

ANNUAL
REPORT
2018



EXCELLENT PERFORMANCE

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AGENDA

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. AGENDA FOR THE 2018 ANNUAL GENERAL ASSEMBLY TO BE HELD ON 28 MARCH 2019

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Prof. Dr. Bülent Tarcan Caddesi No. 5, Engin Pak İş Merkezi,
Kat: 3; Gayrettepe 34349 İstanbul

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1. Opening and Election of the Presidential Committee,
2. Reading and Discussing the Annual Report of the Board of Directors for 2018 Operations,
3. Reading and Discussing the Independent Auditors' Report on 2018 Operations,
4. Reading, Discussing and Approval of the 2018 Balance Sheet and Income Statement,
5. Releasing the Members of the Board of Directors from their Liabilities for 2018 Operations,
6. Providing Information about Donations Made in 2018 and Setting an Upper Limit on such Donations in 2019,
7. Presentation of the Board of Directors' Proposal Concerning Distribution of 2018 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 2019 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. Requests and Comments.

CORPORATE SUMMARY

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

Leadership, market experience and know-how, production power based on advanced technology and qualified human resources are the corporate bases shaping Kartonsan's competitive edge and strategy.

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 51st 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.

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.

According to 2018 data, Kartonsan has a share of 40% in Turkey's coated cardboard market.

Differentiating itself from competitors with environment friendly products and long lasting customer relations, Kartonsan is the pioneering player of the coated cardboard industry. In 2018, export sales were 19% of Kartonsan's total sales.

Coated cardboard manufactured by Kartonsan is used in various areas in our daily lives such as packaging of food, pharmaceuticals, detergents, matches, cosmetics, textiles, stationary, 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.

Economic, environmental and social sustainability are the key stones of Kartonsan's strategy.

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 and protection of the environment are essential for Kartonsan.

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. Using almost 94% of waste paper in its production, Kartonsan uses modern techniques to treat waste water to be reused in production, generates its own energy and uses turbine exhaust gas to produce steam.

Kartonsan is an industrial company using a four-component integrated management system for its operations. 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

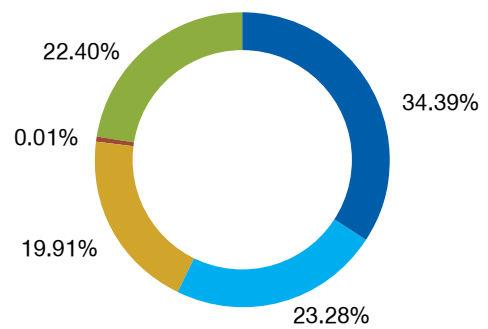
Kartonsan executes various social responsibility projects, particularly in education, contributes to our country's macroeconomic structure with the corporate taxes paid and shares its production with a wide range of its stakeholders.

Strong financial structure and continuous shareholder support

Main shareholder of Kartonsan is Pak Group with a 77.60% share.

The Company went public in 1986 and its shares are traded in Borsa Istanbul (BIST) National Market with the ticker "KARTN". Information on performance of Kartonsan stocks in 2018 is presented at page 124 of this report.

Shareholding Structure of Kartonsan (31 December 2018)



- Pak Holding A.Ş.
- Asil Gıda ve Kimya San. ve Tic. A.Ş.
- Pak Gıda Üretim ve Pazarlama A.Ş.
- Oycan İthalat İhracat ve Ticaret A.Ş.
- Other Shareholders (Free Float)





HIGH EFFICIENCY

Kartonsan is a prominent producer with a target of high efficiency, using high rate of waste water, adopting environment-friendly modern technologies in its production cycle and a lean management structure.

KARTONSAN IN NUMBERS

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
Electrical Energy Sold

Product Range

Normprint

Exprint

Luxtriplex

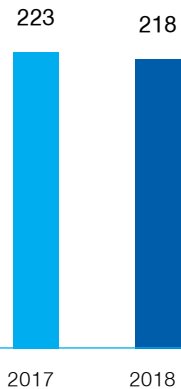
Waste Treatment Plant Installed Capacity

10,000 m³/day

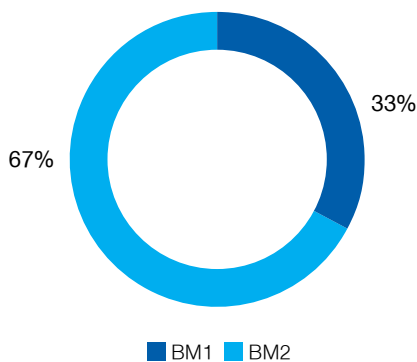
Grinding Capacity

2,650 m²/year
Annual Grinding Capacity

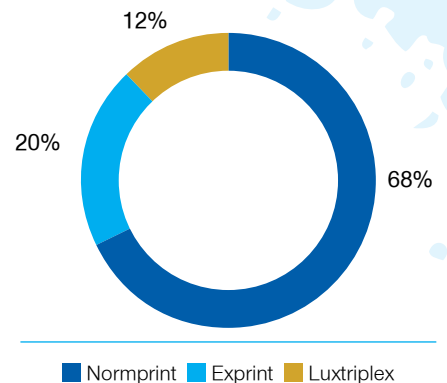
Total Production (thousand tons - gross)



Breakdown of Production (%)

