;
- It reduces the book value to reflect the lease payments made; and
- It re-measures the book value to reflect re-evaluations and restructurings, or to reflect such rental payments that are fixed in nature based on their revised essence.

The interest payable on the lease obligation for each period included in the lease term is the amount calculated by applying a fixed periodic interest rate to the remaining balance of the lease obligation. The periodic interest rate is the implied interest rate applicable for the lease, if it can be determined easily. If this rate cannot be determined easily, the Group uses the alternative borrowing interest rate of the Group.

After the lease actually starts, the Group re-measures the lease obligation to reflect changes in lease payments. The Group reflects the re-measured amount of the lease obligation in its financial statements as a correction in the right to use.

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The Group re-measures the lease obligation by reducing the revised lease payments at a revised discount rate if any of the following conditions occur:

- (a) There is a change in the rental period. The Group determines the revised lease payments based on the revised lease period.
- (b) There has been a change in the assessment of the option for the purchase of the underlying asset. The Group determines the revised lease payments to reflect the change in amounts to be paid under the purchase option.

The Group determines the revised discount rate for the remainder of the lease term as the implied interest rate of the lease if it can easily be determined, or otherwise as the alternative borrowing interest rate of the Group as of the date of re-evaluation

The Group re-measures the lease obligation by reducing the revised lease payments if any of the following conditions occur:

- (a) Changes in amounts expected to be paid under a commitment regarding residual values. The Group determines the revised lease payments to reflect any change in the amounts expected to be paid within the context of the commitment regarding residual values.
- (b) Changes in future rental payments as a result of a change in an index or rate that is used to determine such payments. The Group re-measures the lease obligation to reflect these revised lease payments only when there is a change in its cash flows.

The Group determines the revised lease payments of the remaining lease term based on the revised contractual payments. In this case, the group uses an unmodified discount rate.

The Group determines the revised lease payments of the remaining lease term based on the revised contractual payments. In this case, the group uses an unmodified discount rate.

The Group accounts for the restructuring of the lease as a separate lease if both of the following conditions are met:

- (a) The act of restructuring extends the scope of the lease by adding the right to use one or more underlying assets; and
- (b) The rental amount increases by the sum of appropriate adjustments to the price alone in order to reflect the price of the increase alone and the terms of the relevant contract.

The Group as a Lessor

The group classifies each lease as an operational lease or a financial lease.

A lease is classified as a financial lease if all risks and yields arising from the ownership of the underlying asset are transferred to a significant extent. A lease is classified as an operational lease if all risks and yields arising from the ownership of the underlying asset are not substantially transferred.

The Group distributes the contractual price by applying TFRS 15, "Revenue from contracts with customers", for a contract that contains one or more additional leasable or not leasable items together with a lease component.

Cash and cash equivalent

Cash and cash equivalents are cash money, drawing account and other short-term investments with a term for 3 months or shorter than 3 months as of the date of purchase, which may be converted into cash immediately and have high liquidity without a risk of value change at a substantial amount. (Footnote 4).

Trade receivables

Commercial receivables will be collected from customers who are sold to customers as a result of commercial goods or services provided. If the expected period for the collection of trade receivables is 1 year or less, these receivables are classified as short term receivables. Otherwise, they are classified as long-term receivables. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less impairment. (Footnote 6).

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Trade payables

Trade payables refer to mandatory payments for goods and services obtained from suppliers for the ordinary operations of the entity. If the expected period for the payment of trade payables is 1 year or less, these liabilities are classified as short term payables. Otherwise, they are classified as long-term liabilities.

Trade payables are recognized in the book at fair value and in subsequent periods are accounted by allocation of depreciation from discounted value using the effective interest method. (Footnote 6).

Effects of Exchange Rate Changes

Foreign Exchange transactions realized during the year are converted into Turkish Lira by using the Exchange rates at the date of the transaction. Foreign currency denominated assets and liabilities in the balance sheet are converted into Turkish Lira at the exchange rates prevailing at the balance sheet date. Foreign Exchange gains/losses arising from this translation and collections of foreign currency transactions included in the income statement.

Earnings per share

Earnings per share is determined by dividing net profit by the weighted average number of shares that have been outstanding during the period.

Companies in Turkey, the capital, to the shareholders from retained earnings by distributing "bonus shares" can increase path. In calculating the earnings per share, such bonus shares are considered as issued shares. Therefore, the weighted average number of shares used in the calculation of earnings per share is obtained by retrospective application of the issuance of shares as bonus. (Footnote 26).

Events after the reporting date

It refers to the events occurring in favor of or against the Company between the balance sheet date and the date of authorization for the publication of the balance sheet.

In the event that there is new evidence that these events exist as of the balance sheet date, or if the related events occur after the balance sheet date, the Group discloses these matters in the related footnotes.

Group; revises the amounts recognized in the financial statements in the event of events requiring an adjustment to the financial statements after the balance sheet date. (Footnote 29).

Provisions, contingent assets and liabilities

In the event that the Group has a current obligation arising from past events, it is probable that the economic benefit-based resources will be released from the entity and the amount of the liability can be estimated reliably, the related liability is recognized in the financial statements.

Contingent liabilities are always subject to assessment for finding if the possibility of disposing the sources involving economic benefit from the Group is possible. If the possibility of disposing the sources involving economic benefit from the Group occurs for the items processed as a contingent liability in the future, such contingent liability is included in the financial statements for the period of the change in the possibility as a provision except for the circumstances of failure in reliable estimate.

The Group indicates such liability in the notes if the contingent liabilities become possible but it is not possible to reliably estimate amount of the sources involving economic benefit.

Any asset which arises from the past events and shall be confirmed by finding if one or more unclear events existence of which is not fully under the control of the Group is considered as a contingent asset. The contingent assets are disclosed in the notes in case of a high possibility of the Group's acquisition of the sources involving economic benefit.

The amount to be collected in the event that all or part of the economic benefits used to pay the provision amount are expected to be met by third parties is accounted for as an asset if the repayment of the amount is determinable and the amount is reliably calculated. (Footnote 14, 15).

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Related Parties

For the purpose of these financial statements, the shareholders, executives, members of the Board of Directors, their families and affiliates, subsidiaries and partnerships controlled by or affiliated to them are considered and expressed as the "related parties". Details of the transactions with the related parties are given in Footnote 5.

Government Incentives and Grants

Government incentives are not recognized unless there is a reasonable reason for the Group to comply with the requirements of these incentives. These incentives are recognized as income in the relevant period to match the expected costs. Revenue from incentives provided by the government is recognized as a deduction from an appropriate expense item (Footnote 13).

Taxes Calculated on Corporate Profit

Because the Turkish tax legislation doesn't permit that the Group and her affiliate prepare a consolidated tax statement, as it is reflected in the attached financial statements, the tax provisions are calculated individually based on each enterprise. Income tax expense is represented by total of the current tax expense and deferred tax expense (or income).

Current period tax liability

Current year's tax liability is calculated on the portion of the profit for the period subject to tax. Taxable profit does not include income or expense items taxable or deductible in the other years and items which are not taxable or deductible, so it differs from the profit stated in the income statement. The Group's current tax liability was calculated by the tax rate legalized or substantially legalized as of the date of balance sheet.

Deferred Tax

Deferred tax liability or asset are defined by calculating tax effects of temporary differences between amounts of the assets and liabilities indicated in the financial statements and their amounts considered in calculation of the legal tax base according to the balance sheet method by considering the legalized tax rates.

Deferred tax liabilities are calculated for all taxable temporary differences but deferred tax assets represented by deductible temporary differences are calculated provided that it is highly probable to benefit from such differences by gaining taxable profit in the future.

No deferred tax liability or asset is calculated for temporary timing differences caused by inclusion of assets or liabilities, other than goodwill or business mergers, in the financial statements for the first time and which do not affect both trade and financial profit or loss.

Deferred tax liabilities are calculated for all of taxable temporary differences which are associated with investments in the affiliates and subsidiaries and shares in business partnerships except for any cases where the Group may control elimination of the temporary differences and there is a low possibility for elimination of such different in the near future. Deferred tax assets arising from the taxable temporary differences associated with such investments and shares are calculated provided that it is highly probable to benefit from these differences by gaining sufficient taxable profit in the near future and it is possible to eliminate such differences in the future.

Book value of deferred tax asset is reviewed as of each date of balance sheet. Book value of deferred tax asset is reduced to the extent that it is not possible to gain financial profit at a level to allow for acquisition of the benefit to be provided by all or part of it.

Deferred tax assets and liabilities are calculated on the tax rates (tax adjustments) expected to be effective in the period when the asset are realized or the liabilities are satisfied and legalized or substantially legalized as of the date of balance sheet. During calculation of deferred tax assets and liabilities, tax results of the methods estimated by the Group for recovering book values of the assets as of the date of balance sheet or satisfaction of its liabilities are considered (Footnote 25).

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Current tax expense and deferred tax income/expense for the period

Except for those associated with the items directly recognized as a receivable or debt in the equity (in this case, deferred tax for the relevant items is also recognized in the equity directly) or arising from the first recognition of business mergers, the current tax and deferred tax for the period are recognized as an income or expense in the income statement. In business mergers, tax effect is considered in calculation of goodwill or calculation of the portion of the share acquired by the purchaser at the fair value of the definable assets, liabilities and contingent payables of the purchased affiliate in excess of the purchasing cost.

Taxes included in the Profit or loss and other comprehensive income statement, include changes in current tax and deferred taxes. The Group calculates current and deferred tax on the results for the period.

Netting tax assets and liabilities

The amounts of corporate tax payable are defined as net amounts as they are associated with the pre-paid corporate tax amount. Deferred tax assets and liabilities are offset in the same way. (Footnote 25).

Provision for Pension and Severance Pay

Provisions are made for pension and severance pay in the attached financial statements when they occur as per the labor laws in force in Turkey. Such payments are qualified as defined pension benefit plans in accordance with the revised TMS 19 "Benefits to Employees".

The severance pay liability in the consolidated financial statements was reflected to the financial statements as an amount calculated by discounting it at the appropriate interest rate free of inflation rate for calculation of value of the pension indemnity payable in the following years as of the date of balance sheet. The interest cost included in the pension compensation expense is shown as employee termination benefit expense in the activity results. The actuarial gains and losses arising from the calculation of liabilities related to employee benefits are recognized directly in equity. (Footnote 16).

Cash Flow Statement

The cash and cash equivalent values are reflected to the balance sheet at their cost values. The cash and cash equivalent values considered for the cash flow chart include cash at hand, bank deposits and investments with high liquidity. In the cash flow chart, cash flows for the period are reported being classified based on the business, investment and financing activities (Footnote 4).

Investment properties

The Group's investment properties consist of parcels.

Investment properties are properties held to earn leases or revaluation gains and are carried at cost, in the financial statements.

Investment properties are excluded from the balance sheet if they are not used or sold. The profit or loss arising from the sale of these properties is shown in the income statement (Footnote 10).

Capital and dividends

Ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period in which they are declared. (Footnote 18).

2.6 Adjustments in accounting policies

In order to enable that the financial status and performance trends are determined, the financial statements of the group are issued with comparison with the previous period. When the indication or classification of the items in the financial statements changes, the financial statements of the previous period are also reclassified accordingly for ensuring the comparability.

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The Group started to apply the Lease Standard TFRS 16 as of January 1, 2019 for the first time. For leases previously classified as operating leases in accordance with IAS 17, the summary consolidated financial statements reflected a right to use based on an amount equal to the lease obligation which was adjusted for the amount of all lease payments for which a pre-payment was made or which accrued as of 1 January 2019

The effects of the application of TFRS 16 to the consolidated statement of financial position of 31 December 2019 and the consolidated statement of profit or loss for the 12-month accounting period ending on the same date are presented below.

The application of the standard does not have a significant impact on the consolidated other comprehensive income statement and the summary consolidated statement of cash flows.

Statement of Financial Position

	December 31, 2019 (excluding effects)	TFRS 16 Effects	December 31, 2019 (including effects)
ASSETS			
Current assets			
Cash and cash equivalents	90.098.119		90.098.119
Trade Receivables	62.471.232		62.471.232
Other Receivables	3.204.437		3.204.437
Inventories	113.081.463		113.081.463
Prepaid expenses	10.666.154		10.666.154
Other current assets	3.968.580		3.968.580
Total current assets	303.489.985		303.489.985
Fixed assets			
Other receivables	41.895		41.895
Investment properties	229.270		229.270
Tangible assets	205.839.987		205.839.987
Right of use assets		3.254.901	3.254.901
Intangible assets	4.232.424		4.232.424
Prepaid expenses	7.668.325		7.668.325
Deferred tax asset	24.117.920	55.987	24.173.907
Total fixed assets	242.129.821	3.310.888	245.440.709
TOTAL ASSETS	545.619.806	3.310.888	548.930.694

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(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	December 31, 2019 (excluding effects)	TFRS 16 Effects	December 31, 2019 (including effects)
LIABILITIES			
Short term liabilities			
Short-term borrowings	911.950	882.274	1.794.224
Trade payables	64.945.639		64.945.639
Payables for employee benefits	2.810.582		2.810.582
Other Payables	2.500.853		2.500.853
Period profit tax liability	356.401		356.401
Short-term provisions	3.083.045		3.083.045
Total short-term liabilities	74.608.470	882.274	75.490.744
Long-term liabilities			
Long-term debts	-	2.627.062	2.627.062
Long-term provisions	12.467.379		12.467.379
Deferred tax liability	2.177.194		2.177.194
Total long-term liabilities	14.644.573	2.627.062	17.271.635
EQUITY			
Paid-in capital	2.837.014		2.837.014
Capital adjustment differences	93.298.657		93.298.657
Share premiums (discounts)	7.529		7.529
- Recognized gains (losses) of defined benefit plans	(2.232.699)		(2.232.699)
Restricted reserves from profit	33.055.650		33.055.650
Previous years' profits or losses	247.684.119		247.684.119
Net period profit or loss	81.543.233	(198.448)	81.344.785
Non-controlling shares	173.260		173.260
Total equity	456.366.763	(198.448)	456.168.315
TOTAL LIABILITIES	545.619.806	3.310.888	548.930.694

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(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

Profit and Loss Statement

	December 31, 2019 (excluding effects)	TFRS 16 Effects	December 31, 2019 (including effects)
Revenues	737.165.985		737.165.985
Cost of sales (-)	(613.453.615)	268.726	(613.184.889)
Gross profit (loss)	123.712.370	268.726	123.981.096
General and administrative expenses (-)	(17.749.797)	157.852	(17.591.945)
Marketing expenses (-)	(25.150.388)	201.261	(24.949.127)
Other income from real operating	24.239.730		24.239.730
Other expenses from real operating (-)	(15.635.466)		(15.635.466)
Real Operating profit (loss)	89.416.449	627.839	90.044.288
Income from investment operations	17.974.040		17.974.040
Expenses from investment operations (-)	(6.356.043)		(6.356.043)
Operating profit (loss) before finance income (expense)	101.034.446	627.839	101.662.285
Financial expenses (-)	(14.984.645)	(882.274)	(15.866.919)
Profit before tax from continuing operations (loss)	86.049.801	(254.435)	85.795.366
Continuing operations tax income (expense)	(4.451.673)	55.987	(4.395.686)
Period profit (loss)	81.598.128	(198.448)	81.399.680
Other comprehensive income (expense)	(930.387)		(930.387)
Total comprehensive income (expense)	80.667.741	(198.448)	80.469.293

For leases previously classified as operating leases pursuant to TAS 17, the Group reflected to the summary consolidated financial statements a right to use based on an amount equal to the lease obligation which was adjusted for the amount of all lease payments for which a pre-payment was made or which accrued as of 1 January 2019. In this context, the application of TFRS 16 Lease Standard has no effect on the Group's accumulated profits as of 1 January 2019.

FOOTNOTE 3 - REPORTING ACCORDING TO THE DEPARTMENTS

An establishment in Turkey, the Group's activity is coated cardboard production and trade. The Group's field of activity, the nature and economic characteristics of the products, the production processes, the classification of the customers according to their risks and the methods used in the distribution of the products are similar. In addition, the Group's organizational structure is constituted as the management of a single activity rather than being managed in separate departments handling different activities. For these reasons, the Group's operations are treated as a single business department and the Group's results of operations, the determination of the resources to be allocated to such activities and the performance of these activities are evaluated within this framework.

FOOTNOTE 4 - CASH AND CASH EQUIVALENTS

	December 31, 2019	December 31, 2018
Cash	226.370	119.395
Banks		
- Demand deposit - TL	1.425.776	2.643.810
- Demand deposit - Foreign Currency	7.749.893	5.287.014
- Term deposit - TL	40.423.522	31.606.612
- Term deposit - Foreign Currency	39.631.150	52.595.305
- Bank Credit Card Receivable	641.408	1.673.493
Total	90.098.119	93.925.629

The average maturity of term deposits as of December 31, 2019 is 27 days (December 31, 2018: 28 days).

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As of December 31, 2019, the interest rate of TL denominated time deposits amounting to TL 40.423.522 (December 31, 2018: TL 31.606.612) was actualized as 11,36% annually (December 31, 2018: 23%). As of December 31, 2019, the weighted average interest rate of foreign currency denominated deposits amounting TL 39.631.150 was realized as 1,24% annually. (December 31, 2018: TL 52.595.305 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 3,32%.)

Cash and cash equivalents subject to cash flow statements as of December 31, 2019 and December 31, 2018 are as follows:

	January 1- December 31, 2019	January 1- December 31, 2018
Cash and cash equivalent	90.098.119	93.925.629
Interest accrual (-)	(117.818)	(308.762)
Cash flow statement cash and cash equivalents	89.980.301	93.616.867

FOOTNOTE 5 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties

	December 31, 2019	December 31, 2018
Mel Macedonian Paper Mills S.S.A	5.325.214	3.326.112
Total	5.325.214	3.326.112

b) Prepaid expenses to related parties

	December 31, 2019	December 31, 2018
Mel Macedonian Paper Mills S.S.A	4.433.935	1.239.119
Total	4.433.935	1.239.119

c) Trade payables to related parties

	December 31, 2019	December 31, 2018
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.S.	38.855	34.692
Pak Gıda Üretim ve Paz. A.S.	11.642	0
Pak Holding A.S.	4.409	7.037
Total	54.906	41.729

d) Other payables to related parties

	December 31, 2019	December 31, 2018
Shareholders (Dividend)	23.666	17.287
Total	23.666	17.287

e) Due to related parties from short-term lease transactions

	December 31, 2019	December 31, 2018
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.S.	758.422	-
Total	758.422	-

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f) Other payables to related parties

	December 31, 2019	December 31, 2018
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.S.	2.077.455	-
Total	2.077.455	-

g) Sales of goods and services to related parties

	January 1- December 1 2019	January 1- December 1 2018
Mel Macedonian Paper Mills S.S.A	9.822.596	5.510.531
Total	9.822.596	5.510.531

h) Purchases of goods and services from related parties

	January 1- December 1 2019	January 1- December 1 2018
Mel Macedonian Paper Mills S.S.A	48.310.502	43.291.448
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.S. ^(**)	1.196.961	1.068.503
Pak Holding A.S. ^(*)	27.360	22.932
Huseyin Kalkavan İnşaat A.S	0	4.000
Pak Gıda A.S.	31.293	2.427
Total	49.566.116	44.389.310

(*) Consists reflection of legal consultancy service.