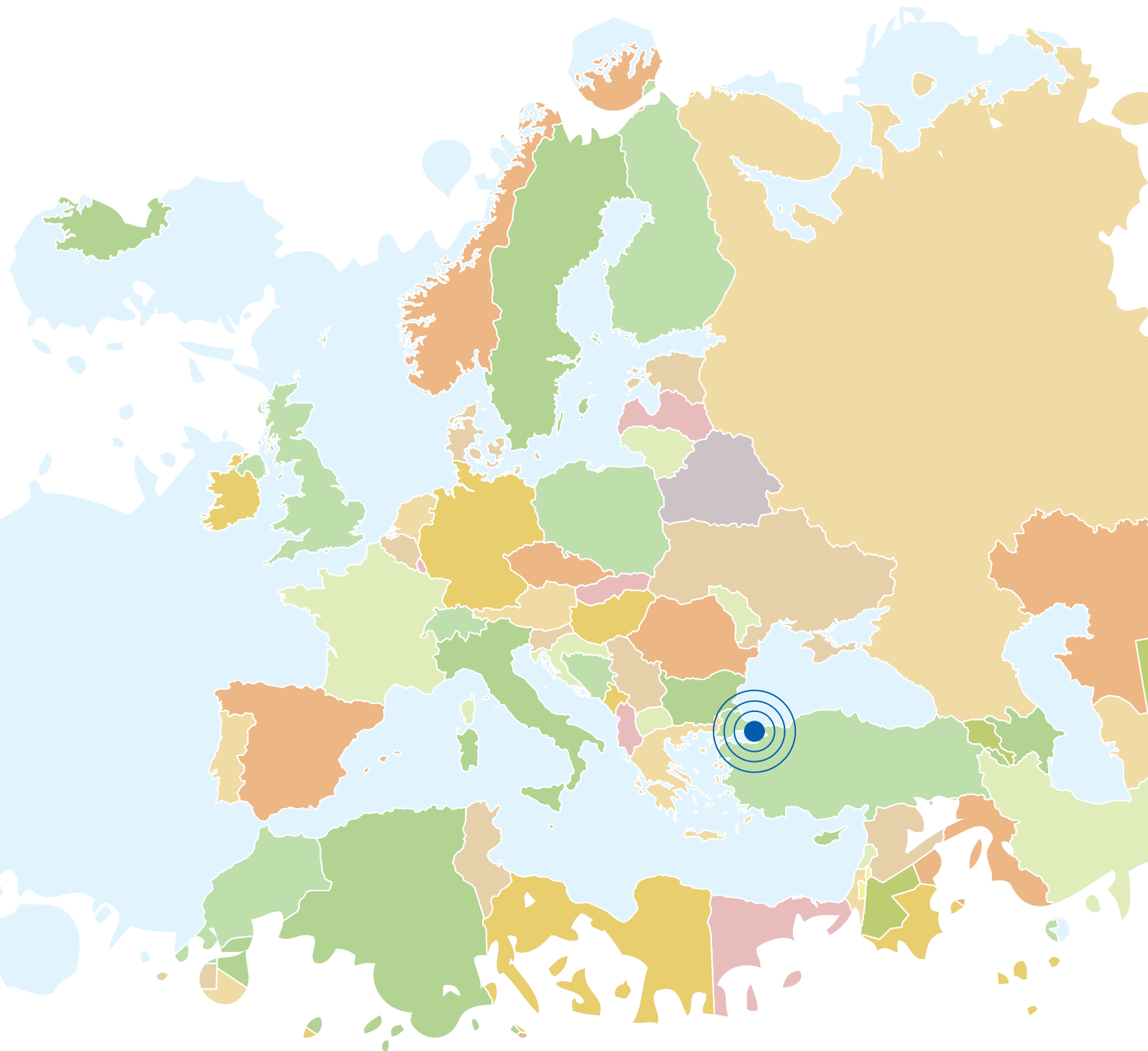


Breakdown of Production (%)



Kartonsan products add value to people's lives in more than 25 countries

One of the leading coated cardboard producers in Europe, Kartonsan products are exported to more than 25 countries in 3 continents. Countries having the highest share of Kartonsan's exports have been Bulgaria, Greece, Spain, Portugal, UK, Romania and Egypt as in the previous years.







HIGH QUALITY

As a distinguished company with high quality, eco-friendly products and long-lasting customer relations, Kartonsan is among the leading players of the coated cardboard market.

KARTONSAN-A RETROSPECTIVE



Kartonsan's success story...

Success story of Kartonsan which started in 1967 with the groundbreaking of the plant in Başiskele Kocaeli and continued with the introduction of the first domestic coated cardboard in the Turkish market, has reached a level which got beyond the borders of our country.

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.

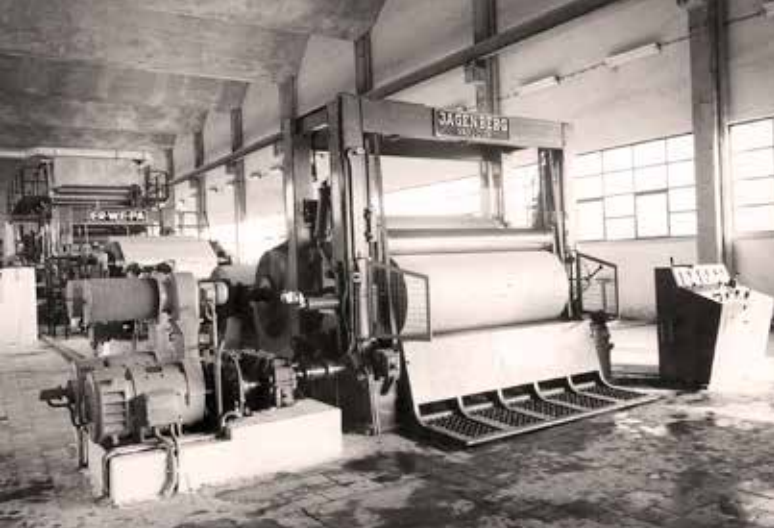
Kartonsan's integrated management system (ISO 9001 Quality Management System + ISO 14001 Environmental Management System + OHSAS 18001 Occupational Health & Safety Management System) was audited and approved by Bureau Veritas.

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.

HIGH PERFORMANCE

Focused on increasing efficiency and growth on strong foundations, Kartonsan achieves an increasing performance at every aspect of its production by making new breakthroughs.





KARTONSAN QUALITY IN PRODUCTION

Kartonsan's production policy is focused on developing and increasing the value added to consumers.

Developing and offering healthy and eco-friendly products which promote quality of life is the foundation of Kartonsan's production philosophy.

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 25 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.

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.

Focus on customer satisfaction

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'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

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 51 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.

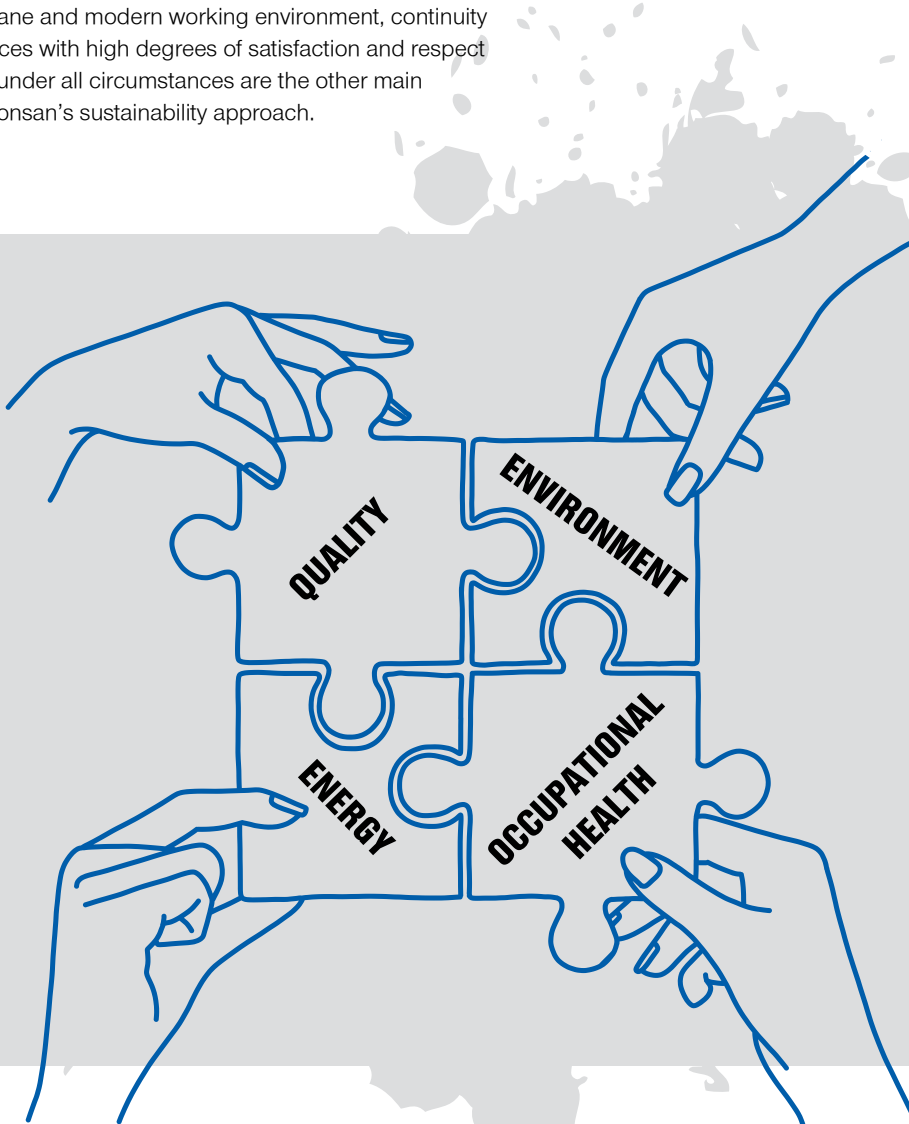
Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable. Kartonsan continues its projects and investments in a versatile and systematic way to maintain this system up to date and takes appropriate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

Within the scope of the continuity of the Integrated Management System, inspection for the renewal of related standards' certificates are periodically being performed and related processes are being completed.

In 2018, Kartonsan completed the systematic audit and implementation of its Integrated Management System and started its activities for the version update process for OHSAS 18001 in 2019.



KARTONSAN AND SUSTAINABILITY

In terms of sustainability, Kartonsan is a recycling company which produces cardboard using 94% 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.

Climate change and increase in greenhouse gases: Critical developments threatening the future of mankind

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.

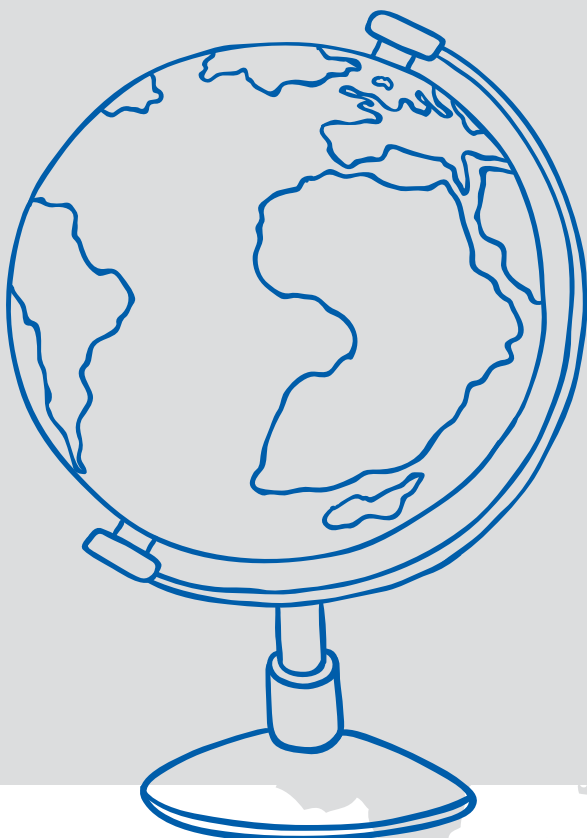
Additionally, concepts of economic sustainability which involves appropriate and effective management of all material resources to provide value to the society and social sustainability where companies assume various responsibilities as individual units of the society increase their importance.

Sustainable Development Goals (SDG) and sustainability

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

Millenium 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.



UN Sustainable Development Goals

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

For detailed information on SDG



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.

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 2018, Kartonsan used 213,507 tons of wastepaper in the production of coated cardboard and produced 217,607 tons of coated cardboard from wastepaper.

Kartonsan's wastepaper usage rate has been 94% in 2018 (2017: 95%), which was higher than the average rate in Europe.

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.

FOCUS POINTS OF KARTONSAN'S SUSTAINABILITY STRATEGY



Environmental approach

To protect the environment and to use natural resources in an optimal manner



R&D activities

To provide appropriate and fast responses to customer expectations and demands and to improve competitive edge



Social contribution

To provide permanent and continuous support to our society



Corporate governance approach

To carry our responsible and legalistic corporate citizen identity to the future



HR practices

To improve human resources even more and build Kartonsan of tomorrow

FINANCIAL INDICATORS AND RATIOS

Financial Indicators

(TL Thousand)	2017	2018
Net Sales	479,477	637,093
Total Exports	89,142	102,219
Total Assets	375,565	487,899
Net Profit	38,427	113,502

Earnings per Share

Consolidated /per TL 1 par value share)	2017	2018
Ordinary shares	13.54477	40.00742

Key Ratios

Liquidity Ratios	2017 (%)	2018 (%)
Current Ratio	3.17	4.00
Acid Test Ratio	1.81	2.47
Cash Ratio	0.63	1.39

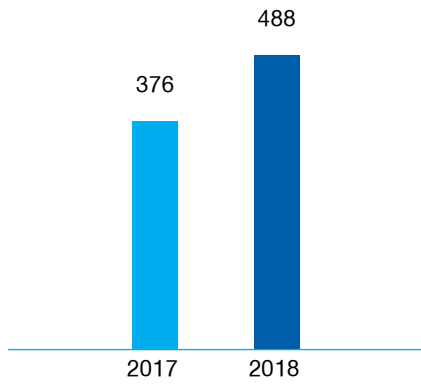
Profitability Ratios	2017 (%)	2018 (%)
Pre-Tax Profit / Net Sales	10.0	20.9
Pre-Tax Profit / Shareholders' Equity	12.3	27.8

Financial Structure Ratios	2017 (%)	2018 (%)
Total Liabilities / Shareholders' Equity	20.0	19.7
Short-Term Debt / Shareholders' Equity	17.2	16.5
Long-Term Debt / Shareholders' Equity	2.8	3.1

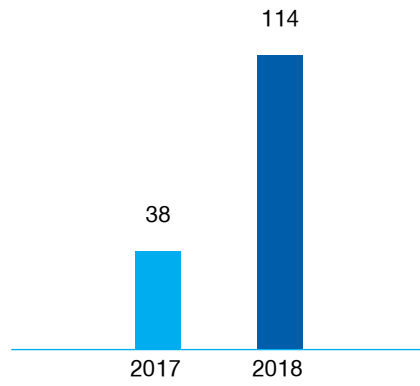
Sustainable and strong stakeholder value

Kartonsan eliminated the negative pressure of economic volatility on markets with its proactive, resilient and agile marketing, production and sales activities and generated a sustainable and strong stakeholder value.

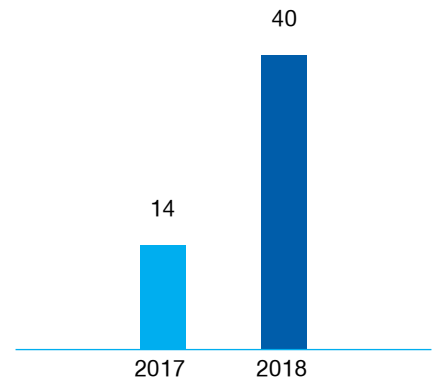
Total Assets (TL million)



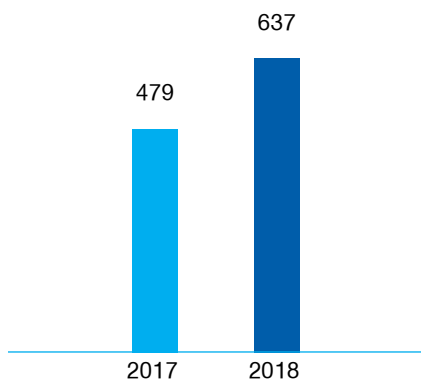
Net Profit (TL million)