(**) Consists of rent and dues of Pak Business Center.

g) Top management benefits

	January 1- December 1 2019	January 1- December 1 2018
Top management benefits	3.109.970	2.597.747
Total	3.109.970	2.597.747

All benefits provided to senior management during the period January 1 to December 31, 2019 and 2018 are short-term benefits and includes benefits, premiums, benefits from post-employment and other payments. There are no post-employment benefits, share-based payments and other long-term benefits in the January-December, December 31, 2019 and 2018 periods.

FOOTNOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from related parties

	December 31, 2019	December 31, 2018
Buyers	59.676.978	60.973.159
Notes receivables	1.187.755	2.143.460
Minus: Non-accrued finance income	(125.486)	(461.527)
Minus: Doubtful trade receivables provision	(3.593.229)	(1.099.081)
Total	57.146.018	61.556.011

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The average maturity of trade receivables is 17 days (December 31, 2018: 20 days) and the effective annual interest rates are as follows:

	December 31, 2019				December 31, 2018			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Receivables	%11	%2,00	0	%0,98	%23	%3	0	%1,17

As of December 31, 2019, the Group holds mortgages and letters of guarantee amounting to TL 28.841.740 (December 31, 2018: TL 35.566.890) for trade receivables.

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

	December 31, 2019	December 31, 2018
1 January	1.099.081	1.138.585
Increase during the year	2.595.383	142.363
Collections	(101.235)	(181.867)
Total	3.593.229	1.099.081

b) Trade payables to non-related parties

	December 31, 2019	December 31, 2018
Sellers	64.227.724	52.527.859
Notes payables	860.000	-
Minus: non-accrued financing expense	(196.991)	(286.010)
Total	64.890.733	52.241.849

The average maturity of trade payables is 32 days (December 31, 2018: 21 days) and the annual effective interest rates are as follows:

	December 31, 2019				December 31, 2018			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	%11	%2,00	0	%0,98	%23	%3	0	%1,17

FOOTNOTE 7 - LONG- TERM AND SHORT-TERM BORROWINGS

Short-Term Receivables From Related Parties

	December 31, 2019	December 31, 2018
Financial Leasing Payable	758.422	-
Total	758.422	-

Long-Term Receivables From Related Parties

	December 31, 2019	December 31, 2018
Financial Leasing Payable	2.077.455	-
Total	2.077.455	-

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Short-Term Receivables From Non-Related Parties

	December 31, 2019	December 31, 2018
Short-term financial loans	911.950	713.512
Short term financial lease payables	123.852	-
Total	1.035.802	713.512

Long-Term Receivables From Non-Related Parties

	December 31, 2019	December 31, 2018
Financial Leasing Payable	549.607	-
Total	549.607	-

FOOTNOTE 8 - OTHER RECEIVABLES AND PAYABLES

The details of other receivables and payables of the Group at the end of the period are as follows:

a) Other short-term receivables from non-related parties

	December 31, 2019	December 31, 2018
Tax refunds receivables from the tax office	3.131.240	190.769
Receivables from employees	66.019	51.546
Deposits and securities given	7.178	1.348
Total	3.204.437	243.663

b) Other long-term receivables from non-related parties

	December 31, 2019	December 31, 2018
Deposits and securities given	41.895	15.619
Total	41.895	15.619

c) Other payables to non-related parties

	December 31, 2019	December 31, 2018
Taxes, fees and deductions to be paid	1.318.012	2.195.683
Received order advances	1.159.175	2.783.300
Total	2.477.187	4.978.983

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FOOTNOTE 9 - INVENTORIES

	December 31, 2019	December 31, 2018
Raw material and supplies	29.611.866	23.693.316
Semi-finished products	61.274	511.432
Finished Goods	70.488.773	52.025.096
Trade Goods	16.423.340	11.941.910
Other Inventories	17.061.767	15.483.288
Inventory impairment provision	(565.557)	(201.022)
Total	133.081.463	103.454.020

Cost of inventories amounting to TL 399.690.596 as of January 1- December 31, 2019 (January 1 - December 31, 2018: TL 299.103.487) is expensed as cost of sales. (Footnote 19 and 21).

Movements in provision for impairment of inventories are as follows:

	December 31, 2019	December 31, 2018
1 January	(201.022)	(3.528)
Transferred to the income statement due to sales	201.022	3.528
Provision in the current period (-)	(565.557)	(201.022)
Total	(565.557)	(201.022)

The cost value, net realizable value of the inventories devoted to inventory impairment and the reserve for provision are as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Cost Expense	(11.566.194)	(2.129.895)
Net realizable value	11.000.637	1.928.873
Reserved provision	(565.557)	(201.022)

There is no inventory provided as collateral for liabilities.

FOOTNOTE 10 - INVESTMENT PROPERTIES

Investment properties amount is TL 229.270 (December 31, 2018: 229.270 TL). There is no movement for investment property during the period (January 1- December 31, 2018: None).

Investment properties are included in the financial statements with their cost values. The fair value of investment properties is TL 7.470.000 based on the real estate valuation report drafted on 30.01.2020 (for the valuation performed on 31 December 2019) by TSKB Gayrimenkul Degerleme A.S., a company licensed by the CMB.

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FOOTNOTE 11 - TANGIBLE ASSETS

	January 1 2019	Inflows	Outflows	Transfers	December 31, 2019
Cost:					
Parcels	24.059.097				24.059.097
Land improvements	7.497.345	358.211	0	3.097.230	10.952.786
Buildings	56.491.344	40.520	0	1.629.502	58.161.366
Plant machinery and equipment	523.659.194	12.447.237	563.200	16.595.718	552.138.949
Vehicles	2.160.801	34.491	37.586	0	2.157.706
Furniture and fixtures	18.732.792	2.132.036	119.966	49.839	20.794.701
Special Costs	482.562	10.335	0	0	492.897
Other Tangible Assets	1.118.687	60.149	22.087	0	1.156.749
Ongoing investments	624.736	31.835.923	0	(21.372.289)	11.088.370
	634.826.558	46.918.902	742.839	-	681.002.621
Accumulated depreciation:					
Land improvements	(5.292.702)	(356.622)	0	-	(5.649.324)
Buildings	(27.344.039)	(1.341.971)	0	-	(28.686.010)
Plant machinery and equipment	(400.545.584)	(24.870.407)	140.853	(426)	(425.275.564)
Vehicles	(793.671)	(216.228)	37.586	-	(972.313)
Furniture and fixtures	(12.217.351)	(1.662.037)	111.197	426	(13.767.765)
Special Costs	(358.645)	(37.269)	0	-	(395.914)
Other Tangible Assets	(322.475)	(97.904)	4.635	-	(415.744)
	(446.874.467)	(28.582.438)	294.271	-	(475.162.634)
Net book value	187.952.091				205.839.987

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	January 1, 2019	Inflows	Outflows	Transfers	December 31, 2018
Cost:					
Parcels	24.059.097	-	-	-	24.059.097
Land improvements	7.018.490	182.615	-	296.240	7.497.345
Buildings	51.524.433	2.112.892	-	2.854.019	56.491.344
Plant machinery and equipment	506.097.617	8.682.185	(281.425)	9.160.817	523.659.194
Vehicles	1.366.134	794.667	-	-	2.160.801
Furniture and fixtures	14.273.006	4.513.944	(54.158)	-	18.732.792
Special Costs	469.514	13.048	-	-	482.562
Other Tangible Assets	1.138.737	37.700	(57.750)	-	1.118.687
Ongoing investments	3.521.981	9.413.831	-	(12.311.076)	624.736
	609.469.009	25.750.882	(393.333)	-	634.826.558
Accumulated depreciation:					
Land improvements	(5.047.691)	(245.011)	-	-	(5.292.702)
Buildings	(26.149.439)	(1.194.600)	-	-	(27.344.039)
Plant machinery and equipment	(376.894.903)	(23.805.067)	154.812	(426)	(400.545.584)
Vehicles	(649.730)	(143.941)	-	-	(793.671)
Furniture and fixtures	(11.340.101)	(925.049)	47.373	426	(12.217.351)
Special Costs	(324.039)	(34.606)	-	-	(358.645)
Other Tangible Assets	(239.030)	(93.080)	9.635	-	(322.475)
	(420.644.933)	(26.441.354)	211.820	-	(446.874.467)
Net book value	188.824.076				187.952.091

As of December 31, 2019, there are no machinery and equipment acquired through financial leasing within the period. (December 31, 2018: None.)

TL 27.021.850 of the period depreciation expense is included in the cost of sales (As of January 1, - December 31, 2018: TL 25.542.117), TL 361.260 in marketing expenses (As of January 1, - December 31, 2018: TL 261.945 TL), and TL 1.199.328 on the other hand, in general administrative expenses (As of January 1, - December 31, 2018: TL 637.292). (Footnote 19-20)

FOOTNOTE 12 - RIGHT TO USE ASSETS AND INTANGIBLE ASSETS

Right to Use Assets

Cost	January 1 2019	Inflows	Outflows	December 31, 2019
Leasing of head office	-	2.877.339	-	2.877.339
Leasing vehicle	-	1.087.471	-	1.087.471
	-	3.964.810	-	3.964.810
Accumulated depreciation:	January 1 2019	Inflows	Outflows	December 31, 2019
Leasing of head office	-	(244.880)	-	(244.880)
Leasing vehicle	-	(465.029)	-	(465.029)
	-	(709.909)	-	(709.909)
Net book value	-			3.254.901

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Intangible Assets

Cost	January 1 2019	Inflows	Outflows	December 31, 2019
Rights and computer software	7.857.827	516.149	-	8.373.976
	7.857.827	516.149	-	8.373.976
Accumulated depreciation:	January 1 2019	Inflows	Outflows	December 31, 2019
Rights and computer software	(2.909.242)	(1.232.310)	-	(4.141.552)
	(2.909.242)	(1.232.310)	-	(4.141.552)
Net book value	4.948.585			4.232.424
Cost	January 1 2018	Inflows	Outflows	December 31, 2018
Rights and computer software	3.337.527	4.520.300	-	7.857.827
	3.337.527	4.520.300		7.857.827
Accumulated depreciation:	January 1 2018	Inflows	Outflows	December 31, 2018
Rights and computer software	(2.490.211)	(419.031)	-	(2.909.242)
	(2.490.211)	(419.031)	-	(2.909.242)
Net book value	847.316			4.948.585

The amortization expense of the total amount of TL 1.942.219 (1 January-December 31, 2018: TL 419.031) are included in the cost of sales.

FOOTNOTE 13 - GOVERNMENT INCENTIVES AND GRANTS

The Group applied to the Ministry of Industry and Technology in 2018 for the purpose of linking some of its investments to the Investment Incentive Certificate which were made with the aim of ensuring the modernization of the production facility and the continuation of the activities of the plant. As a result of the application and subsequent amendment application placed, final Investment Incentive Certificate was issued dated 18.10.2018 numbered B137821. The following incentives were provided for the investment to be made within the scope of the incentive certificate.

- Investment Period: 09.04.2018-09.04.2021
- VAT Exemption
- Customs Tax Exemption
- Tax Discount Rate 50% Rate of Contribution to Investment: 15%

Total amount of the projected expenditure within the scope of B137821 incentive certificate dated on 18.10.2018 is TL 130.138.000, the amount of expenditure realized in the period is TL 8.660.597. Discounted corporate tax has been utilized over the period in question.

The Group has applied to the Ministry of Economy in August 2016 for the completion visa of the investment incentive certificate dated February 6, 2016 and numbered C110178 to be carried out. The Ministry of Economy completed the completion examination in July 2017. The result of the completion examination was notified to the Group in April 2018.

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The Group has applied to the Ministry of Economy in August 2016 for the completion visa of the investment incentive certificate dated February 6, 2016 and numbered C110178 to be carried out. The Ministry of Economy completed the completion examination in July 2017. The result of the completion examination was notified to the Group in April 2018.

The Group, as a result of the completion of the investment incentive certificate, in accordance with Article 32/A of the Corporate Tax Law with Number 5520 has calculated the deferred tax asset in the amounts shown below and accounted for 15% of the total investment expenditures incurred under the incentives by considering the deduction of the corporate tax rate in current and subsequent periods. (Footnote 35) Completion examination was completed in April 2018. Total investment expenditure is TL 139.662.402.

	31.12.2019 Deferred Tax Asset	31.12.2018 Deferred Tax Asset
Outstanding (Beginning of Period)	25.251.831	19.917.081
Investment Discount Indexing	5.701.863	8.477.041
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(1.738.399)	(3.142.291)
Balance (End of Period)	29.215.295	25.251.831

FOOTNOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	December 31, 2019	December 31, 2018
Provisions for export discount expenses	633.773	689.325
Export commission expense provision	1.025.163	949.939
Provision for lawsuit	-	1.915.490
Other debt expense provisions	424.010	351.344
Total	2.082.946	3.906.098

The movement of other provisions in the period is as follows:

	December 31, 2019	December 31, 2018
January 1	3.906.098	4.349.771
Payment and cancellations	(3.906.098)	(4.349.771)
Additional provision expense	2.082.946	3.906.098
Total	2.082.946	3.906.098

Information regarding the lawsuits filed against the Group or in favor of the Group as of December 31, 2019 as a result of the letter received from the group lawyers are as follows:

1. The Natural Gas Purchase Agreement executed by and between the Group and OMV Enerji Tic. A.S (hereinafter "OMV") for procurement of natural gas for use at its power plant in the years 2017 and 2018 ("Agreement") expired as of the end of 2018. In a notice served by OMV on 08.02.2019, e.g. after expiration of the Agreement, OMV states and alleges that GAZPROM, from which OMV procures natural gas, filed an application for international arbitration in 2015 in order to retrospectively cancel the discount applied at the rate of 10.25% for calculation of its import prices, that the arbitral tribunal decided to cancel the said discount rate of 10.25% as effective from 2017, and that in the event that the discount in question is cancelled retrospectively, then OMV would charge to the Group the amount of USD 2.723.528 (including VAT excluding interest and expenses) calculated for the quantities of gas sold to the Group.

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Since the claim made by OMV is against law and the Agreement, the request was dismissed and an objection was filed against its content. In addition, since OMV has not illegally returned the bank letter of guarantee issued by the Group in the sum of TL 6.640.000,00 despite all requests made upon expiration of the Natural Gas Sales Agreement, a lawsuit was initiated against OMV in İstanbul Commercial Courts of First Instance for the return to the Group of the bank letter of guarantee issued by Halk Bank A.S on 04.12.2012 with reference no. 0450MW 011897 for the value of TL 6.640.000,00, and also for the collection of the Group's outstanding receivables in the aggregate sum of USD 395.805,04 inclusive of VAT payable as per the finalized e-invoice numbered KM62018000000148 issued on 31.12.2018 under the Natural Gas Sales Agreement. A provision for doubtful receivables has been made for the sum of USD 395.805,04 in the financial statements.

For the reasons explained above, no provision has been made in the consolidated financial statements of the Group for funding requirements.

- A lawsuit is filed against Istanbul Metropolitan Municipality before the 10th Administrative Court of Istanbul with the merits no 2019/16513, with a request for the cancellation of the 1/5000-scaled master plan covering the area where an immovable property owned by the Group is seated in Sefakoy Region of Kucukcekmece District. The lawsuit is still pending. Since no fund outflow from the Group is anticipated regarding the lawsuit, no provision has been made in the consolidated financial statements.
- The lawsuit filed against Kucukcekmece Municipality before the 5th Administrative Court of Istanbul with the merits no 2017/1253, with a request for the cancellation of the 1/1000-scaled amendment project covering the area where an immovable property owned by the Group is seated in Sefakoy Region of Kucukcekmece District, is still pending. Since no fund outflow from the Group is anticipated regarding the lawsuit, no provision has been made in the consolidated financial statements.

d) Ratio of Collateral, Pledge, Mortgages to equity

The position of the Group's Collateral, Pledge, and Mortgages (CPM) received from customers as of December 31, 2019 and December 31, 2018 is as follows:

	Original Currency	December 31, 2019		December 31, 2018	
		Original amount	TL equivalent	Original amount	TL equivalent
Received CPM	TRY	27.140.720	27.140.720	27.410.720	27.410.720
	EURO	8.080.000	53.736.848	7.920.000	47.741.760
	GBP	850.000	6.610.025	900.000	5.987.520
	USD	0	0	950.000	4.997.855
Total			87.487.593		86.137.855

The position of the Group's Collateral, Pledge, Mortgages (CPM) received from sellers as of December 31, 2019 and December 31, 2018 is as follows:

	Original Currency	December 31, 2019		December 31, 2018	
		Original amount	TL equivalent	Original amount	TL equivalent
Received CPM	TRY	1.680.978	1.680.978	1.371.378	1.371.378
	EURO	347.178	2.308.940	32.050	193.195
	USD	59.519	353.555	28.894	152.008
Total			4.343.473		1.716.581

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The position of the Group's given Collateral, Pledge, Mortgages (CPM) as of December 31, 2019 and December 31, 2018 is as follows:

	Original Currency	December 31, 2019		December 31, 2018	
		Original amount	TL equivalent	Original amount	TL equivalent
A. Total amount of CPMs given on behalf of a legal entity					
	TRY	30.665.607	30.665.607	10.083.656	10.083.656
	USD	-	-	-	-
	EURO	110.000	731.566	75.000	452.100
B. Total amount of CPM given to guarantee the liabilities of 3 rd parties in order to run ordinary trade activities		-	-	-	-
C. Total amount of other CPM					
i. Total amount of guarantees given by the Parent Company		-	-	-	-
ii. Total amount of other CPMs given on behalf of other group companies		-	-	-	-
iii. Total amount of other CPMs given on behalf of other 3 rd parties not covered by the scope of B article		-	-	-	-
Total			31.397.173		10.535.756

The ratio of other CPM given by the Group to the shareholders' equity of the Group is 0% as of December 31, 2019 (December 31, 2018: 0%).

e) Insurance coverage for tangible assets

The Group's insurance coverage for tangible assets as of December 31, 2019 and December 31, 2018 are shown below:

Type of Tangible Assets	December 31, 2019	December 31, 2018
Building	63.595.000	63.595.000
Machine and Devices	439.970.500	439.970.500
Safe	462.135	462.135
Inventories	144.520.000	89.390.000
Fixtures	3.854.900	3.854.900
Vehicles	1.159.613	2.798.449
Total	653.562.148	600.070.984

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FOOTNOTE 15 - COMMITMENTS

The Group's commitments as of December 31, 2019 and December 31, 2018 are shown below:

a) Raw material and supplies purchase contracts

	December 31, 2019	December 31, 2018
Up to one year	17.468.737	31.482.813
Total	17.468.737	31.482.813

b) Machine and device purchase contracts

	December 31, 2019	December 31, 2018
Up to one year	16.873.680	4.713.781
Total	16.873.680	4.713.781

c) Services purchase contracts

	December 31, 2019	December 31, 2018
Up to one year	2.179.244	8.007.853
Total	2.179.244	8.007.853

FOOTNOTE 16 - EMPLOYEE BENEFITS

Short-term provisions for employee benefits

	December 31, 2019	December 31, 2018
Provision for annual leave	745.297	629.037
Bonus and salary provision	254.802	926.150
Total	1.000.099	1.555.187

Transactions within the period of personnel salary, bonuses and premiums provisions are as follows:

	December 31, 2019	December 31, 2018
January 1	1.555.187	644.899
Provision expense	1.000.099	1.555.187
<i>Provision expense</i>	(1.555.187)	(644.899)
Total	1.000.099	1.555.187

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Long-term provisions for employee benefits

	December 31, 2019	December 31, 2018
Provision for severance pay	12.467.379	9.925.980
Total	12.467.379	9.925.980

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

According to the Turkish Labor Law, the Company is liable to pay severance pay for its personnel whom has completed one year and has been dismissed from the Company, has completed 25 years of service (20 in women) and is entitled to retirement (58 years for women, 60 years for men), recruited, or deceased. After the legislative amendment of May 23, 2002, some transitional provisions relating to the length of service before retirement were newly issued.