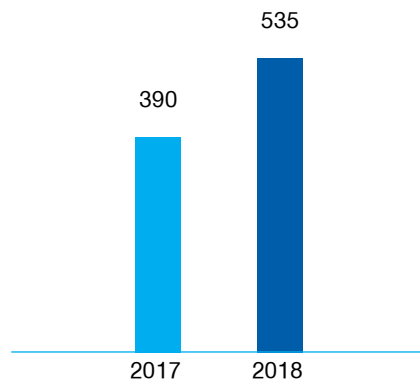
Earnings Per Share (TL)



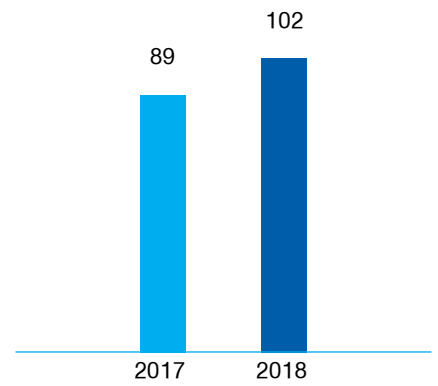
Total Net Sales (TL million)



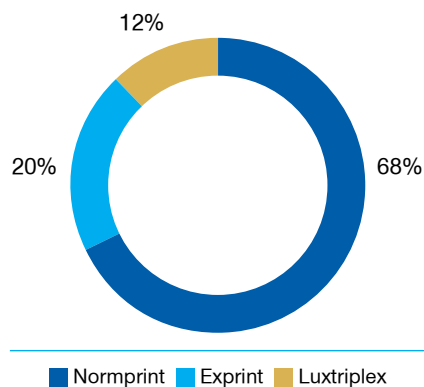
Domestic Sales (TL million)



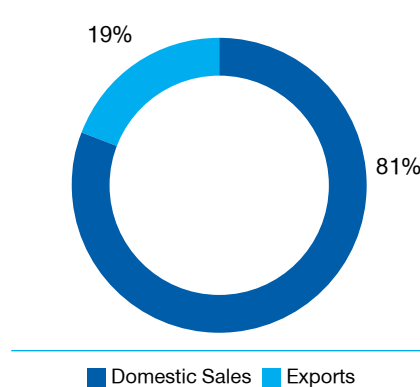
Total Exports (TL million)



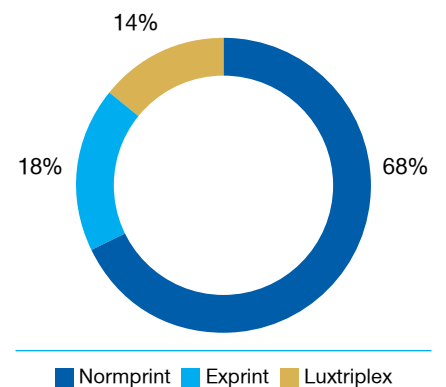
Sales by Product Type (%)



Sales by Geography (%)



Domestic Sales by Product Type (%)



MESSAGE FROM THE CHAIRMAN

Efficiency increase and growth

Defining its 2018 theme on increasing efficiency and growing on a strong foundation, Kartonsan achieved efficiency increase on every aspect of production with the investments carried on.

Dear Stakeholders,

Coated cardboard for a better and livable earth

One of the essential targets of consumer brands in modern times has been reducing the quantity and weight of packaging materials. Today we are witnessing the birth and fast growing of a more specific trend. Now recycling of packaging material and its economic value are becoming the main agenda items rather than its quantity or weight.

Being one of the most environment-friendly inputs of today's economic and commercial cycle, coated cardboard rises up as an irreplaceable material in building a sustainable future with its endurance and recyclable raw material content.

Coated cardboard is not only an essential input for a better and livable world, but also a key alternative to packaging with fossil raw material ingredients which causes huge pollution and irreparable damages globally.

Kartonsan means coated cardboard in Turkey.

In addition to creating permanent value for Turkish economy and its stakeholders, Kartonsan has been a role model of our country's industry. Maintaining its perspective of valuing customer satisfaction above everything else while adopting its targets for more than half a century, Kartonsan manufactures ecological coated cardboard Turkey needs.

Founded 51 years ago, in a relatively distressful economic environment as an entrepreneurial and courageous private sector enterprise, Kartonsan, with its integrated management approach and its recycling facility identity, is a candidate to be the star of the cyclical economic system which is anticipated to form the future markets and it is ready to be one in many aspects.

To be stronger and healthier

As we move towards our goals, we deem sustainability and requirements of low carbon economy to be our guidance and embrace them decisively. 21st century requires us to handle numerous parameters at the same time such as climate change, fast reduction of natural resources and meeting the requirements of an ever-rising world population. These circumstances make integrated thinking and management as essentials for Kartonsan.

Considering this simple fact, we designed Kartonsan's growth strategy based on four essential principles:

- Integrating sustainability approach to all our business processes from procurement to sales and after sales services,
- Reducing our ecological footprint while producing value added coated cardboard,
- Providing for sustainable manufacturing conditions which look out for raw material efficiency with an aim of reducing emissions and prioritizing occupational health and safety,
- Supporting continuous development by creating social, as well as economic value for all our stakeholders.

As the Board of Directors, we believe that this strategy and our teams' patient and decisive progress will carry Kartonsan to a stronger and more competitive position in the global arena as well as in European markets. This approach will also play a key role in managing risks that our industry faces, identifying opportunities and reflecting those to our performance.

Kartonsan achieved a healthy performance in 2018.

Kartonsan's performance in 2018 impacted particularly our tangible and intangible assets and set forth a complete success.

Defining its 2018 theme on increasing efficiency and growing on a strong foundation, Kartonsan achieved efficiency increase on every aspect of production with its investments.

Our Company continued its improvement and updating investments with its high quality and efficient production principle; and managed domestic and foreign demand in the volatile and sometimes challenging market conditions of 2018 with a rational and customer satisfaction focused approach.

We trust our country's potential

We will continue to invest in the Turkish economy, manufacture and do our share for building a better future.

Goal of strengthening shareholder value

As a public company, Kartonsan considers improving shareholder value as one of its key goals.

I would gladly like to express that our investments in Turkish industry and our decisive steps as well as our operational and financial performance make great contributions to our brand and shareholder value.

Despite the fluctuations in global and domestic economy in 2018, Kartonsan shares have been considered by the investors and analysts as trustworthy, having a sustainable shareholder value and long term stability.

Investing in people is Kartonsan's priority.

We consider our human resources as our most significant asset and architects of our future. As we are focusing on our future we are determined to improve our human resources and equip them with up-to-date competencies.

We pay specific attention to our training activities and move forward with projects which we believe will become best practices in our industry. On the other hand, with innovative management practices we aim to add value to our brand.

Another area that we consider important in human resources platform is occupational health and safety. We view occupational health and safety as the foundation of business continuity and we make continuous advances on process safety areas. We regularly monitor our occupational health and safety metrics, perform periodic audits and proactively take necessary actions.

As the moderate growth of the global economy continues we have a cautious view for the future.

Before I end my message, I would like to express my brief observations of the current status of the markets which surround us and which may affect our progress at a certain scale.

Although 10 years have passed since the global financial crisis of 2008, it is hard to say the global economy has stabilized at a sustainable level. While growth of developed economies, particularly USA economy, continued at various paces during 2018, increase in some of the risks which may have negative impacts on global economy are being observed. Geopolitical developments in different geographic regions, particularly in

the Middle East, activities restraining the global trade, rapid deterioration in the outlook of some developed markets and tightened monetary and financial policies are among major factors that may negatively impact global financial markets.

This situation points out that the global and national economic growth performance will relatively slow down in 2019 and short term fluctuations may be observed in some markets. IMF anticipates that global economic growth of 2018-19 will navigate around 2017 level and will stabilize at 3.7%.

With such a background, Kartonsan will continue its progress cautiously, risk-focused but decisively with its strong genetic structure built in half a century.

Despite short-term fluctuations and recessions, we believe in the potential of our country and its nearby geography. With this belief, we will continue to invest in the Turkish economy, manufacture and do our share for building a better future.

We express our gratitude to all our stakeholders for their contribution.

I believe with all my heart that our management team and staff which are distinguished with their success in team work will make Kartonsan reach its targets easily with the guidance of our Board of Directors.

As I end my message, I would like to express that we will need your contributions and strong support more than ever in our efforts to build a more sustainable, cleaner and more livable world in the following period. On behalf of myself and the Board of Directors, I would like to express our sincere gratitude to all our stakeholders, particularly our domestic and foreign customers, investors, suppliers and employees.

Kind regards,



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

CEO'S ASSESSMENT

Industry Leader

As the unchangeable leader of the cardboard industry of our country, Kartonsan had successful achievements in 2018.

Providing coated cardboard for the Turkish market for more than half a century, Kartonsan proved that it has the strength to create sustainable added value in volatile and sometimes challenging market conditions with its successful performance in 2018.

Strong foundations, healthy performance.

Kartonsan's 51-year background has witnessed the most significant periods of the economic history of Turkish republic. Kartonsan was founded in a period of economic bottleneck and reached today by properly managing specific dynamics of each period through a process of transition from import substitutions to liberal economy.

Kartonsan, the unchangeable and natural leader of our country's cardboard industry, had successful achievements for another year in 2018. In challenging and volatile market conditions of 2018, with its robust financial structure and corporate vision capability, Kartonsan successfully managed the risks and uncompromisingly adopted its growth strategy.

Economic instabilities Turkish economy faced during summer months which resulted in rapid rise of foreign exchange rates had placed a negative pressure on the markets. Kartonsan eliminated the impacts of this negative pressure with its proactive, flexible and agile marketing, production and sales activities and it generated healthy turnover and profit results.

Kartonsan's consolidated net sales amount increased by 32.9% YoY to TL 637.1 million in 2018. Our consolidated gross margin increased by 103.9% YoY to TL 160.5 million, consolidated operating profit was realized as TL 129.2 million and net profit as TL 113.5 million.

Based on these results, return on equity has been 28%, return on assets has been 23% and consolidated earnings per TL 1 par value share has been TL 40.

As a result of increased turnover and profitability, Kartonsan's net working capital and disposable funds have also increased. All these developments reflected positively on Kartonsan's liquidity, financial structure and other financial analysis ratios.

Our market share in Turkey has been 40% in 2018.

In 2018, our coated cardboard production has been realized as 217,607 tons while total consolidated product sales have reached 221,000 tons. Kartonsan's domestic market share has gone up to 40%.

As the fourth largest coated cardboard producer of Europe, Kartonsan is proud to continuously maintain its leadership position in Turkey's coated cardboard industry. I would like to take this opportunity to thank our Company's management and employees who build this sustainable performance for their devoted efforts.

Kartonsan exported 19% of its 2018 production.

As of 2018 year end, our exports have been USD 23.8 million. While our export quantity has been realized as 38 thousand tons, Kartonsan's coated cardboard products have taken their places in various areas of use in daily lives of millions of consumers in 3 continents from food packaging to medicine packaging and book covers.

Kartonsan continued its efforts to develop its presence in foreign markets in 2018. In addition to deepening bilateral relations with its international customer portfolio and working on opening up to new markets, Kartonsan continued its activities to develop long term business relations with international cardboard package producing printing houses and to become a coated cardboard supplier for these companies.

Accordingly, providing the most favorable freight terms, maintaining high customer satisfaction and developing efficiency have continued to be our key focus in exports.

Conditions dominating global coated cardboard market in 2018 supported our export activities.

While the global coated cardboard market exhibits a positive development in general, economic recovery across Europe, our main export market, continued in 2018. This situation supported an active coated cardboard demand across Europe.

As we exported our products to more than 25 countries in 2018, Bulgaria, Greece, France, Italy, Spain, Portugal, UK and Egypt were at the top of the list in terms of high volumes.

Kartonsan is focused on growth.

As long as our business principles keep on guiding us on our journey of growth, Kartonsan will continue to progress in the global coated cardboard market as the industry leader.

Kartonsan is positioned just at the center of Europe, Mediterranean and Black Sea basins having logistic advantages as a supplier. In parallel with the changes in coated cardboard demand and supply in Turkey's surrounding regions in 2019 and beyond, our target is to export Kartonsan branded products to more countries. As Kartonsan continues to develop its activities in exports in 2019, it will aim to enter new markets including Jordan, Poland and Morocco and kick-start the Russian market.

Our capital expenditures were TL 21.7 million in 2018.

Our Company successfully completed its forecasted projects in its 2018 strategic investment plan. Total amount spent on continuation projects of BM2 extension investment which was completed in 2014 and periodic update investments in 2018 has been TL 21.7 million.

All of our 2018 investments aim to maximize total quality and output in addition to carrying efficiency to a higher level at Kartonsan. Setting the main target as increasing efficiency at every point in production and trade cycle, another key objective was to develop automation levels at various functions.

Barcode Project has provided end-to-end efficiency and effectiveness.

Another significant gain in 2018 has been the implementation of Barcode Project which had valuable contributions to end-to-end efficiency and effectiveness at Kartonsan.

With the new system, all production and trading cycle has started to be coordinated and monitored on a single platform from order to procurement eliminating any potential human errors at production and product follow up processes.

This system contributed not only to efficiency and customer satisfaction in the process from order to logistics, but also to decrease production wastage.

Our human resources are the architects of our future.

Moving forward with the goal of creating a high performance culture in human resources area, Kartonsan aims to maintain a working environment where employee rights are protected and looked after, talents at every level are developed, equal opportunities are provided for male and female employees and best standards are employed in occupational health and safety topics.

Accordingly, we consider employee satisfaction as a parameter which needs to be carefully monitored and we continue to make progress in this area. Implementing managerial systems providing opportunity for Kartonsan employees to participate in the decision making processes at an increasing rate, lean management practices and use of performance evaluation systems such as 5 S in an increasing rate at our daily lives are gains that we deem valuable.

Considering human resources as the backbone of the success formula to reach future targets, Kartonsan is dedicated to focus and invest in this area.

In 2019...

Our main objective for 2019, which we anticipate market conditions to fluctuate from time to time, is to meet coated cardboard needs of domestic and foreign markets in a balanced manner focusing on risk management.

On the other hand, we believe that our investments completed in 2018 towards increasing efficiency will offer an opportunity to accelerate our production cycle and stabilize our cost base at a more competitive level which will be an additional gain that will have reflections on our metrics.

Another topic which we will pay close attention in 2019 is the upward trend in raw material prices and its potential pressure on procurement. We will continue our efforts and our cooperation with our affiliate Dönkasan within the scope of our proactive strategy in order to minimize the impacts of recent bottlenecks in supply of waste paper and price increases on our production.