The amount severance pay payable consists of one month's salary for each year of service, which is limited to TL 6.379,86 as of December 31, 2019 (As of December 31, 2018: TL 5.434,42). The liability for severance pay is not subject to any funding legally and there is no funding stipulation.

The provision corresponding to the severance pay is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. Capital Markets Board Financial Reporting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The following actuarial assumptions were used in the calculation of the total liability:

	December 31, 2019	December 31, 2018
Discount rate	3,70	3,96
Turnover rate for estimation of the probability of retirement	98,42	97,30

Long-term provisions for employee benefits

The basic assumption is that the ceiling for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6.730,15 effective from January 1, 2020 (As of January 1, 2019: TL 6.017,60) has been taken into consideration in calculating the provision for employment termination benefits.

Movement of employment termination benefit is as follows:

	December 31, 2019	December 31, 2018
January 1	9.925.980	8.638.813
Service Cost	1.149.395	1.188.887
Interest Cost	1.086.511	1.786.676
Actuarial loss (Footnote 18)	1.177.211	(287.796)
Loss Due to Payment/Reduction of Benefits/Dismissal	565.404	-
Payments made	(1.437.122)	(1.400.600)
Total	12.467.379	9.925.980

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FOOTNOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

a) Short-term prepaid expenses to non-related parties

	December 31, 2019	December 31, 2018
Other prepaid expenses *	2.156.874	2.748.404
Order advances given	4.075.345	3.103.478
Total	6.232.219	5.851.882

* Prepaid insurance for next months consists of maintenance and subscription expenses.

b) Other current assets from non-related parties

	December 31, 2019	December 31, 2018
Deferred VAT	3.791.928	-
Other	176.652	13.225
Total	3.968.580	13.225

c) Long-term prepaid expenses to non-related parties

	December 31, 2019	December 31, 2018
Order advances given for tangible and intangible assets	7.668.325	5.556.352
Total	7.668.325	5.556.352

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FOOTNOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Paid-in capital and capital adjustment differences

The Company's shareholders and share values within the paid-in capital as of December 31, 2019 (As of report date) and December 31, 2018:

	December 31, 2019	Partnership ratio (%)	December 31, 2018	Partnership ratio (%)
Pak Holding A.S.	975.590	34,39	975.590	34,39
Asil Holding A.S. (*)	676.412	23,84	660.522	23,28
Pak Gıda Üretim ve Pazarlama A.S.	564.903	19,91	564.903	19,91
Oycan İthalat İhracat ve Ticaret A.S.	403	0,01	403	0,01
Other Partners (Part open to public)	619.706	21,84	635.596	22,40
Paid-in Capital	2.837.014	100,00	2.837.014	100,00
Capital adjustment differences	93.298.657		93.298.657	
Total	96.135.671		96.135.671	

* The former trade name of the company "Asil Gıda ve Kimya San. ve Tic. A.S." changed to "Asil Holding A.S." as of 11.09.2019.

According to the decision of the Extraordinary General Assembly held on September 28, 2006, which was registered with the Trade Registry Gazette dated July 10, 2006 and with no 6595, according to the capital increase registered on 27 December 2006, and the merger registered on 2 October 2007, the number of shares representing the Group's paid-in capital, based on the capital increase, is determined as below.

According to the company's articles of association

Number of shares	283.701.421
Nominal amount of each share	0,01

Total nominal amount **2.837.014,21**

The Company's 200 shares are composed of A Group (Privileged) shares representing the said capital. These shares have privileges in dividend distribution. According to Article 25 of the Company's Articles of Association; after deduction of 10 percent of the paid-in capital from the net profit of the first dividend, the dividend is distributed to the A Group (Privileged) Shareholders in 5% of the remaining portion.

b) Restricted reserves from profit

According to the Turkish Commercial Code, legal reserves are divided into two as first and second lay out legal reserves. The Turkish Commercial Code stipulates that the first lay out 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 share capital. The second lay out legal reserve is 10% of the distributed profit in excess of 5% of the paid-in share capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

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The aforementioned reserves must be classified in Restricted Reserves Allocated from the Profit in accordance with Capital Markets Board Financial Reporting Standards. As of December 31, 2019, and December 31, 2018, the details of restricted profit reserves allocated from profits are presented below:

	December 31, 2019	December 31, 2018
Legal reserves	30.740.307	27.304.339
Property or participation earnings to be added to capital	2.315.343	2.315.343
Total	33.055.650	29.619.682

c) Dividend distribution

In accordance with the decision of the Capital Markets Board (CMB) dated 27 January 2010 with no 02/51, these have been decided; no obligation to distribute any minimum profit to be imposed to ensure that no minimum profit distribution obligation is imposed on dividend distribution for publicly traded joint stock companies, whose shares are traded on the stock exchange, regarding the determination of the principles of distribution of publicly traded companies' joint ventures for the year 2009; and in this context, the principles of profit distribution in the Capital Markets Board's Communiqué II 19.1 to be enacted in accordance with the provisions of the Commercial Code, the articles of association found in the articles of association and profit distribution policies announced to the public by the companies.

According to the Turkish Commercial Code (TCC) with No. 6102, unless there is an additional dividend to be set aside for the shareholders in the articles of association or dividend distribution policy, the allocation of other legal reserves, transfer of profit to the following year and the owners of share certificates, board members, it cannot be decided to distribute dividends from employees to employees other than shareholders. In addition, dividends determined for the shareholders in dividend distribution policy cannot be distributed unless they are paid in cash.

The entire amount of the dividend to be distributed may only be distributed as long as it is available from the net distributable profit or other sources available in the legal records. In other words, the upper limit of the dividend to be distributed is the distributable amount of the related profit distribution resources included in the legal records. Equity capital inflation adjustment differences and book value of extraordinary reserves can be used in free capital increase; cash profit distribution or loss deduction. However, equity capital adjustments are subject to corporate tax if used in cash profit distribution.

As of December 31, 2019, the Group's net distributable profit and other available resources are TL 321.557.317 (As of December 31, 2018: TL 275.654.180). The total amount of other resources of the Group that may be subject to profit distribution is limited to the amounts in the Group's legal records. The Company's legal records consist of a net profit of TL 67.712.913 in the current period. As of December 31, 2019, the total amount of other sources which may be subject to profit distribution is TL 220.296.615 (As of December 31, 2018: TL 187.583.702). In the calculation of the total amount that may be subject to distribution, the capital inflation adjustment differences and the amount of real estate sales earnings held as a fund to be included in the capital are not taken into consideration.

a) Other comprehensive income and expenses that cannot be reclassified to profit or loss

Movements related to actuarial losses recognized under "Other Losses" in equity.

	December 31, 2019	December 31, 2018
January 1	(1.302.312)	(1.530.351)
Actuarial Losses	(1.177.211)	287.796
Actuarial Losses - Tax Effect (Footnote 25)	246.824	(59.757)
Total	(2.232.699)	(1.302.312)

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FOOTNOTE 19 - REVENUES AND COST OF SALES

	January 1- December 31, 2019	January 1 - December 31, 2018
Domestic Sales	750.912.421	625.274.446
Overseas sales	140.783.432	102.219.069
Other income	4.417.185	4.138.323
Returns from sales (-)	(2.126.031)	(877.429)
Sales discounts (-)	(95.303.004)	(50.114.839)
Other Discounts (-)	(61.518.018)	(43.546.286)
Revenue, net	737.165.985	637.093.284
	January 1- December 31, 2019	January 1 - December 31, 2018
Cost of sales:		
Used raw material and semi-finished inventory change	(399.690.596)	(299.103.487)
General production costs	(67.585.484)	(58.650.848)
Depreciation and amortization expenses	(28.964.069)	(25.961.146)
Employee benefits	(34.777.114)	(28.183.014)
Cost of sold trade goods	(77.644.572)	(60.014.488)
Cost of other sales	(4.523.054)	(4.671.036)
Cost of sales	(613.184.889)	(476.584.019)
Gross profit	123.981.096	160.509.265

FOOTNOTE 20 - GENERAL MANAGEMENT EXPENSES AND MARKETING EXPENSES

a) General management expenses

	January 1- December 31, 2019	January 1 - December 31, 2018
Employee benefits	(8.797.429)	(7.851.978)
Severance pay expenses	(2.801.308)	(2.975.564)
Outsourced benefits and services	(2.690.138)	(1.957.814)
Donation and aid expenses	(611.410)	(555.435)
Union, chamber and dues expenses	-	(764.350)
Rental Expenses	(829.051)	(745.214)
Taxes, duties and charges	(1.199.328)	(637.292)
Depreciation and amortization expenses	(34.184)	(649.013)
Other expenses	(629.097)	(585.081)
Total	(17.591.945)	(16.721.741)

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b) Marketing expenses

	January 1- December 31, 2019	January 1 - December 31, 2018
Shipping expense	(18.266.268)	(16.111.189)
Employee benefits	(2.785.151)	(2.369.692)
Export expense	(1.328.190)	(1.054.317)
Rental Expenses	-	(192.663)
Compensation and discounts paid	(590.234)	(335.845)
Taxes, duties and charges	(178.286)	(159.775)
Depreciation and amortization expenses	(361.260)	(261.945)
Other expenses	(1.439.738)	(1.421.919)
Total	(24.949.127)	(21.907.345)

FOOTNOTE 21 - EXPENSES BY THEIR NATURE

	January 1- December 31, 2019	January 1 - December 31, 2018
Used raw material and semi-finished inventory change	(399.690.596)	(299.103.487)
Cost of sold trade goods	(77.644.572)	(60.014.488)
Outsourced benefits and services	(70.275.622)	(60.608.662)
Employee benefits	(46.359.694)	(38.404.684)
Depreciation and amortization expenses	(30.524.657)	(26.860.383)
Shipping expense	(18.266.268)	(16.111.189)
Cost of other sales	(4.523.054)	(4.671.036)
Severance pay expenses	(2.801.308)	(2.975.564)
Export expense	(1.328.190)	(1.054.317)
Union, chamber and dues expenses	(611.410)	(555.435)
Compensation and discounts paid	(590.234)	(335.845)
Rental Expenses	-	(957.013)
Taxes, duties and charges Expenses	(1.007.337)	(904.989)
Donation and aid expenses	(34.184)	(649.013)
Other expenses	(2.068.835)	(2.007.000)
Total	(655.725.961)	(515.213.105)

FOOTNOTE 22 - OTHER INCOME AND EXPENSES FROM REAL OPERATIONS

	January 1- December 31, 2019	January 1 - December 31, 2018
Other income from real operations		
Foreign exchange income (Trade receivables and payables)	11.913.054	21.136.223
Interest eliminated from sales	10.459.175	7.786.736
Scrap sales revenues	863.917	638.753
Cancellation Income of provisions no longer required	101.235	928.040
Maturity difference income	33.657	26.074
Insurance compensation income	283.398	813.043
Other	585.294	457.473
Total	24.239.730	31.786.342

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	January 1- December 31, 2019	January 1 - December 31, 2018
Other expenses from real operations		
Foreign exchange expenses (Trade receivables and payables)	(8.946.337)	(19.942.445)
Interest eliminated from purchases	(3.413.455)	(3.802.800)
Expenses of provision for doubtful receivables	(2.595.383)	(96.771)
Other	(680.291)	(600.993)
Total	(15.635.466)	(24.443.009)

FOOTNOTE 23 - INCOMES AND EXPENSES FROM INVESTMENT ACTIVITIES

	January 1- December 31, 2019	January 1 - December 31, 2018
Incomes from investment activities		
Foreign exchange expense (excluding trade receivables and payables)	11.354.839	30.150.150
Interest income	6.203.409	4.307.514
Fixed asset sales profits	415.792	304.740
Total	17.974.040	34.762.404

	January 1- December 31, 2019	January 1 - December 31, 2018
Expense from investment activities		
Foreign exchange expense (excluding trade receivables and payables)	(6.356.043)	(18.773.239)
Total	(6.356.043)	(18.773.239)

FOOTNOTE 24 - FINANCING EXPENSES

	January 1- December 31, 2019	January 1 - December 31, 2018
Credit card commissions	(14.411.537)	(11.834.085)
Interest expenses	(152)	(16.603)
TFRS 16 Leasing interest expenses	(882.274)	-
Bank deposit risk expense under TFRS 9	(59.996)	(17.537)
Other	(512.960)	(139.949)
Total	(15.866.919)	(12.008.174)

FOOTNOTE 25 - INCOME TAXES (INCLUDING DEFERRED ASSETS AND LIABILITIES)

The current period tax liability on the balance sheets as of December 31, 2019 and December 31, 2018, is as follows:

	December 31, 2019	December 31, 2018
Current period tax provision	9.429.853	25.518.696
Minus: prepaid taxes and funds	(9.073.452)	(23.945.876)
Minus: prepaid taxes and funds	356.401	1.572.820

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The tax expenses in profit or loss and other comprehensive income statements for the periods January 1- December 31, 2019 and 2018 are as follows:

	January 1- December 31, 2019	January 1 - December 31, 2018
Current tax expense (-)	(9.429.853)	(25.518.696)
Deferred tax (expense)/income	5.034.167	5.865.929
Total tax (expense)/income	(4.395.686)	(19.652.767)

a) Corporation tax

The Corporate Tax Law was amended by the law no 5520 dated June 13, 2006. Many provisions of the new Corporate Tax Law no. 5520 entered into force on January 1, 2006. Accordingly, the corporate tax rate in Turkey is 20%. (Corporate tax rate for 2018-2019 and 2020 will be applied as 22%.) (As of December 31, 2018: 22%).

The corporate tax rate is applied to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the commercial income of the institutions, the exception to the tax laws (except for the participation earnings exemption, investment allowance exemption etc.) and the discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

The corporate tax rate is applied to the tax base that will be found as a result of the deduction of the expenses that are not accepted as a result of the tax laws to the commercial income of the institutions, the exception to the tax laws (except for the participation earnings exemption, investment allowance exemption etc.) and the discounts (such as R & D discount). No further tax is paid if the profit is not distributed.

To the limited taxpayer companies whom are generating income through a permanent establishment in Turkey, or via a permanent representative no withholding is applied, and the dividends paid to the companies who are resident in Turkey are not subject to withholding. Dividends paid to people and companies other than these are subject to withholding tax at the rate of 15%. Adding profit to the capital is not considered as profit distribution.

In accordance with the Law No. 6009 published in the Official Gazette dated August 1, 2010, the amount of investment allowances that have been earned may be used without any year limitation. In addition, corporate tax will be calculated according to the effective tax rate on post-discount earnings. The amendment made by the Law No. 6009 came into force on 1 August 2010 to be applied to the 2010 earnings.

The Law About Amendments to Tax Procedure Law no 5024 published, Income Tax Law and Corporate Tax Law on the Official Gazette on 30 December 2003 ("Law no 5024") stipulates that the income or corporate tax payers which determine their earnings on the basis of balance, are to have their financial statements subjected to inflation adjustment starting from 1 January 2004. According to the provision of the mentioned law, it requires the inflation rate of the last 36 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 100% and the inflation rate of the last 12 months (increase ratio of Turkish Statistical Institute and Wholesale Price Index) to exceed 10%, to make an inflation correction. As the mentioned conditions were not met in 2004, inflation correction was not made.

Companies shall pay a provisional tax of 20% on their quarterly financial profits (tax rate for the years 2018-2019 and 2020 will be applied as 22%) and declare until the 14th day of the second month following that period and pay until the evening of 17th day. The temporary tax paid within the year is deducted from the corporate tax to be calculated over the corporate tax return to be given the following year. If there is a temporary tax remaining despite the offset, this amount may be refunded in cash or deducted from any other financial liability against the state.

There is no application in order to reconciliation with the tax authorities on the tax payable in Turkey. Companies file their tax returns until the 25th of the fourth month following the close of the accounting period.

The tax authorities can review the accounting records within five years and if the wrong transaction is detected, the tax amounts may vary due to the tax assessment to be paid.

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the corporate income for a period of 5 years. However financial losses cannot be offset from last year's profits.

The expected and actual tax expense agreement for the periods January 1- December 31, 2019 and 2018 is as follows:

	January 1 - December 31, 2019	January 1 - December 31, 2018
Pre-tax profit	85.795.366	133.204.503
Tax expense calculated on current tax rates (-)	(18.874.981)	(29.304.991)
Effect of change in investment discount	14.362.460	10.139.508
Effect of provision for litigation	-	(592.827)
Effect of disallowable expenses	(644.840)	(243.985)
Other	761.675	349.528
Total Tax Income	(4.395.686)	(19.652.767)

b) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported by the Capital Markets Board and the statutory financial statements issued in accordance with the Tax Procedures Law. The breakdown of deferred tax assets and liabilities using current tax rates as of December 31, 2019 and December 31, 2018 is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Investment discount	(194.768.633)	(168.345.538)	29.215.295	25.251.831
Tangible and intangible assets	63.392.598	63.922.822	(10.957.152)	(11.210.535)
Provisions for employee benefits	(12.467.379)	(9.925.980)	2.614.015	2.061.010
Financial losses	(3.050.742)	(112.830)	671.163	24.823
Inventories	(570.466)	(379.654)	125.503	83.524
Non-accrued finance income	72.127	(162.659)	(15.867)	35.785
Doubtful trade receivables provision	(208.389)	(189.294)	41.678	37.858
Other, net	(1.373.080)	(1.961.029)	302.078	431.426
Deferred tax assets, net			21.996.713	16.715.722

The movements of deferred tax assets during the period are as follows:

	December 31, 2019	December 31, 2018
January 1	16.715.722	10.909.550
Associated with the statement of profit or loss	5.034.167	5.865.929
Tax effect of actuarial losses		
Classified under equity (Footnote 18)	246.824	(59.757)
Total	21.996.713	16.715.722

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

FOOTNOTE 26 - EARNINGS PER SHARE

	January 1- December 31, 2019	January 1 - December 31, 2018
Period profit of parent company	81.344.785	113.501.607
Weighted average number of shares during the period	2.837.014	2.837.014
Earnings per share	28,67268	40,00742

FOOTNOTE 27 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	December 31, 2019	December 31, 2018
Loans and receivables		
Cash and cash equivalent	90.098.119	93.925.629
Trade Receivables	62.471.232	64.882.123
Total	152.569.351	158.807.752

Financial liabilities valued by effective interest method

	December 31, 2019	December 31, 2018
Trade payables	64.945.639	52.283.578
Borrowings	4.421.286	713.512
Total	69.366.925	52.997.090

b) Fair value of financial instruments

There are no financial assets and liabilities measured at fair value as of December 31, 2019 and December 31, 2018.