Kartonsan is focused on production and sharing.

As long as our business principles based on transparency and accountability, honesty and reliability, our responsibility for our environment and society and making no concessions on quality keep on guiding us on our journey of growth, Kartonsan will continue to progress in the global coated cardboard market as the industry leader.

I would like to express my gratitude to our employees who come along with us on our journey towards our vision by working devotedly to contribute to our performance, our domestic and foreign customers, our suppliers, our shareholder Pak Group and our Board of Directors.

Best regards,



Haluk İber
Board Member and CEO

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

Ali Ersin Güredin
(as of March 2018 **Ahmet Göksel Yücel**)
Independent Board Member

Tamer Koçel
(as of March 2018 **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

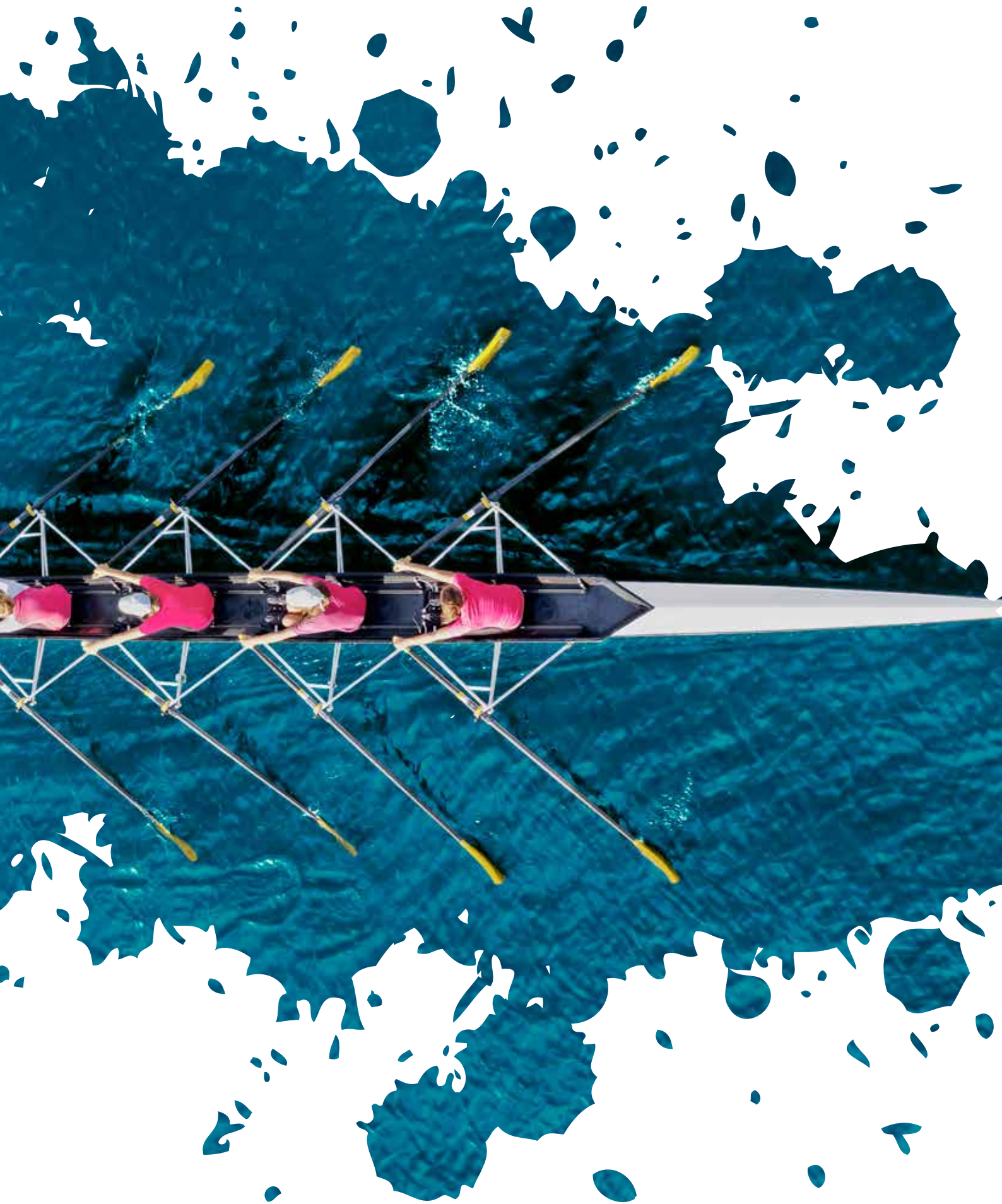
Atiye S. Tuğtekin
Procurement Manager

Bülent Kuru
Finance Manager

HIGH LEVEL OF SATISFACTION

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.





INDUSTRY OUTLOOK

Increasing export volume

In 2018, Turkish coated cardboard industry continued to increase exports by using the logistic advantages of our country with its high quality product structure.

Global coated cardboard industry continues to grow.

In 2018, restructuring, mergers and global cooperations have increased significantly in coated cardboard industry

In a recent report published by ECMA, it was noted that coated cardboard industry is evolving to a market at global scale. Aside from corporate integrations of companies on both sides of the Atlantic, it is striking that US and European producers have expanded their production operations overseas.

Another development that will determine the outlook of the future of the industry is new investments ongoing in Middle and Eastern Europe. Investments and expanding progress in Poland

and Czechia are good examples of this. On the other hand, investments to increase efficiency and rationalization efforts across Europe resulted in increase in integrations, particularly in Western Europe and some of the production facilities closed down.

According to ECMA Report, Turkey keeps its position of being the driving force of growth of the European coated cardboard industry. While Turkey and Spain exhibits a positive potential in this outlook, Turkey's growth rate of 5% is above European average. The leader of European coated cardboard market is Germany with a share of 24%, while Italy, UK and France follows Germany with respective rates of 14%, 13% and 12%. With a market share of 11%, Turkey is the 5th in ranking. Based on the report, Turkish market which grew by 7.4% between 2011 and 2016 is expected to record a growth of 4.7% in the period of 2016-2021. ECMA anticipates that the coated cardboard box prices which are decreasing lately will keep this trend.

Another subject affecting and shaping the global market is the change in consumer habits and dynamics of retail patterns. In this context, topics like e-commerce, environment protection trends and plastic pollution are potential external factors to determine the future of cardboard use.

With its recyclable nature, coated cardboard is a candidate to be the first preference of the packaging industry.

Lately, one of the most important discussion topics of producers, retailers, non-profit organizations and consumers is the quality of packaging materials and their negative impact on environment.



An essential and determinant factor in evaluating packaging materials is their recyclability at the end of their useful lives. In this context, the most important problem of global brands in terms of consumption is plastic packaging, plastic bottles in particular, which cause a great deal of pollution in the oceans. This situation constitutes a fundamental discussion topic of circular economy and carried into the global agenda by environmental activists through high profile campaigns.

Cardboard is produced from a fiber material (wood), recycled to a great extent. This situation extends the useful life of the material and increases its value. Use of renewable resources is an essential principle of circular economy and points out a favorable situation for cardboard packaging. Plastic packaging is completely dependent on fossil resources and only a small portion of its content is recyclable.

When the recycling process of packaging materials is analyzed, we can observe that paper and cardboard are among high performing products in waste hierarchy. According to Eurostat's data published in 2016, recycling rate of paper and cardboard is 82.6% while the same ratio for plastic is 39.8%.

Technically most plastics offer capacity to be recycled. However, practically a large portion of plastic waste is not worth collecting. Some components such as PET bottles are widely recycled but other plastic packaging is hard to collect. Based on Eurostat data, 4.6 million tons of plastic and 3.3 million tons of paper and cardboard are being dumped into landfills every year. In terms of environmental pollution, plastic packaging constitutes the greatest problem.

According to European Environmental Agency's data, 82% of the waste collected from the European coasts is plastic and only 2% is paper and cardboard.

Plastics that reach the seas and coasts are swallowed by sea birds, fish and other organisms and enter the food chain of people.

As a result of its technical and aesthetic features, cardboard is positioned as a product which allows for many possibilities and can easily replace plastic packaging. With many benefits it offers, cardboard may become the main packaging alternative of the circular economy.

2018 consisted of two different periods for the Turkish coated cardboard industry.

Favorable market conditions which started in 2017 for Turkey's coated cardboard industry continued for the first half of 2018. Moderate volume increases were realized parallel with expansion of demand based on internal and external factors and a stable trend was observed at sales prices.

During the second half of the year, a volatile outlook was observed. In August, the sudden increase in exchange rates affected the market negatively and in this process, producers faced the pressure of increase in imported inputs, mainly in natural gas. As a result of these developments, price of coated cardboard observed an upward trend.

At the same time, imported cardboard prices also increased significantly and demand for imported cardboard rapidly decreased. This situation caused an advantageous position for domestic coated cardboard, despite a relative increase in its price.

Starting in October, with the downward move of exchange rates, a relative relief of market and downward easing of prices were observed.

In 2018, although there was no major capacity increase or structural change in Turkey's coated cardboard market, the industry continued to increase its exports with its high quality product structure and by properly using Turkey's logistic advantages.

Future outlook

Balance of supply and demand in the last quarter of 2018 is expected to continue in the first quarter of 2019.

In the remaining part of the year, both the growth performance of Turkish economy and global developments are expected to impact the coated cardboard industry. On the other hand, as the economic recovery of Europe is expected to slow down in 2019, it will not be incorrect to say that the Turkish coated cardboard producers will have a challenging year in exports.



AN EVALUATION OF 2018

ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK

Financially strong and efficient company

Kartonsan met the demands of its customers timely and completely using its capacity at the highest efficiency possible in 2018.

Kartonsan's gross production has been 217,607 tons in 2018, consolidated net sales 221 thousand tons and consolidated sales amount TL 637.1 million.

In 2018, Kartonsan continued to manage its production and trade cycle by using its capacity at the highest efficiency possible and meeting the demands of its customers timely and completely.

In summary, despite the existence of a somewhat challenging market climate, Kartonsan left 2018 behind as a financially strong and profitable company which could keep its cost base under control.

Changing market conditions of 2018...

Increasing trend in raw material prices and rapid increase in exchange rates, especially in the second half of the year caused Kartonsan's input costs to increase significantly in 2018. In this conjuncture, Kartonsan deferred reflecting the increase in costs on its prices and at the same time exhibited a determined approach to protect its key stakeholders, customers, by reflecting the increase in production costs to sales prices, only partially.

Kartonsan kept its consistent and sustainable performance.

Closely monitoring the global and Turkish markets Kartonsan responded to developments and market conditions with its active and risk-sensitive management approach. With its strong financial structure and its production- marketing-sales strategy balanced at ideal points, the Company appropriately evaluated the business opportunities domestic and global markets had to offer and continued to move forward toward its corporate goals.

In 2018, Kartonsan's gross production has been 217,607 tons, total consolidated net sales 221 thousand tons and consolidated net sales amount TL 637.1 million. Kartonsan, during the same period, realized domestic sales of 163.4 tons of coated cardboard on a consolidated basis.

Domestic sales which relatively decreased with the effect of rapid increase in exchange rates in August and periodic machine stoppage started to pace up with the recovery in domestic markets starting in October. Due to market developments summarized here, Kartonsan's sales quantity in 2018 has fallen below the target by 4.7%. In spite of this, the Company's consolidated net sales was TL 637.1 million representing an increase of 32.9% YoY.

Kartonsan continues to respond to packaging needs of various products of different industries with its wide and high quality product range.

In 2018, 81% of Kartonsan's sales have been to the domestic market. Kartonsan's market share in Turkey has been 40% in 2018.

In 2018, despite competitive conditions in global markets, imported cardboard competition in domestic market, particularly at the second half of the year, upward trend in raw material prices and rapid increase in exchange rates in August and September, Kartonsan's domestic market share maintained at the same level as previous years.

Kartonsan responds to packaging needs of various products of different industries with its wide and high quality product range. Pharmaceuticals, detergents, matches, cosmetics, textiles, corrugated lamination, stationary packaging, book and notebook covers, glassware and small appliances and particularly food packaging are among the products which Kartonsan's coated cardboard is used in our daily lives.

Sustainable performance in exports

As one of the leading coated cardboard producers in Europe, Kartonsan achieved an export quantity in line with its 2018 targets. In 2018, Kartonsan realized exports of 38 thousand tons and its export revenues were USD 23.8 million. Share of exports in Kartonsan's total sales was 19%.

Kartonsan products are being exported to more than 25 countries in three continents. Bulgaria, Greece, Spain, Portugal, UK, Romania and Egypt had the highest share of Kartonsan's exports as in the previous years. As a result of Kartonsan's effective strategy, activities in Egypt market were boosted and an increase in sales volume was observed.

Kartonsan's essential goal in export markets is to develop long term business relations with printing houses which produce cardboard packaging and to be one of their permanent suppliers. In line with this goal, Kartonsan continuously develops solutions for the needs of its customers without compromising from its high

quality and effective service approach. As always, the Company takes its steps with its target of providing appropriate freight conditions and efficiency focused perspective for performance in export efforts.

Kartonsan will continue to improve its export performance in 2019 and beyond; and uncompromisingly apply its export strategy which foresees being cautious against all kinds of conditions, resilient and at a competitive level in order to minimize the impacts of market fluctuations. In accordance with this perspective, Kartonsan will carry on its foreign market diversification efforts in 2019. Jordan is one of the targeted markets and first contacts started to generate positive results. The Company works on developing Israel, Poland and Morocco markets and aims to revive the Russian market.

Normprint continues to be Turkey's most preferred coated cardboard.

As the natural leader of Turkey's coated cardboard market for more than half a century, Kartonsan's products are welcomed by both domestic and foreign customers with an increasing interest and demand.

Kartonsan works on providing consumers better in most appropriate conditions within the scope of its innovative and quality focused product commitment.

While most of its R&D activities serve the objective of providing innovative products, efforts for use of all natural resources with optimal efficiency contribute continuously to effectiveness, efficiency, customer satisfaction and profitability.

Normprint, one of Kartonsan products, kept its position with the largest sales volume of 68% share in 2018. Exprint and Luxtriplex follow Normprint with shares of 20% and 12%, respectively.

During the year, the largest demand increase was observed in Normprint. Normprint's use continued to increase in various areas and was highly demanded, mainly in fresh fruit and vegetable cases used in exports.