FOOTNOTE 28 - QUALITY AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

28.1 Financial risk factors

The Company is exposed to market risk (currency and interest rate risk), credit risk and liquidity risk due to its activities.

The Company's risk management program generally focuses on minimizing the potential negative effects of uncertainty in the financial markets on the Company's financial performance.

a) Market Risk

aa) Currency risk

The Company is exposed to foreign exchange risk arising from foreign currencies, in particular USD and EURO. Foreign currency exchange rate risk arises from registered assets and liabilities. This currency risk is monitored by analyzing the foreign currency position.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

The foreign currency position tables as of December 31, 2019 and December 31, 2018 are as follows:

December 31, 2019

	TL Equivalent (functional currency)	USD	EURO	OTHER
1. Trade Receivables	28.614.262	270.760	3.823.545	202.794
2a. Monetary Financial Assets	52.879.961	3.553.425	4.723.821	-
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	81.494.223	3.824.185	8.547.366	248.532
5. Trade Receivables				
6a. Monetary Financial Assets	7.663.800	337.386	851.000	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Fixed Assets Total (5+6+7)	7.663.800	337.386	851.000	-
9. Total Assets (4+8)	89.158.023	4.161.571	9.398.366	248.532
10. Trade Liabilities	26.261.898	762.260	3.247.225	11.658
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Short Term Liabilities (10+11+12)	26.261.898	762.260	3.247.225	11.658
14. Trade Liabilities				
15. Financial Liabilities				
16a. Other Monetary Liabilities				
16b. Other Non-Monetary Liabilities				
17. Total Long Term Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	26.261.898	762.260	3.247.225	11.658
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	62.896.125	3.399.311	6.151.141	236.874
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	62.896.125	3.399.311	6.151.141	236.874
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Assets				
24. The Amount of Hedged part of Foreign Exchange Liabilities				
23. Export	156.618.967	4.280.238	17.356.790	16.752.023
24. Import	200.952.362	7.236.224	25.029.898	176

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

December 31, 2018

	TL Equivalent (functional currency)	USD	EURO	OTHER
1. Trade Receivables	24.503.199	253.061	3.512.341	300.547
2a. Monetary Financial Assets	61.461.076	4.535.089	6.207.777	27.388
2b. Non-Monetary Financial Assets				-
3. Other				
4. Current Assets Total (1+2+3)	85.964.275	4.788.150	9.720.118	327.935
5. Trade Receivables				-
6a. Monetary Financial Assets	5.556.352	715.854	297.000	-
6b. Non-Monetary Financial Assets				-
7. Other				-
8. Fixed Assets Total (5+6+7)	5.556.352	715.854	297.000	-
9. Total Assets (4+8)	91.520.627	5.504.004	10.017.118	327.935
10. Trade Liabilities	27.445.185	1.872.475	2.875.231	31.932
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				-
13. Total Short Term Liabilities (10+11+12)	27.445.185	1.872.475	2.875.231	31.932
14. Trade Liabilities				-
15. Financial Liabilities				-
16a. Other Monetary Liabilities				-
16b. Other Non-Monetary Liabilities				-
17. Total Long Term Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	27.445.185	1.872.475	2.875.231	31.932
19. Net Asset/(Liability) Position of Derivative Instruments off the Balance Sheet (19a-19b)				-
19a. Total Amount of Hedged Assets				-
19b. Total Amount of Hedged Liabilities				-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	64.075.442	3.631.529	7.141.887	296.003
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	64.075.442	3.631.529	7.141.887	296.003
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge	-	-	-	-
23. The Amount of Hedged part of Foreign Exchange Assets	-	-	-	-
24. The Amount of Hedged part of Foreign Exchange Liabilities	-	-	-	-
23. Export	113.139.742	3.042.385	16.013.213	1.465.170
24. Import	152.011.634	6.412.134	21.477.571	-

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

The exchange rate sensitivity analysis tables as of December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019			
	Profit (loss)		Equity	
	The appreciation of the foreign currency	The depreciation of the foreign currency	The appreciation of the foreign currency	The depreciation of the foreign currency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	2.018.442	(2.018.442)	-	-
2. USD hedged portion (-)	-	-	-	-
3. ABD Doları net etki (1+2)	2.018.442	(2.018.442)	-	-
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	4.087.012	(4.087.012)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	4.087.012	(4.087.012)	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	184.158	(184.158)	-	-
8. Other currency kuru hedged portion (-)	-	-	-	-
9 Other currency assets net effects (7+8)	184.158	(184.158)	-	-
Total (3+6+9)	6.289.612	(6.289.612)	-	-

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	December 31, 2018			
	Profit (loss)		Equity	
	The appreciation of the foreign currency	The depreciation of the foreign currency	The appreciation of the foreign currency	The depreciation of the foreign currency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	1.908.732	(1.908.732)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	1.908.732	(1.908.732)	-	-
EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	4.302.022	(4.302.022)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	4.302.022	(4.302.022)	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	196.791	(196.791)	-	-
8. Other currency kuru hedged portion (-)	-	-	-	-
9 Other currency assets net effects (7+8)	196.791	(196.791)	-	-
Total (3+6+9)	6.407.545	(6.407.545)	-	-

a) Interest rate risk

The Group has no interest rate financial loans.

b) Credit risk

Ownership of financial assets involves the risk that the counterparty may be unable to meet the contract. The Company's credit risk arises mainly from trade receivables. The Company manages this risk by following the credit limits set for customers. The use of credit limits is continuously monitored by the Company and the credit quality of the customer is continuously evaluated by taking into consideration the customer's financial position, past experiences and other factors. Trade receivables are evaluated by taking into consideration the policies and procedures of the Company and accordingly, net of provision for doubtful receivables is presented in the balance sheet.

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

December 31, 2019	Trade receivables		Other receivables		Deposits in banks	Total
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of the reporting date (A+B+C+D) ⁽¹⁾	5.325.214	57.146.018	-	3.246.332	89.871.749	155.589.313
- The portion of maximum risk guaranteed by collateral, etc.		- 28.841.740	-	-	-	- 28.841.740
A. Net book value of overdue or non-impaired financial assets	5.325.214	30.169.059	-	3.246.332	89.871.749	128.612.354
B. Net book value of overdue assets but not impaired	-	26.976.959	-	-	-	26.976.959
C. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	3.593.229	-	-	-	3.593.229
- Impairment (-)	-	(3.593.229)	-	-	-	(3.593.229)
- Part of the net value secured with collateral, etc.	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Part of the net value secured with collateral, etc.	-	-	-	-	-	-
D. Factors that include off-balance sheet credit risk	-	-	-	-	-	-

⁽¹⁾ factors that increase credit reliability, such as collateral received, are not taken into account when determining the amount.

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

December 31, 2019	Trade receivables		Other receivables		Deposits in banks	Total
	Related party	Other	Related party	Other		
Maximum credit risk exposure as of the reporting date (A+B+C+D) ⁽¹⁾	3.326.112	61.556.011	-	259.282	93.806.234	158.947.639
- The portion of maximum risk guaranteed by collateral, etc.	-	35.566.890	-	-	-	35.566.890
A. Net book value of overdue or non-impaired financial assets	3.326.112	58.284.195	-	259.282	93.806.234	155.675.823
B. Net book value of overdue assets but not impaired	-	3.271.816	-	-	-	3.271.816
C. Net book value of impaired assets	-	-	-	-	-	-
- Overdue (gross book value)	-	1.099.081	-	-	-	1.099.081
- Impairment (-)	-	(1.099.081)	-	-	-	(1.099.081)
- Part of the net value secured with collateral, etc.	-	-	-	-	-	-
- Overdue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Part of the net value secured with collateral, etc.	-	-	-	-	-	-
D. Factors that include off-balance sheet credit risk	-	-	-	-	-	-

⁽¹⁾ The factors that increase credit reliability, such as collateral received, are not taken into account when determining the amount.

As of December 31, 2019, trade receivables amounting to TL 26.976.959 (As of December 31, 2018: TL 3.271.816) are overdue but not impaired. These trade receivables consist of independent customers who pay their past debts without delay. In addition, TL 8.997.549 (As of December 31, 2018: TL 1.601.184) of these receivables is secured. The aging of overdue but not impaired trade receivables is as follows:

	December 31, 2019	December 31, 2018
1-30 days past over due date	25.966.787	3.009.364
1-3 months past over due date	684.755	89.400
3-12 months past over due date	325.417	173.052
1-5 years past over due date	-	-
More than 5 years past over due date	-	-
Total	26.976.959	3.271.816

c) Liquidity Risk

Liquidity risk is the risk that a company cannot meet its funding needs. Liquidity risk is lowered by balancing cash inflows and outflows with the support of credit institutions.

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

The analysis of the non-derivative financial liabilities as at December 31, 2019 and December 31, 2018 according to their maturities is as follows:

December 31, 2019	Book Value	Total cash outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities:						
Payables from Financial Leasing Operations	3.509.336	3.509.336	215.278	650.567	1.390.564	1.252.927
Bank credits	911.950	911.950	911.950	-	-	-
Trade payables	64.945.639	65.142.630	65.142.630	-	-	-
Payables for employee benefits	2.810.582	2.810.582	2.810.582	-	-	-
Other Payables	2.500.853	2.500.853	2.500.853	-	-	-
Total	74.678.360	74.875.351	71.581.293	650.567	1.390.564	1.252.927

December 31, 2018	Book Value	Total cash outflows in accordance with contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities:						
Bank credits	713.512	713.512	713.512	-	-	-
Trade payables	52.283.578	52.569.588	52.569.588	-	-	-
Payables for employee benefits	2.351.857	2.351.857	2.351.857	-	-	-
Other Payables	4.996.270	4.996.270	4.996.270	-	-	-
Total	60.345.217	60.631.227	60.631.227	-	-	-

28.2 Capital Risk Management

In managing the capital, the Company's objectives are to provide returns to its shareholders, benefit to other shareholders and ensure the continuity of the Company's activities in order to maintain the most appropriate capital structure in order to reduce the cost of capital.

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

In parallel with other companies in the sector, the Company monitors capital by using the debt to equity ratio. This ratio is calculated by dividing the net debt by total capital. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (including borrowings and trade payables as shown in the balance sheet). Total capital is calculated by summing the equity and net debt as shown in the balance sheet.

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Explanatory Notes Related to the Financial Statement For the Accounting Period as of January 01 - December 31, 2019

(The amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

Net debt to equity ratios as of December 31, 2019 and December 31, 2018 are as follows:

	December 31, 2019	December 31, 2018
Total payables	92.762.379	80.176.982
Minus: cash and cash equivalents (Footnote 4)	(90.098.119)	(93.925.629)
Net payable	2.664.260	(13.748.647)
Total Equity	456.168.315	407.721.998
Total Capital	458.832.575	393.973.351
Net Payable/Capital Ratio	0,58%	-

FOOTNOTE 29 - EVENTS AFTER THE REPORTING PERIOD

2019 PROFIT DISTRIBUTION TABLE

PROFIT DISTRIBUTION PROPOSAL

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. 2019 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 2019 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	85,795,366.00	74,643,473.85
4.	Taxes (-)	4,395,686.00	6,963,909.33
5.	Net Profit for the Period ⁽¹⁾	81,344,785.00	67,679,564.52
6.	Losses in Prior Years (-)	0.00	0.00
7.	General Legal Reserves (-)	0.00	0.00
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	81,344,785.00	67,679,564.52
9.	Donations during the Year (+)	34,534.12	
10.	Net Distributable Profit for the Period Including Donations	81,379,319.12	
11.	First Dividend to Shareholders	4,068,965.96	
	Cash	4,068,965.96	
	Bonus Shares	0	
	Total	4,068,965.96	
12.	Dividends Distributed to Owners of Privileged Shares	4,054,780.88	
13.	Other Dividends Distributed	2,889,113.10	
	To the Members of the Board of Directors	2,889,113.10	
14.	Dividends Distributed to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	7,487,486.72	
16.	General Legal Reserves	1,835,849.59	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	61,008,588.75	47,343,368.27
20.	Other Resources to be Distributed	0.00	0.00

⁽¹⁾ Net period profit is TL 81.399.680 (85.795.366-4.395.686) of which amount TL 54.895 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 81.344.785 is taken into consideration.

RATIO OF DIVIDENDS TABLE

	GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 EACH	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	3,446,570.67		4.23699	1,723,285.3364376	172,328,533.64%
	B	9,822,977.85		12.07573	3.4624376	346.24%
	TOTAL	13,269,548.52				

The profit distribution table presented above is the final version approved at the 2019 ordinary general meeting.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

1) GENERAL INFORMATION;

a) Company's Area of Activity: The Company is engaged in the manufacturing business in the coated kraftboard sector at its factory the ownership of which it has and which is located at the address of Kullar Village/Kocaeli and performs the trading of the goods that it produces within the country and in abroad. In addition, the Company provides the electricity and vapour that it requires for the manufacturing through the natural gas cycle power plant within the framework of the Autoproducer Licence that it has and it sells the redundant electric power within the framework of the electricity market legislation. The Company carries out its general directorate, financial affairs, marketing and purchase operations at the "General Directorate" office located at the address of Gayrettepe/Istanbul while it carries out its production activities at its factory located in Kullar Village/Kocaeli. The Company also has a branch that it uses as the place of sale and warehouse and the ownership of which is owned by the company at the address of Sefakoy/Istanbul.

Head Office:

Prof. Dr. Bulent Tarcan Cad. Engin Pak Is Merk. No: 5 Kat: 3 Gayrettepe/Besiktas/ISTANBUL
Phone: 0-212-273 20 00 Fax: 0-212-273 21 70 Web: www.kartonsan.com.tr

Factory:

Yaylacik Mahallesi, Karamursel Caddesi, No: 300 41140 Kullar/Basiskele/Kocaeli
Phone: 0-262-349 61 50 Fax: 0-262- 349 33 00

Place of Sale:

Maresal Fevzi Cakmak Cad. No: 1 Sefakoy/Istanbul
Phone: 0-212 598 95 35 Fax: 0-212- 598 95 36

Tax Office: Large Taxpayer Office
Tax Registration No: 5260057491
Trade Registration No: 95869/41270
Mersis No: 0526005749100010

Paid-up Capital of the Company: TL 2,837,014.21
Paid-up Capital of the Company: 283,701,421 Each Share

Shares Representing the Capital of the Company
Group A Share Certificates 200 Each
Group B Share Certificates 283,701,221 Each

The Group A Share Certificates have the Profit Share Privilege and do not have the Voting Right Privilege.

b) Clarifications regarding the Organization, Shareholding Structure and Shares constituting the Company's Capital, and Information regarding the Management and Independent Auditor:

All of the company's shares are composed of the bearer shares and almost all of them are stock exchange securities. Therefore, the shareholding structure of the company is shown below in line with the clarifications made in the last general assembly meeting, by the participants of the general assembly meeting and/or on the Public Disclosure Platform (PDP). The changes that occur in the shareholding structure cannot be known by our company due to the reasons clarified above.

	31 December 2019	Shareholding interest (%)	31 December 2018	Shareholding interest (%)
Pak Holding A.S.	975,590	34.39	975,590	34.39
Asil Holding A.S. ^(*)	676,412	23.84	660,522	23.28
Pak Gida Uretim ve Pazarlama A.S.	564,903	19.91	564,903	19.91
Oycan Ithalat Ihracat ve Ticaret A.S.	403	0.01	403	0.01
Other Shareholders (Part Open to Public)	619,706	21.85	635,596	22.41
Total Capital	2,837,014	100.00	2,837,014	100.00

* The former trade title of the company is "Asil Gida ve Kimya San. ve Tic. A.S." and it was changed as "Asil Holding A.S." as of 11.09.2019.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The paid-up capital of the company is TL 2,837,014.21 and it is composed of 283,701,421 ea. shares, each of which is valued at TL 0.01.

200 ea. of the share certificates representing such capital are composed of the Group A (Preferential) shares. These shares have privileges in the profit distribution. In accordance with the article 25 of the articles of association, dividends are distributed to the holders of the Group A (Preferential) Share certificates at the rate of 5% over the remaining part after 10 percent of the paid-up capital is deducted from the net profit taken as basis to the account of the first dividend.

Breakdown of the share certificates representing the capital:

Registered/Bearer	Distribution	Group	Each	Total Amount (TL)	Proportion to the Capital (%)
Bearer	6	A	200	2	-
Bearer	5	B	16,200,000	162,000	5.71
Bearer	6	B	10,577,587.8	105,776	3.73
Bearer	6	B	222,212.2	2,222	0.08
Bearer	7	B	27,000,000	270,000	9.52
Bearer	8	B	108,000,000	1,080,000	38.10
Bearer	9	B	40,500,000	405,000	14.29
Book-Entry Share	Book-Entry Share	B	81,000,000	810,000	28.57
Book-Entry Share	Book-Entry Share	B	201,421	2,014.21	0
Total			283,701,421	2,837,014.21	100

The articles between the Article 8 and the Article 14 of the company's articles of association include regulations related to the board of directors and the auditing board. Clarifications are made in the section titled "Corporate Management" of the report in relation to the structure and working principles of the board of directors and the committees established.

Independent Auditor in accordance with the Turkish Commercial Code *

Name and Surname	Position	Start of Duty Period	End of Duty Period	Date of Re-election
Gureli Yeminli Mali Musavirlik ve Bagimsiz Denetim Hizmetleri A.S	Independent Auditor	01.01.2017	31.12.2019	28.03.2019

* Gureli Yeminli Mali Musavirlik ve Bagimsiz Denetim Hizmetleri A.S. is also the Independent Auditing Firm elected by the company within the framework of the CMB legislation.

c) Information regarding the Affiliates (Partnership subject to Joint Management) and Subsidiaries:

The company has shares in the companies the shareholding structures of which are shown below.

Selka Ic ve Dis Ticaret A.S.

Name-Surname/Title Of The Shareholder	Shareholding Interest	Rate
Kartonsan Karton Sanayi ve Ticaret A.S.	1,242,088.75	99.37
Other Real and Legal Person Shareholders	7,911.25	0.63
Total	1,250,000.00	100

Donkasan Donusturulen Atik Kagit San. ve Tic. A.S.**

Name-Surname/Title of the Shareholder	Shareholding Interest	Rate
Kartonsan Karton Sanayi ve Ticaret A.S.	93,152	100
Total	93,152	100

**It was registered as a result of subjecting the annulled Donkasan Donusen Kag. Ham. San. ve Tic. A.S. to full demerger on 10.06.2015.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

2) MARKET STATUS, ACTIVITIES AND EXPECTATIONS

a) Market Status and Implemented Sales Policies:

The Company has been dealing in the coated kraftboard sector since its incorporation year of 1967. The primary products of Kartonsan are the coated kraftboards that are manufactured of recycled paper and known in the sector as Dublex (GD) and Triplex (GT). The sector of coated kraftboard mainly provides packaging materials for the food and medicine sectors. Medicine, detergent, match, perfumery, textile, corrugated lamination, stationery packages, book and notebook covers, glassware and small white appliance packages may be listed among the products that people use in daily life, dominated mostly by food products. The compliance of Kartonsan products, which have fields of use in different sectors, for use in the packaging of food products was approved by the Ministry of Agriculture and Rural Affairs of the Republic of Turkey. The compliance of Kartonsan products for use in packaging directly in contact with dry food products to BFR (German Risk Assessment Institute) recommendations was approved through the reports of various international analysis organisations.

Detailed clarifications were provided in the previous sections of the activity report in regards to the sector our Company has dealings in and the implemented sales policies.

b) Implemented Investment and Dividend Distribution Policies

The investments that the Company plans comprise mostly of investments towards the maintenance of the facility. Besides these, modernisation and expansion investments were implemented that provided quality improvement and capacity increase to the kraftboard production line number 2 (KM 2) of our manufacturing facility in the year 2014. As the output of this investment, Kartonsan rose to the level of fourth biggest coated kraftboard manufacturer of Europe with its total manufacturing capacity of approximately 250,000 tonnes/year.

Kartonsan realises its investments within the context of a comprehensive strategy in line with constant reduction of the environmental impacts of productions and operations. Summary information on the investments our company realised throughout years and its plans for the future were clarified in detail in the previous sections of the activity report.

Our company revised its dividend distribution policy in the year 2014, and approved such revision to the information and approval of the shareholders in the General Assembly meeting convened on the date 27.03.2014. This profit distribution policy in question is available on our company's website and on the Public Disclosure Platform (PDP). (www.kartonsan.com.tr/yatirimci_ilişkileri/Şirket_Kar_Dağıtım_Politikası\2014)

Our company's dividend distribution policy is in the lines of distributing dividend at the minimum ratio within the distributable dividend stipulated in the Capital Market Legislation. For any periods that the Capital Market Board does not define a distinct ratio, the minimum dividend distribution ratio to be implemented will apply as 5%. Nonetheless, this policy is reviewed each year based on the developments of internal and external conditions, and the investment opportunities and funding capabilities of our company.

Although the Capital Market Board eliminated the obligation to distribute minimum dividends within the framework of the implementation of corporate management principles, distribution of dividends shall continue with consideration to a balance between the potential expectations of our shareholders and the growth strategies unless otherwise resolved by the General Assembly.

In this framework, the recommendation on the dividend distribution to be implemented in the current year over the previous year profit of our company is included under the activity report as a separate section of its own, and is presented to the information of shareholders and the public prior to the General Assembly.

In accordance with the articles of association of our company, the Group A share certificates have profit share privileges. In addition, dividends are distributed also to the members of the board of directors in case resolution is made for first dividend distribution. Within the distributable profit taken as basis for the calculation of first dividend amount, 5 percent of the part remaining after deducting 10 percent of paid-in capital is distributed to holders of Group A share certificates, and a certain amount to be defined by the General Assembly is distributed to the members of the board of directors as dividend.

Distribution of dividends is realised within legally due times.

Unless otherwise resolved by the General Assembly, distribution of dividends shall continue with consideration to a balance between the potential expectations of our shareholders and the growth strategies. According to the resolution made at the Ordinary General Assembly of our company convened on the date 28.03.2019, implementation of cash gross dividend distribution was decided to be realised on the date 02.04.2019.

For the purpose of realising compliance to the Capital Market Legislation, our company revised its Dividend Distribution Policy as stated below and disclosed the same to the public as of the year 2014.

The dividend distribution policy to be implemented for the year 2014 and onwards is as follows.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Dividend Distribution Policy

Our company's dividend distribution policy is as distribution of dividends at the minimum ratio stipulated by the Capital Market Legislation over the distributable profits, and of dividends at the ratio coinciding to 5% of the distributable profits calculated as per relevant legal rules for the entirety of stocks representing the capital without prejudice to the rights emerging due to dividend privileges for the periods when no such minimum ratio is defined or when such minimum ratio is abolished (without prejudice to the other provisions pertaining to the distribution of dividends included in the articles of association and other legislation).

Nonetheless, this policy shall be reviewed each year based on the developments of internal and external conditions, and the investment opportunities and funding capabilities of our company. Unless otherwise resolved by the General Assembly, distribution of dividends coinciding to 5% of the distributable profits calculated as per legal rules shall continue with consideration to a balance between the potential expectations of our shareholders and the growth strategies. In this framework, the recommendation on the dividend distribution to be implemented over the period profit of our company shall be included under the activity report as a separate section of its own, and shall be presented to the information of shareholders and the public prior to the General Assembly.

Principles on the Calculation, Form of Payment and Distribution of Dividends

In regards to the calculation of dividends to be distributed over the company's profits of a period, the dividend distribution provisions within Company's Articles of Association, Company's Dividend Distribution Policy, Capital Market Legislation, Turkish Commercial Code and the principles and rules set by the Capital Market Board are abided. According to this;

- a) Dividends are distributed equally according to the shares to the entirety of the shareholders without regard to the export and acquisition dates of the stocks (without prejudice to the rights emerging due to dividend privileges of Group A share certificates as defined under the Company's Articles of Association).
- b) It was resolved as policy that the dividends are paid in single instalment and in cash, with the condition it is decided at the General Assembly meeting where such dividend distribution resolution is decided upon. Nevertheless, distribution of the dividends in the form of multiple instalments or bonus share distribution may be decided upon by the General Assembly upon such request from the Board of Directors with the condition the dividend distribution principles and capital increase principles valid as per the Capital Market Legislation, Turkish Commercial Code and the principles and rules set by the Capital Market Board are followed.
- c) Dividends are distributed at the latest by the end of the accounting period within which decision for dividend distribution was made after being calculated in accordance with the Article 25 of the Company's Articles of Association.

Article 25 of the Company's Articles of Association is as follows.

Article 25- The amount, which remains after deducing from the overall revenue the company received due to its activities for a balance period all kinds of expenses that are paid or have to be accrued, depreciations, paid premiums and bonuses, mandatory reserves, taxes and similar financial liabilities and past year losses, if any, constitutes the net profit of the company.

- a) 5 percent legal reserve funds are allocated aside until the amount reaches 1/5 of the Paid-in Capital.
- b) From the remainder, first dividends at the amount and ratio defined by the Capital Market Board are allocated and distributed.
- c) After allocating aside the 5% legal reserve funds and distributing the first dividends as defined in the sub-paragraphs above, and deducing a 10% of the paid-in capital from the amount taken as basis for the calculation of the first dividend;
 - i) 5% is allocated to be distributed to the Group A holders of shares,
 - ii) And an amount to be defined by the General Assembly from the remainder is allocated to be paid to the Members of the Board of Directors excluding any independent members.

The profits that remain after the distribution made in accordance to the subparagraphs above may be partially or completely distributed, allocated as extraordinary reserve funds or transferred to coming years in line with General Assembly resolution upon such request from the Board of Directors.

Provision stipulated with item (c) of the 2nd subparagraph under the Article 519 of the Turkish Commercial Code remains without prejudice.

No resolution may be made for allocation of further reserve funds, transfer to coming years until the reserve funds legally required to be allocated and the first dividends defined under Articles of Association for the shareholders are allocated, and no resolution may be made for distributing dividends to Members of the Board of Directors, clerks, servants and workers, owners of dividend rights/dividend shares, privileged shareholders, foundations founded for various purposes and similar persons and institutions until the first dividend is paid.

- d) The Principles Pertaining to the Implementation of Dividend Advance Distribution are as follows.

It is necessary for the corporations willing to distribute dividend advance in the framework of Capital Market Legislation to have in their Articles of Association relevant provisions and to ensure authorisation to the Board of Directors through General Assembly resolution for dividend advance distribution that is limited to the relevant accounting period.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Our company's Article of Association presently has no provision for implementing dividend advance distribution under its Articles of Association. Thus, our company does not adopt as policy to distribute dividend advances.

In the event an amendment is made in the future under the Company's Articles of Association to enable dividend advance distribution, dividend advance distribution may be realised with the condition the provisions under the Turkish Commercial Code and Capital Market Legislation pertaining to dividend distribution principles are abided.

e) The basis for the distributable profits is defined in the framework of the provisions under the Company's Articles of Association, Turkish Commercial Code and Capital Market Legislation. In the context of relevant provisions, donations are added to the basis for the distributable profits.

3) FINANCING RESOURCES AND RISK MANAGEMENT POLICIES

The company financed its modernisation investment realised in the year 2014 from its own equities. However, due to the size of the investment realised and the declines in production and sales during the implementation of the investment, financing demand emerged, and such demand was covered by utilising loans in foreign currency and TRY via parent corporations. Currently there is no loan with due interest used by the company. As per the company's average over long years, the equities of the company occur to be strong with a high cash generation capacity. Thus, no demand occurs for external financing resources. The company utilises its surplus funds as term TRY deposits and terms foreign currency deposits within the financial system. The potential financial risk of the company comprises of foreign exchange rate and interest risks. Both the abroad receivables of the company and the deposits comprising of foreign currency in its foreign currency deposit accounts constitute risk based on foreign exchange rate changes. Due to the company's foreign currency based assets being higher than its foreign currency based liabilities, exchange rate increases will result in favour of the company while exchange rate decreases will result to the detriment favour of the company.

Our Company undergoes audits in regards to the compliance of its transactions and activities to both the legislation and to the company policies conducted by the Audit Committee and Independent Auditor. As per its organisation, our Board of Directors also established its Risk Early Identification Committee in the year 2013 in compliance with the Capital Market Board and Turkish Commercial Code provisions, and the committee in question has continued to function since its establishment in accordance to its defined principles.

In regards to the audit of our internal inspection system, audits are conducted by independent auditors for the revision of ISO 9001, ISO 14001 and OHSAS 18001 quality certificates, and any nonconformities observed are communicated to the company's senior management.

4) PROJECTIONS MADE IN REGARDS TO THE DEVELOPMENT OF THE COMPANY

Kartonsan, supplementing the logistics advantage presented by the geographical location of Turkey with its high quality product range and its service philosophy based on client satisfaction, will continue to be the growing coated kraftboard producer of the Eurasian region.

Assessments pertaining to the objectives and expectations of our company were included in the previous sections of the activity report.

5) INFORMATION ON THE SECTOR THE COMPANY IS DEALING WITHIN AND ITS POSITION INSIDE THIS SECTOR

The Company has been dealing in the coated kraftboard sector since its incorporation year of 1967. The primary products of Kartonsan are the coated kraftboards that are manufactured of recycled paper, low quantities of cellulose and other coating chemicals and known in the sector as Dublex (GD) and Triplex (GT). The sector of coated kraftboard mainly provides packaging materials for the food and medicine sectors. Medicine, detergent, match, perfumery, textile, corrugated lamination, stationery packages, book and notebook covers, glassware and small white appliance packages may be listed among the products that people use in daily life, dominated mostly by food products. The compliance of Kartonsan products, which have fields of use in different sectors, for use in the packaging of food products was approved by T.R. Ministry of Agriculture and Rural Affairs. The compliance of Kartonsan products for use in packaging directly in contact with dry food products to BFR (German Risk Assessment Institute) recommendations was approved through the reports of various international analysis organisations.

With its annual production volume, Kartonsan is Turkey's first and Europe's fourth biggest coated kraftboard producer. Kartonsan reaches out to a client portfolio that spreads to a wide geography throughout the Eurasian region. Although subject to changes by years, our company has a domestic market share of around 30-45% due to selling around 60-80% of its products in the domestic market. The import volumes of the coated kraftboard sector are actualised significantly interconnected with the foreign currency exchange rates and the pricing policies of abroad kraftboard manufacturers, and the quantities of imported kraftboard into the sector are subject to variation based on changes in the foreign currency exchange rates.

Information on our company's place inside the sector and the information pertaining to the sector were clarified in detail in the previous sections of the activity report.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

6) DEVELOPMENTS IN THE INVESTMENTS, UTILIZATION OF INCENTIVES

The investments that the Company plans comprise mostly of investments towards the maintenance of the facility. Besides these, modernisation and expansion investments were implemented that provided quality improvement and capacity increase to the kraftboard production line number 2 (KM2) of our manufacturing facility in the year 2014. A TL 139.7 million portion of the investment in question was realised in the context of investment incentive certificate. As the output of this investment, Kartonsan rose to the level of fourth biggest coated kraftboard manufacturer of Europe with its total manufacturing capacity of approximately 250,000 tonnes/year. Present investments are aimed for the maintenance of the facility, and increases in quality and efficiency.

On April 2018, application was made to the Directorate General of Incentive Implementation for the purpose of utilising investment incentive certificates for certain investment projects aiming for modernisation. The investments were registered into the context of investment certificate but a repeat application was made for amendment of the investment certificate due to an error of monetary amount. The "investment incentive certificate amendment application" made to the Directorate General of Incentive Implementation of T.R. Ministry of Industry and Technology was deemed appropriate and approved by the relevant institution, and thus the 3-year investment incentive certificate with date 08.06.2018 and no. A137821 was terminated and replaced by the 3-year investment incentive certificate with date 18.10.2018 and no. B137821.

A list of domestically produced machinery and equipment list with a value of TL 32,928,750 and a list of imported machinery and equipment list with a value of USD 14,854,553 are included as annex to the 3-year investment incentive certificate with date 18.10.2018 and no. B137821. The date for commencing investment stipulated in the certificate was issued as 09.04.2018, and the investment completion date was issued as 09.04.2021. The entirety of the investments shall be covered from equities. For the investments covered within the context of the investment incentive certificate; 15% investment contribution ratio, 50% corporate tax discount, value added tax exception and customs tax exemption were secured. The sum of the expenses made within the context of the certificate in question occurred to be TL 10,323,063 as of the date 31.12.2019.

7) QUALIFICATIONS AND CAPACITY USAGE RATES OF THE PRODUCTION UNITS OF THE ENTERPRISE AND THEIR COMPARISON WITH THE PREVIOUS YEAR

The Company produces coated kraftboard and generates the electric power that is necessary for the facility at its factory located at the address of Kullar Village/Kocaeli within the framework of the electricity generation licence. The theoretical annual coated kraftboard production capacity of the company is calculated as approximately 240,000-Ton/year. (31.12.2018: 240,000-Ton/Year) The production and sales amounts for the years of 2019 and 2018 are shown below. It is seen that the net capacity usage rate is approximately 89% as of 31.12.2019. (31.12.2018: 86%).

The net production amounts of the Company are clarified below.

	31 December 2019	31 December 2018
Coated Kraftboard (Ton)	213,160	206,854
Electricity Generation (10 ³ Kwh)	140,705	138,247

8) CLARIFICATIONS REGARDING THE CONSOLIDATED SALES

The comparison of the net consolidated sales amounts of the Company for the years of 2019-2018 is as follows.

	31 December 2019	31 December 2018
Sales Amounts		
Coated Kraftboard (Ton)	226,198	221,051
Electricity Sales (10 ³ Kwh)	15,943	17,424
Scrap Paper Sales (Ton)	10,417	5,695

Whereas our net consolidated revenue was TL 637,093,284 within the year of 2018, our net consolidated revenue was TL 737,165,985 within the year of 2019.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

9) FINANCIAL RATIOS REGARDING THE CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Ratios		31.12.2019	31.12.2018
Current Ratio	Current Assets/Short-term Foreign Fund	4.02	4.00
Acid Test Ratio	(Current Assets - Inventories)/Short-term Foreign Fund	2.26	2.47
Inventories/Current Assets	Inventories/Current Assets	0.44	0.38
Operating Capital	Current Assets (Excluding Cash and Treasury Bonds)- Short-term Foreign Debts (Excluding Loans)	139,695,346	109,018,222
Cash Ratio	(Liquid Assets)/Short-term Foreign Fund	1.19	1.39
Financial Structure Ratios			
Financial Leverage	(ST+LT Foreign Funds)/Asset	0.17	0.16
Total Liabilities/Shareholders' Equity		0.20	0.20
Short-term Liabilities/Shareholders' Equity		0.17	0.17
Long-term Liabilities/Shareholders' Equity		0.04	0.03
Fixed Assets/Shareholders' Equity		0.54	0.54
Financial Liabilities/Shareholders' Equity		0.01	-
Profitability Ratios			
Asset Turnover	Net Sales/Total Assets	1.34	1.31
Gross Profit Margin	Gross Sales Profit/Net Sales	0.17	0.25
Return on Investment	Net Profit/Total Assets	0.15	0.23
Net Profit/Net Sales		0.11	0.18
Pre-Tax Profit/Net Sales		0.12	0.21
Net Profit/Shareholders' Equity		0.178	0.278
Operating Profit/Sales Revenue		0.12	0.20
Net Profit Per Share		28.67	40.01
Cash Assets		90,098,119	93,925,629
Financial Liabilities		4,421,286	713,512
Net Financial Position		85,676,833	93,212,117
Trade Receivables		62,471,232	64,882,123
Other Receivables		3,246,332	259,282
Inventories		133,081,463	103,454,020
Trade Payables		64,945,639	52,283,578
Other Payables		5,311,435	7,348,127

10) CLARIFICATIONS IN REGARDS TO THE CHANGES MADE WITHIN THE SENIOR MANAGEMENT IN THE LAST YEAR AND TO THOSE PRESENTLY ON DUTY

No changes were made within the senior management in this period. The details pertaining to the General Director of our Company are as indicated below.

Haluk IBER - Member of the Board of Directors and General Director

He was born on 15.07.1959. He received his undergraduate degree from the Chemical Engineering Department of Istanbul Technical University, and his graduate degree from Maine University. He started his business career at Seka A.S. in the year 1987. He worked in various positions within our Company between the years 1991 and 2002. Between the years 2002 and 2012, he worked as Vice General Director in the Company. He has been assigned to the position of General Director in our Company since the date 01.10.2012. His duty as Member of the Board of Directors of our Company to which he was assigned as of the year 2005 currently continues. Furthermore, he has the duty of member of board of directors in Selka Ic ve Dis Ticaret A.S and Donkasan Donusturulen Atik Kagit San. ve Tic. A.S., subsidiary companies of our Company.

11) PERSONNEL AND WORKER MOVEMENTS, COLLECTIVE BARGAINING IMPLEMENTATIONS, RIGHTS AND BENEFITS PROVIDED TO PERSONNEL AND WORKERS:

The average number of consolidated personnel of the Company excluding subcontractor workers is 306 as of the date 31.12.2019. (31.12.2018: 306 persons)

The labour union authorised for collective bargaining to which the workers employed in the factory of our Company is Turkey Cellulose Pulp and Paper Products Labour Union (Seluloz-Is). Collective bargaining contracts are made to be valid for periods of 2 years with this authorised labour union. All rights and benefits detailed under the collective bargaining contracts are made available for use by our workers. The collective bargaining contract currently valid was made with the authorised Seluloz-Is labour union on the date 07.03.2019 as to cover the period of 01.09.2018 - 31.08.2020.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

12) INFORMATION ON THE DONATIONS MADE WITHIN THE YEAR:

The Company makes contributions to associations and foundations dealing in the fields of sports, education and culture and to schools. In the general assembly meeting convened in the year 2019, the annual donation limit was defined as TL 750,000. (2018: TL 750,000)

The details of the donations and charities contributed as of the year 2019 are as shown below.

Donations (TRY)	31.12.2019	31.12.2018
Donations to Universities, Secondary and Elementary Grade Schools	900	523,979
Donations to Associations and Foundations (dealing in the fields of sports, education and social purposes)	20,180	115,170
Social Purpose Donations	0	84,270
Donations to other Institutions and Organisations	13,454	9,864
Total	34,534	733,283

13) CLARIFICATIONS ON THE MAIN ASPECTS OF THE GROUP'S INTERNAL AUDITING AND RISK MANAGEMENT SYSTEMS:

Necessary audits regarding the compatibility of the transactions and activities realised to both the legislation and to company policies are executed by our Company's Auditing Committee and Independent Auditor.

Our Company decided to establish the Early Risk Identification Committee as of the year 2013. This committee was established of 3 persons, for which the committee chairperson is elected among the independent members of the board of directors. The board of directors re-establishes the committee as per its structure and in line with the elections for members of the board of directors. The committee functions within the framework of its defined duties. The committee presents to the board of directors the report it compiles at the end of each year.

The committees other than the Early Risk Identification Committee convene at the Company headquarters every three months, at least four times each year. The Early Risk Identification Committee may convene in frequencies required by its duties and responsibilities. The Early Risk Identification Committee convened in 2 meetings within the year 2019 and represented the report it prepared to the board of directors. Clarifications were made under the financial table footnotes included in the beginning sections of the report in relation to financial risks. The Early Risk Identification Committee presented the report it prepared for the entire year 2019 to the board of directors.

Our Company prepares and implements internal checking systems. Audits are made by independent external auditors for the purpose of revising ISO 9001 Quality Management System, ISO 14001 Environment Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System quality certificates within the framework of auditing our internal checking system, and all non-conformities observed are communicated to the Company's senior management. Ways of solution are sought out and policies are developed in relation to any such issues communicated by way of multi-directional communication.

The Board of Directors adopts establishment of risk management mechanism, periodical auditing and continuous improvement of the internal checking mechanism. Inclusion of the outcomes of the aforementioned checking activities within the activity reports is not preferred by our Company's management. Thus, these are not explained under interim and annual periodical activity reports.

Our Company's Board of Directors defines the Company's strategic objectives during the previous year, and ascertains the human and finance resources required for achieving such objectives. Whether or not the aforementioned objectives are achieved is inspected periodically (in monthly, quarterly and yearly periods).

Our Company's Board of Directors embraces and implements the principle of executing its activities in a transparent, accountable, fair and responsible manner.

Our Company's Board of Directors respects compliance to the legislation, articles of association and company internal regulations and policies in regards to all of its transactions and actions.

14) CLARIFICATIONS ON RESEARCH AND DEVELOPMENT ACTIVITIES:

There is no R&D department within the body of our Company. The activities conducted are made towards the purpose of testing and improving the quality of products.

15) AMENDMENTS MADE IN THE ARTICLES OF ASSOCIATION WITHIN THE PERIOD, AND GROUNDS FOR SUCH AMENDMENTS:

Our Company made no amendments to its Articles of Association within the year 2019. In its meeting with date 13.01.2020 and number YK/2020-01, Our Company's Board of Directors made a decision for the amendment of Article 6 of the Company's Articles of Association. The draft amendment, which succeeded through the consent and approval of the Capital Markets Board and T.R. Ministry of Commerce, shall be presented to the approval of the General Assembly with the date 30.03.2020. The agenda of the General Assembly meeting to convene on the date 30.03.2020 has in its agenda the amendment to the Articles of Association. The aforementioned amendment to the Articles of Association aims to update the validity duration of the registered capital upper limit.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

16) RELATED PARTY TRANSACTIONS

The transactions our Company realised with related parties were described in detail under the FOOTNOTE 5 within the section titled as Explanatory Notes for Financial Tables included in the previous sections of the activity report. The Subsidiary Company Report Prepared As Per Article 199 of the Turkish Commercial Code was included in following sections.

17) COMPANY INFORMATION POLICY

Towards the purpose of realising compliance with the amendments in the Capital Market Legislation, the Information Policy was revised in the year 2014 within the framework of the Capital Market Board Official Communiqué with no II-15.1, and announced to the public.

The Information Policy Valid for the Year 2014 and Ensuing Years is presented below.

COMPANY INFORMATION POLICY

Purpose

Our company aims for providing accurate and complete information to shareholders on the particulars and developments regarding the past performance of the company and future expectations in the form of fair, timely, correct, complete, understandable, analysable and easily accessible financial and non-financial information without disrupting the equality in opportunity among relevant shareholders in compliance with the essence of the corporate management principles in addition to any clarification and information stipulated by legislation, with the condition such information do not impact the value of the capital market instruments exported, do not cause inequality in opportunity between our company and relevant shareholders, and do not fall into the category of confidential information and/or trade secrets.

I - METHODOLOGY AND INSTRUMENTS TO BE USED IN THE INFORMATION POLICY

The main information methodologies and instruments used by our company are as stated below, without prejudice to Capital Market Legislation and Turkish Commercial Code provisions;

- a. Special case statements communicated to the Public Disclosure Platform ("PDP")
- b. Financial reports communicated periodically to the Public Disclosure Platform
- c. Statements and announcements made via Turkish Trade Registry Gazette and Daily Newspapers and Journals Distributed at National Scale in Turkey
- d. Press releases and interviews made via printed and visual media
- e. Meetings with Shareholders, Information Communicated by way of Telephone Calls and Other Communication Instruments
- f. Corporate Website, Activity Reports, General Assembly Information Documents, General Assembly Meetings, Telephone, Electronic Mail ("e-mail"), fax, SMS, cell phone etc. communication instruments

II - PRINCIPLES REGARDING DISCLOSURE OF SPECIAL CASE STATEMENTS AND INFORMATION TO THE PUBLIC

In respect to Disclosure of Special cases to the Public, the rules defined within the Capital Market Legislation are followed.

Special cases are handled by making special case disclosures to the Public Disclosure Platform for the purpose of providing rapid access to information at the moment of its emergence within the framework of the rules defined as per the legislation, save for exceptions, as to provide accurate, direct, understandable information to shareholders avoiding exaggerated or misleading expressions and not causing inequality in opportunity.

Whenever changes emerge or are noticed on internal information and on the aspects previously disclosed to the public, they are disclosed to the public. The company may postpone disclosure of internal information to the public towards not harming legitimate benefits, not misleading and harming investors, and ensuring confidentiality within internal information in the context of capital market board legislation. In the event the company decides to postpone disclosure of the internal information to the public, it binds the decision to the Board of Directors Resolution or submits to the written approval of a person authorised by the Board of Directors, if any such person exists, including the information postponed to be disclosed, the impact of such postponement on the protection of the legal rights of the shareholdership, statement declaring such postponement do not constitute a risk for misleading investors and the measures taken towards preserving the confidentiality of such information throughout the period of postponement.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The Company communicates the persons who work through an employment contract or work in any other form for the Company and have access to internal information to Central Registry Agency (CRA) and make necessary updating within at the latest 2 days in the event any changes to such information occur. The list of such persons is also disclosed to the public over the company's corporate website.

Special case disclosures to the public are made after being signed by at least two managers with electronic signatures authorised by the board of directors of our company. Such disclosures are published on the corporate website of our company at the latest on the week day following the day the disclosure was made. Special Case Disclosures are kept within the website for a minimum duration of 5 years in order for shareholders to utilise.

Amendments and developments occurring to formerly made Special Case Disclosures are constantly updated and announced to the public. In the event no development emerges in any case that was disclosed to the public by way of special case disclosure but was not yet finalised, this situation is disclosed to the public together with its grounds in intervals of sixty days following the date of the most recent special case disclosure.

Measures pertaining to ensuring the confidentiality until the special cases are disclosed to the public have to be taken immediately at the moment such disclosures are noticed or realised excluding the restrictions stated under the legislation. In addition to such, security measures are taken towards preventing access to disclosures in question by persons not included within the list of accessibility to internal information. Towards the purpose of ensuring confidentiality, access to the physical and electronic copies of such information and documents shall be restricted and encrypted. The persons who have access to internal information are ensured to be knowledgeable of their liabilities regarding such information in line with laws and relevant legislation, and of the sanctions related to the misuse of and unfair advantage gained from such information.

III - PRINCIPLES ON THE CONFIRMATION OF EXTRAORDINARY PRICE AND TRADING VOLUME MOVEMENTS RELATED TO EXPORTED CAPITAL MARKET INSTRUMENTS, AND NEWS AND RUMOURS

When changes unexplainable with ordinary market conditions occur in the price and trading volumes of the capital market instruments it exports, in response to request from Borsa İstanbul A.S., the company makes a Special Case Disclosure and states whether or not there are special cases not yet disclosed to the public and all such special cases, if any, are disclosed to the public within the framework of Capital Market Legislation rules.

In regards to exported capital market instruments, disclosure is made immediately to the public within the framework of Capital Market Legislation in case news and rumours exist and are noticed by the company that are of significance to impact the values of aforementioned instruments, their prices or the investment decisions of investors, that are announced to the public for the first time through media organs or other forms of communication or are of different content from the information disclosed previously to the public in respect to whether or not these are accurate or adequate. Comments, analyses, assessments and estimates made regarding the company based on information not disclosed to the public are not interpreted to fall in this context.

In regards to the news and rumours circulating on media organs or websites pertaining to the company, the company's investor relations department assesses the aforementioned news and rumours immediately after noticing such information based on the degree of significance as indicated under legislation. In the event the department comes upon the conclusion that it is necessary to make a Special Case Disclosure in result of such assessment, it informs the company management and a Special Case Disclosure is realised to inform the public.

IV - PRINCIPLES ON PUBLIC DISCLOSURE OF FUTURE PROJECTIONS

Assessments and information on future projections may be disclosed to public with the condition they are approved by board of directors resolution or by person authorised by board of directors.

Assessments on future projections pertaining to the company are disclosed at most 4 times per year by the company management. The aforementioned disclosure may be realised via activity reports announced within the context of Capital Market Board regulations on financial tables or via presentations for informing investors with the condition they are disclosed to the Public Disclosure Platform. In the event a significant change occurs in the future projection assessments or there is significant difference between the aspects previously disclosed to public and the realisations, additional disclosure is made to public within the context of Capital Market Legislation including the reasons for such difference. The activity reports and announcements prepared within the context of this paragraph are announced also on the company's corporate website on the first week day following the date the disclosure was made.

In cases where aspects pertaining to special cases including assessments on future projections are disclosed to public via media organs or other forms of communication; in the event such aspects are inadvertently disclosed at a meeting open to public prior to or simultaneously with the aforementioned disclosure, the situation is immediately communicated to the Public Disclosure Platform.

Members of the Board of Directors, General Director and Vice General Directors may provide individual statements and interviews to newspapers and journals for the purpose of informing the public on behalf of our company, without prejudice to the regulations of the Capital Market Board.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

V - PUBLIC DISCLOSURE OF THE PERSONS WITH ADMINISTRATIVE RESPONSIBILITY AND THE ACTIONS OF SUCH PERSONS

Persons with administrative responsibility according to the Capital Market Legislation are as listed below;

- a) Members of the Board of Directors
- b) Persons who regularly access directly or indirectly the internal information, possessing the power to make decisions capable of impacting the future development of the company and its commercial objectives despite not being Members of the Board of Directors
- c) Persons in close association with the person with administrative responsibility
 - c1) The spouse and children of the person with administrative responsibility, and those who resided at the same residence with the aforementioned person at the time the action in question was executed
 - c2) Legal entities, institutions, organisations and affiliates of which administrative responsibilities are undertaken by the person with administrative responsibility or by persons indicated under subparagraph c1 or are controlled directly or indirectly by the aforementioned persons or established for the benefit of such persons or have economic benefits essentially in line with the economic benefits of such persons
 - c3) Members of the board of directors, and persons who regularly access directly or indirectly the internal information, possessing the power to make decisions capable of impacting the future development of the company and its commercial objectives despite not being Members of the board of directors of subsidiaries that constitute 10% or more of the total assets under the financial assets table belonging to the most recent year prepared for the company as per Capital Market Legislation rules

The persons who have administrative responsibility regarding the capital market instruments exported by our company are defined in line with the principles listed above.

In the event the total volume of the transactions made on behalf of the aforementioned persons with administrative responsibility reach the amount defined under Capital Market Board communiqués within one calendar year, all the transactions performed by the persons with administrative responsibility according to the Capital Market Legislation and the persons in close association with such persons by the side of the main association of our company in relation to the shares representing the capital and the other capital market instruments based on such shares are disclosed to the public by the person who performed the transactions. The total amount of the transactions is calculated by summing all transactions performed by each of the persons with administrative responsibility and the persons in close association with such persons.

All transactions that are performed by the persons with administrative responsibility and the persons in close association with such persons by the side of the main association of the exporter in relation to the shares representing the capital and the other capital market instruments based on such shares and that exceed the amount defined under Capital Market Board communiqués are disclosed to the public without indicating sale volume at the latest 1 week day prior to each transaction separately from the disclosure to be made at the end of the sale.

VI - ASPECTS PERTAINING TO THE DISCLOSURE OF INFORMATION ON GENERAL ASSEMBLY MEETINGS AND CAPITAL MARKET INSTRUMENT EXPORT

In regards to the notifications and statements to be made in regards to General Assembly Meetings and export of Capital Market Instruments, obligations pertaining to the announcement periods and the minimum information required to be disclosed defined under the Company articles of association, Company General Assembly Internal Directive, Commercial Code and Capital Market Legislations are followed. The aforementioned information and documents are also announced on the company's corporate website.

VII - INVESTOR INFORMATION MEETINGS AND OTHER ASPECTS

It is our company's primary principle that the information not classified as trade secrets and are disclosed to the public other than those defined by the legislation shall be announced to all shareholders and the persons and organisations to benefit from disclosures in a timely, accurate, complete, understandable, interpretable, economically accessible and fair manner.

Periodical financial tables and explanatory notes are prepared as to display the actual financial state of our Company and in line with the valid legislation, and disclosed to the public after being subjected to independent auditing with intervals stipulated by the legislation.

Activity reports are prepared as to cover the minimum information required by the legislation and in the detail level enabling the public to access all information regarding the company's activities. These reports are disclosed to the Public Disclosure Platform and the corporate website of the company for the purpose of informing the investors.

Our annual activity report is prepared by our General Director and our Manager heading the department responsible for the preparation of financial tables and reports and is approved by our Board of Directors, and includes the statement that the financial tables accurately reflect the financial state of the company and that the company completely abides by the legislation.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Requests for information that were not yet disclosed to the public and that would disrupt the equality in opportunity between our company and relevant shareholders are left out of assessment, while detailed information on information disclosed to the public are shared with our requesting shareholders through all kinds of communication tools that may be requested.

Up-to-date data and information on the company are presented on the website of our company and the information and documents required by the investors are published under the link "Investor Relations". The Investor Relations department was established for the purpose of enabling relationship between the company and relevant shareholders, and through this department the shareholders are informed. Requests for information aimed meetings that reach the aforementioned department are communicated to the company management and the relevant meetings are realised following designation of an appropriate meeting calendar.

Information meetings, general assembly meetings, activity reports, statements made by the company management to newspapers and journals, special case disclosures, and publicly announced presentations and reports are announced separately on the company's corporate website in addition to the methods defined under Company articles of association, Company General Assembly Internal Directive, Commercial Code and Capital Market Legislations for providing access by the public.

18) CORPORATE MANAGEMENT

a) Corporate Management Compliance Declaration

Our company strives towards implementing the principles included under its Corporate Management Principles within the framework of the present market structure and association structure.

Our company observes the Corporate Management Principles as significantly favourable for both the company and the shareholders. It is considered that the adoption of the Corporate Management Principles will provide important opportunities for the company in respect to low capital cost, increase of funding means and liquidity, improvement of company image, and increase of interest shown by local and foreign investors to our company. And for the shareholders, a structure will emerge where they may exercise their rights with more convenience, with a more transparent management and access to more information. This in turn will be a reason for preference for the shareholders.

Our company established complete compliance to the principles defined as mandatory by the Capital Market Legislation. There are no principles that are deemed mandatory and not implemented. There are no principles excluded as per the provisions of Article 6 of the Corporate Management Communiqué no. II-17.1.

Besides this, it was accepted that among the non-mandatory corporate management principles, those that do not impact on the competitiveness of our company, trade secrets, and information that would cause inequality in opportunity among the shareholders are to be implemented. Compliance studies are conducted each year by the Corporate Management Committee, where the principles are reviewed.

The Capital Market Board decided through its Decision with date 10.01.2019 and no. 2/49 that the Corporate Management Compliance Reporting conducted in line with the Corporate Management Communiqué no. II-17.1 is to be realised over the Public Disclosure Platform (PDP) by use of the templates Corporate Management Compliance Report (Kurumsal Yönetim Uyum Raporu - URF) and Corporate Management Information Form (Kurumsal Yönetim Bilgi Formu - KYBF). The Corporate Management Compliance Report that belongs to the year 2019 period of our company and the Corporate Management Information Form that includes up-to-date information regarding the corporate management applications in our company are available at the address:

"<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>"

b) Investor Relations Department Activities

Our company's relations with shareholders had been handled by the Financial Affairs Directorate during the years before 2009, while on the year 2009, the "Department of Relations with Shareholders (Investor Relations Department)" was established within the body of this Financial Affairs Directorate. Communication structure and details of this department are as presented below.

The Investor Relations Department comprises of 2 personnel, constituted of 1 manager and 1 employee, and it functions under the Corporate Management Committee. The Investor Relations Department Manager started to also function as a Member of the Corporate Management Committee as of the date 28.03.2014.

Name Surname	Duty	Telephone and Fax	e-mail	Address
Meltem DOGAN	Investor Relations Department Employee	Phone: 0-212-2732000 (309 direct) Fax: 0-212-273 21 64	meltem@kartonsan.com.tr	Prof. Dr. Bulent Tarcan Cad. Engin Pak Is Merk. No: 5 K: 3 Gayrettepe/Besiktas/Istanbul
Bulent YILMAZ	Investor Relations Department Manager	Phone: 0-212-2732000 (302 direct) Fax: 0-212-273 21 64	byilmaz@kartonsan.com.tr	Prof. Dr. Bulent Tarcan Cad. Engin Pak Is Merk. No: 5 K: 3 Gayrettepe/Besiktas/Istanbul

Bulent YILMAZ, Investor Relations Department Manager, has Capital Market Activities Level 3 Licence (Capital Market Advanced Licence) (Licence No: 205478) and Corporate Management Grading Licence (Licence No: 700657).

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Investor Relations Department continued undertaking actions in regards to activities for informing shareholders, making it convenient for shareholders to exercise their rights, realising the general assembly meeting and the statements made towards disclosure to the public in the year 2019. The "Investor Relations Department Activity Report for Year 2018" that was prepared in regards to the actions realised within the year 2018 was submitted to the Board of Directors as of the date 19.02.2019. The "Investor Relations Department Activity Report for Year 2019" that was prepared in regards to the actions realised within the year 2019 was submitted to the Board of Directors as of the date 28.02.2020.

The Investor Relations Department continues its activities towards keeping the relevant shareholders informed without disrupting their equality of opportunity, and in a timely, accurate and complete manner in regards to financial and non-financial information in compliance with the essence of the corporate management principles in addition to any clarification and information stipulated by legislation, with the condition such information do not impact the value of the capital market instruments exported, do not cause inequality in opportunity between our company and relevant shareholders, and do not fall into the category of confidential information and/or trade secrets.

To that end, for the purpose of keeping the relevant shareholders informed in regards to all topics related to the company, the communication details of the Investor Relations Department are disclosed to the public on the company website, in Annual Activity Reports and on the Public Disclosure Platform.

For any and all information requests from relevant shareholders, telephone, e-mail and fax communication channels were established.

A total of 36 questions were received by the Investor Relations Department via e-mail and telephone in the year 2019. The questions received were answered in verbal and e-mail formats.

The content distribution of the questions is as presented below.

REQUESTED INFORMATION	Number	% Ratio
Information Requests regarding Capital Increase and Registered Capital Upper Limit	15	42%
Information Requests regarding Reasons of Stock Price Increases and Decreases	9	25%
Information Requests regarding General Assembly and Association Rights	5	14%
Information Requests regarding Financial Tables	4	11%
Information Requests regarding Dividend Payments	3	8%
Total	36	100%

A significant portion of the questions asked by the investors occurred to be related to the topics of periodical profit, stock price movements, registered capital upper limit increase and capital increase. The remaining questions occurred to be about the topics of financial tables and dividend payments. In cases where the written or verbal questions communicated by the investors to our department are related to issues not yet disclosed to the public in accordance to Capital Market Board legislation, such questions are left unanswered after citing the reason, and the shareholders are informed in case they fall into the category of information already disclosed to the public.

Special Case Disclosures made to Public Disclosure Platform (PDP) are utilised as the general information method, and our Special Case Disclosures were also published on our website and the e-company platform of the Central Registry Agency (CRA). A total of 11 Special Case Disclosures and right exercising notifications were performed in the year 2019.

c) Shareholders' Exercise of Rights to Information

Our company developed and disclosed to the public an "Information Policy" in compliance with the Capital Market Legislation. This policy is available on the Public Disclosure Platform (PDP) at the address "<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>" and on our company's website at the address <http://kartonsan.com.tr/tr/page.php?id=41>.

Our company aims for providing accurate and complete information to shareholders on the particulars and developments regarding the past performance of the company and future expectations in the form of fair, timely, correct, complete, understandable, analysable and easily accessible financial and non-financial information without disrupting the equality in opportunity among relevant shareholders in compliance with the essence of the corporate management principles in addition to any clarification and information stipulated by legislation, with the condition such information do not impact the value of the capital market instruments exported, do not cause inequality in opportunity between our company and relevant shareholders, and do not fall into the category of confidential information and/or trade secrets.

It is our company's primary principle that the information not classified as trade secrets and are disclosed to the public other than those defined by the legislation shall be announced to all shareholders and the persons and organisations to benefit from disclosures in a timely, accurate, complete, understandable, interpretable, economically accessible and fair manner.

Requests for information that were not yet disclosed to the public and that would disrupt the equality in opportunity between our company and relevant shareholders are left out of assessment, while detailed information on information disclosed to the public are shared with our requesting shareholders through all kinds of communication tools that may be requested.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Up-to-date data and information on the company are presented on the website of our company and the information and documents required by the investors are published under the link "Investor Relations". The Investor Relations department was established for the purpose of enabling relationship between the company and relevant shareholders, and through this department the shareholders are informed. Requests for information aimed meetings that reach the aforementioned department are communicated to the company management and the relevant meetings are realised following designation of an appropriate meeting calendar.

Information meetings, general assembly meetings, activity reports, statements made by the company management to newspapers and journals, special case disclosures, and publicly announced presentations and reports are announced separately on the company's corporate website in addition to the methods defined under Company articles of association, Company General Assembly Internal Directive, Commercial Code and Capital Market Legislations for providing access by the public.

Every shareholder of our company possesses the right to information and review. The right to information and review was not abolished or restricted through the company articles of association or through any resolution of a company department. Within the framework of our company's recognition of the right to information and review, all of the information requests excluding those not yet disclosed to the public in line with the Capital Market Legislation and those that may cause inequality in opportunity among shareholders are answered and the shareholders are kept informed. Such information action is performed by our company's Investor Relations Department. Resolutions that may impact the shareholders' exercise of their rights are also announced in an up-to-date manner on the company's website.

There is no provision under our company's articles of association that enables each shareholder to individually request special audit for inspection of specific cases or request inspection from the general assembly despite not being included in the agenda. In cases where no relevant provisions exist under the company's articles of association, the provisions of the Turkish Commercial Code and the Capital Market Legislation are implemented. Our company is subjected to Independent Audit in the framework of the Capital Market Legislation and also undergoes audit in the framework of the Tax Laws each year. There is no provision under our company's articles of association and no company resolution that obstructs the exercise of shareholder rights (rights that are not contradictory to the legislation and not causing inequality in opportunity among shareholders). In this context, exercise of the individual Special Audit right is not deemed necessary, also taking into account the benefits aimed and the costs to the company. However, a written application by the majority of the shareholders may establish an agenda item to be discussed in the General Assembly, and the right to perform special audit may be thus exercised with the condition such decision is made at the General Assembly meeting.

d) General Assembly Meetings

Our company realised its Year 2019 Ordinary General Assembly meeting on the activities of the year 2018 simultaneously in both electronic and physical environments on the date 28.03.2019. No physical attendance to the meeting from the media occurred. Other shareholders and shareholders other than the shares maintaining management of the company also attended the General Assembly. The meeting was realised in both electronic and physical environments with a majority of 80.19% that resulted due to the attendance of a 227,495,302 (coinciding with a capital value of TL 2,274,953.02) shares out of the total shares of 283,701,421 shares. No specific meeting quorum was defined for General Assembly meetings in the articles of association, and the provisions of the Turkish Commercial Code were applied in regards to meeting and decision quorums. The calls to the meetings were made in their due times, including also the agenda as stipulated in the law and in the articles of association, by being announced at the latest 21 days prior to the General Assembly meetings on the Turkey Trade Registry Gazette with date 04.03.2019 and no. 9779, on Milliyet and Dunya Newspapers with date 02.03.2019, on the company's website (www.kartonsan.com.tr), on the Public Disclosure Platform ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>"), on the Electronic General Assembly System (Elektronik Genel Kurul Sistemi - EGKS) of the Central Registry Agency. Because there are no registered shares of our company, no further invitation form was required.

In these calls for meeting, information on the place, date and time of the General Assembly, power of attorney template for the proxies to attend the General Assembly meeting, conditions required to be met for attending the meeting, financial tables pertaining to the activities of the year 2018, the Board of Directors, and the date and place where the independent auditor report will be made accessible for the examination of shareholders were included. Furthermore, General Assembly documents in addition to the other documents prepared in line with corporate management principles were announced separately under a special section for the investors in the company's website. The documents in question were submitted to the information of the shareholders 15 days prior to the General Assembly meeting. Members of the Board of Directors, the independent auditor representative, and the financial affairs department officials responsible for the preparation of financial tables were present at the General Assembly meeting for providing necessary information and answering the questions. Shareholders spoke about their opinions and recommendations at the General Assembly meeting. Verbal questions communicated during the meeting were directed by the meeting chairperson to relevant persons who provided the answers. Shareholders did not exercise their rights to ask written questions during the meeting. Thus, no written answer was provided by the Investor Relations Department.

No special auditor requests were received by shareholders during the term.

No agenda recommendation was received from shareholders in the relevant General Assembly meeting.

Information was provided during the General Assembly meeting on the donations made during the relevant term. A separate agenda item was established in regards to the donations in question. The upper limit value was defined by the General Assembly in regards to the donations to be made during the next term in line with the Capital Market Legislation.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

A separate agenda item was established during the General Assembly meeting in regards to the topic of Informing the General Assembly in Line with the Capital Market Legislation and Articles 395 and 396 of the Turkish Commercial Code In Respect To Shareholders Maintaining Management Dominance, Members of the Board of Directors, Senior Managers, Spouses, Blood Relatives and Relatives by Marriage of the Same Being Able to Make Transactions and Compete at the Capacity that may Cause Conflict of Interest with the Company and Affiliates, and Permitting the Aforementioned Transactions, and the permission in question was provided to be granted by the General Assembly.

General Assembly meeting minutes and General Assembly Attendance Tables are published and enabled for review of the shareholders at the company headquarters, on the company website (www.kartonsan.com.tr), in the e-company platform of the Central Registry Agency and on the Public Disclosure Platform ("<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>").

e) Information regarding the Board of Directors, Committees, Independent Auditor and Senior Executives, and Financial Rights provided.

In accordance with the relevant articles of the company's articles of association, the regulations related to the board of directors and the auditors are indicated below.

Board of Directors

Article: 8- The Company is managed and represented by a Board of Directors which is established from minimum 7 (seven) and maximum 11 (eleven) members to be elected by the General Assembly. The number of the members of the board of directors is determined so as to allow for the members to carry out efficient and constructive works, to take rapid and rational decisions and for the committees to be established and to organize their works in an effective manner.

The Corporate Management Principles which are required to be applied by the Capital Market Board are complied with. The procedures carried out and the resolutions of the board of directors taken without complying with the compulsory principles are invalid and deemed to be in contrary to the articles of association. The number and qualifications of the independent members to take charge in the board of directors are determined in accordance with the regulations regarding the corporate management of the Capital Market Board.

The Members of the Board of Directors elect one chairman among themselves and two vice chairmans in order to represent the chairman in turn in the absence of the chairman in every year.

The General Assembly, if considers necessary, can change the members of the Board of Directors at all times. The members who is discharged has no right to claim compensation.

Duties and Authorities of the Board of Directors and their Transfer

Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors performs the duties charged to it by the Articles of Association and the law.

The necessary Committees are established within the framework of the Capital Market Legislation and the Corporate Management Principles. If the Corporate Management Committee is composed of two members, both members; and if the Corporate Management Committee is composed of more than two members, the majority of the members are composed of the members of the board of directors who are not in charge in the execution.

The members of the Board of Directors are authorized to decide the division of labour among themselves, to elect the execution committee from their own members or from the senior executives and to appoint a general director. The provisions of the article 367 of the Turkish Commercial Code are reserved.

The Company is represented and bound by two signatures. The persons who will represent and bind the company with their signatures and with the union of which ones of these persons such signatures will represent and bind the company are decided by the Board of Directors and the circular of signatures is issued in compliance with this decision.

The Board of Directors complies with and inspects and ensures the compliance with the principles of public disclosure and transparency and protecting the rights of the shareholders regulated by the legislation and mutual covenants under the Capital Market Legislation and the corporate management principles in the management and representation of the Company.

Article: 9/A- Annuled.

Authorization of the Board of Directors to Issue the Stocks and Other Capital Market Instruments

Article: 10- The Company can issue the stocks and other debt securities which are capital market instruments in order to be sold within the country and in abroad by complying with the provisions of the Turkish Commercial Code, the Capital Market Law and the relevant legislation. The Board of Directors has the authorization to issue the stocks and other debt securities which are capital market instruments within the framework of the Capital Market Law for an indefinite period of time. In this case, the provisions of the Turkish Commercial Code are not applied.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Meetings of the Board of Directors

Article: 11- The Board of Directors meet at the frequencies that it can effectively fulfill its duties, at least once in every month. The Chairman of the Board of Directors determines the agenda of the meetings of the board of directors by negotiating with the other members of the board of directors and the chairman of the executive committee. The meetings are held at the headquarter of the Company. However, it is also possible to hold the meetings in a place other than the headquarter of the Company or by all kinds of technological methods providing remote access with the decision of the Board of Directors. In the Board of Directors, each member has one voting right. The Board of Directors meets by the majority of the total member number and takes decision by the majority of the members who are present at the meeting.

Financial Rights of the Members of the Board of Directors

Article: 12- The payments and amounts of the salaries, daily allowances, bonuses and premiums provided to the Chairman and Members of the Board of Directors are decided by the General Assembly in compliance with the Capital Market Legislation and the Corporate Management Principles.

In the pricing of the independent members of the board of directors, the stock options or the payment schedules based on the company's performance are not used. The salaries of the independent members of the Board of Directors are at the level to maintain their independence.

Auditors

Article: 13- The General Assembly elects one or two auditors for one year. With regard to the election, duty periods, duties, authorities and responsibilities of the auditor, the registration procedures and the other issues related to the auditor, the regulations of the Turkish Commercial Code, the Capital Market Law, the Capital Market Board and the relevant legislation are complied with.

Fees of the Auditors

Article: 14- A monthly or annual fee to be determined by the General Assembly is paid to the Auditors.

The Ordinary General Assembly meeting of the Company for the operating year of 2018 was held on 28.03.2019. At the General Assembly meeting, the persons whose names are specified below were elected as the members of the board of directors and Independent Auditors in order to perform duty for one year. The information regarding the Company's Board of Directors, the Committees and the Independent Auditor performing duty within the period or elected within the period are indicated below.

Board of Directors

Name-Surname	Position	Positions other than Shareholding	In-Group/ Off-Group	Start of Duty Period	End of Duty Period	Date of Re-election	New Duty Period
Unal Bozkurt	Chairman of the Board of Directors	Membership to the Board of Directors	In-Group	05.10.2000	28.03.2020	29.03.2019	1 YEAR
Asli Balkir	Vice Chairman of the Board of Directors	Membership to the Board of Directors	In-Group	02.08.2001	28.03.2020	29.03.2019	1 YEAR
Suleyman Kaya	Vice Chairman of the Board of Directors	Membership to the Board of Directors	In-Group	06.02.2006	28.03.2020	29.03.2019	1 YEAR
Sinan Ercan Gulcur	Member of the Board of Directors	Membership to the Board of Directors	In-Group	05.10.2000	28.03.2020	29.03.2019	1 YEAR
Babur Gokcek	Member of the Board of Directors	Membership to the Board of Directors	In-Group	06.02.2006	28.03.2020	29.03.2019	1 YEAR
Mehmet Imregun	Member of the Board of Directors	Membership to the Board of Directors	In-Group	21.03.2011	28.03.2020	29.03.2019	1 YEAR
Hatice Canan Pak Imregun	Member of the Board of Directors	Membership to the Board of Directors	In-Group	01.10.2012	28.03.2020	29.03.2019	1 YEAR
Haluk Iber	Member of the Board of Directors and General Director	Membership to the Board of Directors	In-Group	02.03.2006	28.03.2020	29.03.2019	1 YEAR
Ahmet Goksel Yucel	Independent Member of the Board of Directors	Teaching Assistant	Off-Group	29.03.2018	28.03.2020	29.03.2019	1 YEAR
Suleyman Kadri Mirze	Independent Member of the Board of Directors	Teaching Assistant	Off-Group	29.03.2018	28.03.2020	29.03.2019	1 YEAR

The Board of Directors held 20 meetings within the year until 31.12.2019. The average participation rate of the members of the Board of Directors in the meetings of the board of directors was 96.50% for the year of 2019. All of the decisions taken within the year were fulfilled.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The General Assembly Information documents which our Company prepared and disclosed to the public include the curriculum vitae of the members of the Board of Directors. These General Assembly Information documents are available on our company's website, on the Public Disclosure Platform ("<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>") and on the e-company application. (<http://kartonsan.com.tr/tr/page.php?id=47> or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

In relation to the independent memberships to the board of directors within the framework of the Capital Market Legislation, the Corporate Management Committee nominated 2 independent member of the board of directors on 25.02.2019 and submitted them to the board of directors on 26.02.2019 in 2019. These independent members submitted their statements of independence to the company and no circumstance that eliminates the independence occurred within the period. The independent members of the board of directors submitted the following statements of independence to the company.

Statement of Independence of the Independent Members of the Board of Directors

I declare and commit within the framework of the Legislation and the articles of association that I am the candidate for performing duty as "independent member" within the scope of the criteria established in the legislation, the articles of association and the Corporate Management Principles declared by the Capital Market Board in the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.S.(the Company), and within this scope;

No direct or indirect employment, capital or important commercial relationship has been established within the last five years between the company, one of the related parties of the company or the legal persons with whom the shareholders who directly or indirectly have 5% or more shares in the capital of the company are associated in terms of management or capital and myself, my spouse and my blood relatives and relatives by marriage up to third degree,

I have not worked and performed duty as the member of the board of directors in the companies which conduct all or a specific part of the operation and organization of the company within the framework of the agreements made, mainly the companies which perform the inspection, rating and consultancy of the company, within the last five years,

I have not been a shareholder, employee or member of the board of directors in any of the companies which provide service and product to the company to a considerable extent within the last five years,

The rate of the shares that I have in the capital of the company is less than 1% and these shares are not preferential shares/I do not have any share in the capital of the company,

As it will be seen in my curriculum vitae given in the annex, I have the professional training, knowledge and experience to duly fulfill the duties that I will undertake due to the independent membership to the board of directors,

I will not work in full-time in the public institutions and organizations after being elected as the independent member of the board of directors, except for the position of Academic Member, provided that I will comply with the relevant legislation,

I am deemed to reside in Turkey in accordance with the Income Tax Law,

I will be able to provide positive contributions to the company's operations, I will maintain my objectivity in the conflicts of interest between the company's shareholders and I will decide freely by taking into account the rights of the shareholders,

I will allocate time to the company affairs to the extent that I can follow up the functioning of the company's operations and completely fulfill the requirements of the duties that I have undertaken.

Date -Name and Surname-Signature"

Although the issue regarding the ability of the members of the Board of Directors to undertake other duties outside the company is not separately subject to rules and principles, it is submitted to the knowledge and approval of the shareholders as a separate agenda item at the general assembly meetings.

Our Company is an affiliate of PAK COMMUNITY. Some of the members of our company's board of directors naturally take charge in the other group companies and subsidiaries holding the management control of our company. Therefore, the issue of "Informing the General Assembly in Line with the Capital Market Legislation and Articles 395 and 396 of the Turkish Commercial Code In Respect To Shareholders Maintaining Management Dominance, Members of the Board of Directors, Senior Managers, Spouses, Blood Relatives and Relatives by Marriage of the Same Being Able to Make Transactions and Compete at the Capacity that may Cause Conflict of Interest with the Company and Affiliates, and Permitting the Aforementioned Transactions" is added as an item to the agenda at the general assembly meetings in every year and the mentioned permit is requested by the general assembly.

The target of the female member rate in the Board of Directors of the Company was not determined. At least 2 female members have been in charge in the board of directors for many years. As a minimum target for the female member rate was not determined, the issue of achieving any target is not separately considered.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The operating principles of the Board of Directors were regulated in detail in the articles 9 and 10 of the articles of association and the texts of these articles are indicated below.

Duties and Authorities of the Board of Directors and their Transfer

Article: 9- The management and representation of the Company belong to the Board of Directors. The Board of Directors performs the duties charged to it by the Articles of Association and the law.

The necessary Committees are established within the framework of the Capital Market Legislation and the Corporate Management Principles. If the Corporate Management Committee is composed of two members, both members; and if the Corporate Management Committee is composed of more than two members, the majority of the members are composed of the members of the board of directors who are not in charge in the execution.

The members of the Board of Directors are authorized to decide the division of labour among themselves, to elect the execution committee from their own members or from the senior executives and to appoint a general director. The provisions of the article 367 of the Turkish Commercial Code are reserved.

The Company is represented and bound by two signatures. The persons who will represent and bind the company with their signatures and with the union of which ones of these persons such signatures will represent and bind the company are decided by the Board of Directors and the circular of signatures is issued in compliance with this decision.

The Board of Directors complies with and inspects and ensures the compliance with the principles of public disclosure and transparency and protecting the rights of the shareholders regulated by the legislation and mutual covenants under the Capital Market Legislation and the corporate management principles in the management and representation of the Company.

Authorization of the Board of Directors to Issue the Stocks and Other Capital Market Instruments

Article: 10- The Company can issue the stocks and other debt securities which are capital market instruments in order to be sold within the country and in abroad by complying with the provisions of the Turkish Commercial Code, the Capital Market Law and the relevant legislation. The Board of Directors has the authorization to issue the stocks and other debt securities which are capital market instruments within the framework of the Capital Market Law for an indefinite period of time. In this case, the provisions of the Turkish Commercial Code are not applied.

In relation to the Meetings of the Board of Directors, the following regulations were made in the article 11 of the articles of association.

Meetings of the Board of Directors

Article: 11- The Board of Directors meet at the frequencies that it can effectively fulfill its duties, at least once in every month. The Chairman of the Board of Directors determines the agenda of the meetings of the board of directors by negotiating with the other members of the board of directors and the chairman of the executive committee. The meetings are held at the headquarter of the Company. However, it is also possible to hold the meetings in a place other than the headquarter of the Company or by all kinds of technological methods providing remote access with the decision of the Board of Directors. In the Board of Directors, each member has one voting right. The Board of Directors meets by the majority of the total member number and takes decision by the majority of the members who are present at the meeting.

Our Company's Board of Directors embraces and implements the principle of executing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors held 16 meetings until 30.09.2019 in 2019. All members who did not have any excuse (health issues and being in abroad etc.) participated in the meeting. All of the decisions taken within the period were taken by the consensus of the participants. Therefore, no dissenting opinion was entered into the decision record.

There is no division of labor among the members of our company's Board of Directors and clarifications are made about the committees established in the activity reports and on the company's website.

No insurance was made out in relation to the damages to be caused in the company by the defaults of the members of the Board of Directors during their duties.

A written circular of signatures is issued by the Board of Directors of our Company in relation to the representation and management of the company following the General Assembly meeting in every year. In this circular of signatures, the authority to represent the company alone is not granted to any person. The important deeds and procedures can be performed with the signatures of at least 2 signatories by different signatory groups. In our Company, no one has unlimited authority to take decision alone.

In our Company, the chairman of the board of directors and the general director are not the same person. The application has been made in this way for many years.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Even if the chief executive officer and the chairman of the board of directors will be the same person in the future, this situation is not considered as an issue that will affect the rights of the shareholders. Therefore, it will not be necessary to inform the shareholders on this matter and to make clarifications in the activity reports.

The Corporate Management Committee was established from the members of our Company's Board of Directors. Also, the Investor Relations Department was established as associated to this committee. In the elimination and resolution of the possible disputes, the Board of Directors of our company agreed to play a leading role.

Number, Structure and Independence of the Committees established within the body of the Board of Directors

The Auditing Committee, the Early Risk Identification Committee and the Corporate Management Committee were established from the members of our Company's Board of Directors. The Nomination Committee and the Compensation Committee were not established and it was adopted that the Corporate Management Committee would fulfill also these duties. From which members the Early Risk Identification Committee, the Auditing Committee and the Corporate Management Committee would be established and the working principles of the Committees were determined and disclosed to the public by the Board of Directors.

The Auditing Committee was established from 2 members in total and Independent Members were elected to these two membership positions. The Chairman naturally became an Independent Member.

The Corporate Management Committee was established from 4 members (3 members as the Member of the Board of Directors and 1 member as the Director of the Investor Relations Department) and the Early Risk Identification Committee was established from 3 members. The independent members of the Board of Directors were elected to the chairman positions of all of these committees.

The performing committees of our Company within the year of 2019 are indicated below.

Auditing Committee

Name-Surname	Position	Start of Duty Period	End of Duty Period	Date of Re-election	New Duty Period
Ahmet Goksel Yucel	Chairman of the Auditing Committee	10.04.2018	28.03.2020	29.03.2019	1 YEAR
Suleyman Kadri Mirze	Member of the Auditing Committee	10.04.2018	28.03.2020	29.03.2019	1 YEAR

Corporate Management Committee

Name-Surname	Position	Start of Duty Period	End of Duty Period	Date of Re-election	New Duty Period
Suleyman Kadri Mirze	Chairman of the Corporate Management Committee	10.04.2018	28.03.2020	29.03.2019	1 YEAR
Asli Balkir	Member of the Corporate Management Committee	09.04.2013	28.03.2020	29.03.2019	1 YEAR
Suleyman Kaya	Member of the Corporate Management Committee	09.04.2013	28.03.2020	29.03.2019	1 YEAR
Bulent Yilmaz	Member of the Corporate Management Committee*	28.03.2014	28.03.2020	29.03.2019	1 YEAR

*He is not the Member of the Board of Directors, but the Director of the Investor Relations Department.

Early Risk Identification Committee

Name-Surname	Position	Start of Duty Period	End of Duty Period	Date of Re-election	New Duty Period
Ahmet Goksel Yucel	Chairman of the Early Risk Identification Committee	10.04.2018	28.03.2020	29.03.2019	1 YEAR
Mehmet Imregun	Member of the Early Risk Identification Committee	09.04.2013	28.03.2020	29.03.2019	1 YEAR
Sinan Ercan Gulcur	Member of the Early Risk Identification Committee	28.03.2014	28.03.2020	29.03.2019	1 YEAR

The Chief Executive Officer/general director or the other executive members did not take charge in the committees.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The number of the Independent Members of the Board of Directors is 2 as required by the structuring of our Company's Board of Directors. As at least the chairmans of the committees established and all of the Auditing Committee should be established from the independent members, the principle for one member of the Board of Directors not to take charge in more than one committee could not be fulfilled. One member of our Board of Directors has to take charge in 2 separate committees.

The working principles related to the Committees established from the members of our Company's Board of Directors were documented. The current working principles of the Committees are available on our company's website (<http://kartonsan.com.tr/tr/page.php?id=37>), on the Public Disclosure Platform ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>") and on the e-company application. (<http://kartonsan.com.tr/tr/page.php?id=37> or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

Within the framework of such principles, all committees can invite the executive that they consider necessary in order to be able to fulfill their duties and obtain the opinion of such executive. Furthermore, the financial resource that is necessary for the operations of the committees is provided by the Board of Directors. Within the current period, no financial resource has been used by the committees.

All committees can provide the consultancy services that they consider necessary in order to be able to fulfill their duties on condition that the price of such services is covered by the company.

The Committees established from the members of our Company's Board of Directors document and record all of their works. They comply with the documented working principles on this matter. The Committees regularly submit reports to the board of directors in relation to their operations.

The committees other than the Early Risk Identification Committee convene at the Company headquarters every three months, at least four times each year. The Early Risk Identification Committee may convene in frequencies required by its duties and responsibilities. The Early Risk Identification Committee held meetings for two times in total on a semi-annually basis in 2019.

Our Company decided to establish the Early Risk Identification Committee starting from 2013. This committee was established from 3 persons and the chairman of the committee was the independent member of the board of directors. The Board of Directors re-establishes the committee depending on the elections of the members of the board of directors as required by its structuring in every year. The committee performs duty within the framework of the duties determined. The committee submitted the report that it prepared to the board of directors.

Benefits provided to the Board of Directors and Senior Executives

The article 12 of the articles of association includes regulation regarding the financial rights of the Board of Directors and the text of the article is indicated below.

Financial Rights of the Members of the Board of Directors

Article: 12- The payments and amounts of the salaries, daily allowances, bonuses and premiums provided to the Chairman and Members of the Board of Directors are decided by the General Assembly in compliance with the Capital Market Legislation and the Corporate Management Principles.

In the pricing of the independent members of the board of directors, the stock options or the payment schedules based on the company's performance are not used. The salaries of the independent members of the Board of Directors are at the level to maintain their independence.

The pricing principles of the members of the Board of Directors and the senior executives were documented and submitted to the shareholders as a separate item at the Ordinary General Assembly meetings and the shareholders were provided with the opportunity of delivering an opinion on this matter. This policy is available on the company's website (www.kartonsan.com.tr), on the e-company application of the Central Registry Agency (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and on the Public Disclosure Platform ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>").

Our Board of Directors did not prefer the establishment of a separate Compensation Committee as required by its structuring and decided that the compulsory duties identified to these committees within the framework of the Corporate Management Principles to be fulfilled by the Corporate Management Committee.

In the pricing of the independent members of the Board of Directors, the stock options or the payment schedules based on the company's performance were not used. Effort was shown for the salaries of the independent members of the Board of Directors to be at the level to maintain their independence. It was agreed to pay monthly salary to the independent members by the General Assembly.

Our Company does not have any application such as providing debt-credit to, giving guarantee or surety in favor of its Members of the Board of Directors or Senior Executives. Non-performance of such procedures was adopted as a principle by our board of directors.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

The salaries given and all benefits provided to the members of our Company's Board of Directors are included in the interim and annual activity reports and are available on the website of the company. Although no clarification is made on an individual basis, the minimum Board of Directors- senior executive separation is included.

Our members of the Board of Directors and Senior Executives earn the incomes specified in the following clarifications.

Benefits provided to the Members of the Board of Directors

Daily Allowance

Its amount is determined at the General Assembly Meeting.

(Daily Allowance Payments)

The monies and benefits (daily allowance) paid or provided to the chairman and members of the board of directors due to such capacities are qualified as salary in accordance with the article 61/4 of the Income Tax Law. The daily allowance payments made to the chairman and members of the board of directors are taxed by withholding as for the salary payments made to the other employees of the company.

Dividend Payment

It is determined by the General Assembly within the framework of the article 25 of the articles of association at "the General Assembly Meeting" held in every year.

Benefits provided to the Senior Executives

The General Directors and Vice General Directors who are the members of the Board of Directors have the incomes listed below as well as the membership to the Board of Directors;

- Monthly Salary (determined on a yearly basis.)
- Bonus at the amount of one monthly salary, (given for 4 times in a year.)
- Achievement Premium (given once at the end of the year.)
- Seniority Incentive Bonus (given at the amount between 1 salary and 2.5 salaries at the 5th, 10th, 15th, 20th, 25th years.)
- Personal Accident and Health Insurance
- Vehicles and Fixture allocated as required by the duty.

The benefits provided to the senior executives and the Members of the Board of Directors within the period (salary and daily allowance payments except for the dividend payments of the Board of Directors) are indicated below.

	31.12.2019	31.12.2018
Benefits provided to the Senior Executives	2,902,768	2,414,205
Benefits provided to the Members of the Board of Directors	207,202	183,542
Total	3,109,970	2,597,747

Senior Executives Taking Charge in the Operating Period

NAME-SURNAME	POSITION
Haluk Iber	Member of the Board of Directors and General Director
Umit Ozkan	Factory Manager
Volkan Turt	Production Manager
Guyen Sanli	Technical Manager
Umit Dincol	Production Services Manager
Rasit Kemal Ozkirim	Marketing Manager
Sadiye Basak Kaya	Human Resources and Quality Systems Manager
Atiye Suheyla Tugtekin	Purchase Manager
Bulent Koru	Financial Affairs Manager

No change has occurred in the senior management within the period. The information regarding the General Director of our Company is indicated below.

OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION

Haluk IBER - Member of the Board of Directors and General Director

He was born on 15.07.1959. He received his undergraduate degree from the Chemical Engineering Department of Istanbul Technical University, and his graduate degree from Maine University. He started his business career at Seka A.S. in the year 1987. He worked in various positions within our Company between the years 1991 and 2002. Between the years 2002 and 2012, he worked as Vice General Director in the Company. He has been assigned to the position of General Director in our Company since the date 01.10.2012. His duty as Member of the Board of Directors of our Company to which he was assigned as of the year 2005 currently continues. Furthermore, he has the duty of member of board of directors in Selka Iç ve Dış Ticaret A.Ş and Donkasan Donusturulen Atik Kagıt San. ve Tic. A.Ş., subsidiary companies of our Company.

19) SUBSIDIARY REPORT PREPARED UNDER THE ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Pursuant to the article 199 of the Turkish Commercial Code no 6102 which came into force on 1 July 2012, the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş. is obliged to issue a report about the relations of the company with its controlling shareholder and the companies associated to the controlling shareholder in the previous operating year and to include the conclusion part of this report in the operating report within the first three months of the operating year.

In the Report dated 27 February 2020 prepared by the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş., it is stated that;

“An appropriate counter-action was ensured in each legal transaction with Asil Holding A.Ş. (Controlling Shareholder), being the controlling shareholder of Kartonsan Karton Sanayi ve Ticaret A.Ş.(Subsidiary), and Pak Holding A.Ş. and with the companies which are directly or indirectly the subsidiaries of these two companies in accordance with the cases and conditions to the best of our knowledge on the date when such transactions were performed. There is no measure that was taken or that was avoided to be taken and the company has no damage within this framework.

All measures that were taken or that were avoided to be taken for the benefit of the controlling shareholder or its subsidiary were evaluated within the operating year of 2019 in the legal transactions made for the benefit of the controlling shareholder or its subsidiary by the direction of the controlling shareholder in accordance with the cases and conditions to the best of our knowledge in all transactions made with our Company, the controlling shareholder and its subsidiaries within the operating year of 01.01.2019 - 31.12.2019. We declare that our Company did not incur such a damage due to any transaction that occurred in accordance with the known cases and conditions with respect to the operating year of 2019, no benefit was provided and it is not possible to compensate the benefits obtained by the controlling shareholder or the damage.”.

20) MISCELLANEOUS

- The Company has not a share that it acquired.
- Clarification was made in the Section “Provisions, Conditional and Debts” of the footnotes of the financial statements (Footnote 14) about the actions filed against the company and to affect the financial status of the company and the potential results thereof.
- The entire capital of our company is present and exists in the company and there is no issue such as the company’s capital to be unreturned or being in debt.
- There is no issue that occurred in the company after the operating period, that is not clarified in the previous pages of the activity report and that is of importance.
- Within the year of 2019, the routine inspections related to the wastes and pollution that occurred as a result of our production activities were continued to be performed by Kocaeli Metropolitan Municipality, Basiskele Municipality and the Provincial Directorate of Environment and Urbanization at the factory of the company. No auditing activity was performed in our company by any public institution except for the mentioned institutions.
- No administrative or judicial sanction was applied about the company and the members of the managing body due to the applications in contrary to the legislation provisions.
- The Extraordinary General Assembly Meeting was not held in 2019.

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 Cad. Engin Pak İş Merk. No: 5 K: 3 Gayrettepe/Beşiktaş/İstanbul

Independent Auditor

Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.
Spine Tower Büyükdere Cad. No: 243 Kat: 25-26 34398 Sarıyer/İstanbul
Tel: (212) 285 01 50
Faks: (212) 285 03 40

Tax Affirmation

Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.
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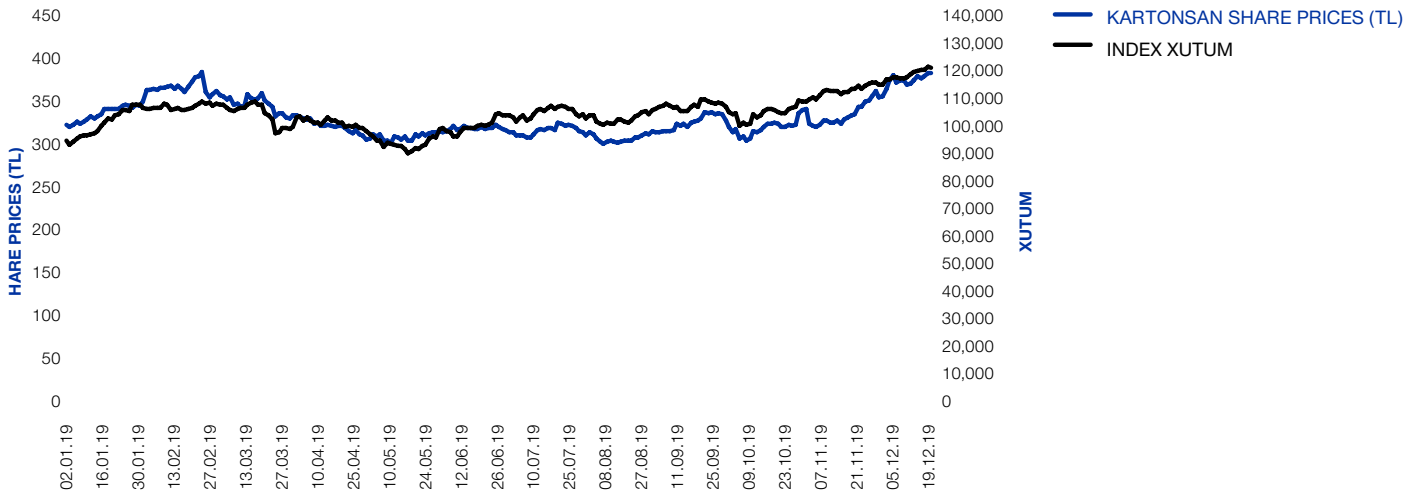
Ordinary General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 30 March 2020 at 10:30 in Point Hotel Barbaros Esentepe Yıldız Posta Caddesi No: 29 Şişli - İstanbul.

Performance of Kartonsan Shares in 2019

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 2019 (COMPARED WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 295.30 and the highest share price was TL 391.91. The average price in 2017 was TL 329.92. The lowest and highest prices of the shares are presented below.

PERIOD	LOWEST (TL)	HIGHEST (TL)	
02.01.2019	29.03.2019	317.71	391.91
01.04.2019	28.06.2019	295.30	333.30
01.07.2019	30.09.2019	295.80	338.60
01.10.2019	31.12.2019	300.10	389.90