With the presence of global pollution caused by plastic packaging, demand for cardboard and paper packaging will increase in the following period.

Marketing and sales activities to constantly protect and develop customer satisfaction

Kartonsan's unchangeable and priority target is to meet the demands of its domestic and foreign customers who are regular users of its products, timely and completely.

Having built long lasting strong business relations with its customers, Kartonsan follows the market conditions closely and regularly and looks out for satisfaction of its customers, which constitute one of its key stakeholder groups, under all circumstances. Within the scope of its business relations, Kartonsan implements commercial practices which protect customers from unfavorable situations markets have to offer.



AN EVALUATION OF 2018 ACHIEVEMENTS, STRATEGIES AND FUTURE OUTLOOK



Delivery at the door sales application

In 2018, Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales.

In this context, Kartonsan deferred to reflect the increase in costs, especially in the second half of the year, to its prices and it reflected this increase only partially starting from October. Following the relative stabilization of market conditions and decreasing costs, Kartonsan reinforced the benefits offered to customers by price decreases and improvements in cash sales discount rates. Within its scope, monthly discount rate for cash sales was raised from 3% to 6%. Kartonsan also revised its prices downward in November and December.

Acting with an objective to raise the value offered to customers to maximum levels in both delivery and payment, Kartonsan's pricing policy was well-received by customers and contributed to customer satisfaction.

In 2018, Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales.

Kartonsan focused on investments to increase efficiency in 2018.

Greycon Project

After the completion of BM2 extension Project in 2014, Kartonsan focused on activities to maximize total quality and total output.

In this context, increasing efficiency in all aspects was set as the main target; ensuring the production park to work more efficiently and increasing the automation level of different functions were identified as corporate vision.

In 2018, the Company implemented projects and investments that increase efficiency to contribute not only to financial but also natural capital. Kartonsan realized a total of TL 21.7 on capital expenditures.

Highlights of the investment activities are summarized below:

Kartonsan increased the value provided from heat with the investment completed at the Energy Plant.

Kartonsan carried on studies on projects to lower the energy expense which is an important cost item and to reduce dependency on foreign resources. The project to increase the rate of utilization of waste heat coming out of turbine funnels was completed in 2018. Kartonsan, with the completion of the project, started using waste heat in steam production much more efficiently and reduced the quantity of heat released to the atmosphere.

Kartonsan also renewed the front heating systems of turbines to make steam generation more efficient. As a result of the renewal investment, energy spent in steam generation was minimized and return on the project was quickly and successfully achieved.

Barcode Project was launched in 2018.

Kartonsan launched the Barcode Project in June 2018, which allows coordinating and following up the cycle of production and trade from order to sales on a single platform.

Barcode infrastructure enabled planning of production step by step clearly and in detail, starting from acceptance of the customer order. Within the scope of the project which provides a much more effective planning infrastructure for delivery times to customers compared with prior periods, Kartonsan started to carry on all information transfer at production site with barcodes.

The system which eliminates potential human errors in production and product monitoring processes contributed to efficiency and customer satisfaction from the process from order to logistics. This project also played a significant role in reducing production waste.

Kartonsan finished the renewal process of BM2 controllers in 2018.

Kartonsan renewed the last two controller units of BM2 production line. With this investment, renewal process of BM2 line with the most up-to-date version has been completed.

In 2018, 2 compressors and related automation system were renewed.

Kartonsan performs planned renewal of systems which complete their useful lives or the ones with lower efficiency due to new technology. Within the scope of these investment activities, two compressors were renewed and the investment for the automation system managing the compressors was completed.

While the chiller system at BM1 has been changed, older type big motors were also replaced with more efficient motors.

In 2018, Kartonsan attended the 51st Annual Congress of ECMA organized in Riga.

Sponsor of the 51st ECMA Congress

In 2018, Kartonsan participated in the 51st ECMA Congress with “Thinking Beyond the Board, Performance in a Changing Market” theme as a sponsor.

Kartonsan deems global fairs, congresses and workshops as a significant platform in export activities, participates in them systematically and adopts a multi-directional approach for its marketing activities at international platforms.

Kartonsan participated in the 51st ECMA Congress as a sponsor in 2018. At the congress with “Thinking Beyond the Board, Performance in a Changing Market” theme, miscellaneous topics involving the global coated cardboard industry were discussed by the participants.

At the congress where Kartonsan had the opportunity to share its success story of half a century through a presentation, the new participant strategy of ECMA was also shared with the members and European Cardboard Excellence Awards were presented.

Kartonsan continued to actively participate in and provide support to local events as well. In this context, Kartonsan assumed the main sponsorship and participated in the International BASEV (Printing Industry Education Foundation) Congress, organized biennially by BASEV.

In 2018, Kartonsan hosted the members of the Board of Directors of KASAD (Cardboard Packaging Businessmen Association) at the premises of MEL, Pak Group’s affiliate in Greece, as part of a visit which became a conventional organization.

Kartonsan’s future goals

Kartonsan’s goals for 2019 and following years are;

- to improve production capacity in terms of efficiency,
- to increase its competitive edge,
- to improve financial and operational performance to support sustainable growth,
- to create strong value for all stakeholders including its shareholders and investors.

Additionally, Kartonsan anticipates expanding its activities focused on efficiency and improving optimization opportunities in its operation cycle even more in 2019.

Keeping its position as the leader of coated cardboard market in Turkey, quality of product range, power and efficiency of production capacity and corporate strategy focused on sustainability play key roles in Kartonsan’s success.

KARTONSAN AND THE ENVIRONMENT

Producer with high environmental awareness

As a producer with high environmental awareness, Kartonsan's key principles adopted are not causing environmental pollution and working in compliance with legal regulations.

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

Climate of our planet is going through a rapid change lately. According to the scientific measurements published, temperature has increased by 0.74°C in the last century. The warmest values of ten years of the world's history were measured and recorded in 2000s and 2014 was the warmest of all times. As the sea glaciers in the Arctic Region reduce significantly, carbon dioxide in the atmosphere is cruising at the highest levels in the last 650 thousand years.

Based on the report published by the Intergovernmental Panel for Climate Change (IPCC), the main reason of global warming observed is the actions of people and the resulting greenhouse emissions.

Increase in the level of greenhouse emissions in the atmosphere will affect our planet's climate system and ecosystem through global climate change and warming. It may cause irreversible destructions and transformations.

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.

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

PRODUCT TYPE (Kg)	2014	2015	2016	2017	2018
Cellulose	559,371	314,418	1,801,354	2,657,701	1,547,731
Groundwood Pulp	-	-	1,802,264	12,369,282	13,118,954
Imported Waste Paper	9,762,896	5,478,950	29,644,364	38,761,951	29,201,117
Domestic Waste Paper	121,599,125	180,381,363	174,750,213	181,111,147	167,373,112



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.

As a producer with high environmental awareness, Kartonsan adopts key principles of not causing environmental pollution and working in compliance with legal regulations.

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 2018, the total quantity of waste paper used in coated cardboard production of Kartonsan was 213,507 tons.



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.

As Kartonsan carries on efforts to reduce consumption of natural resources within the scope of its strategic growth plans, effective use of Waste Water Treatment Plant with MBR system continued in 2018. The Company recycled 60% of waste water released from the production cycle during the year.

Water consumption of 5.88 m³ per ton

With the improvement and efficiency activities conducted in 2018, Kartonsan reduced the quantity of fresh water used for producing one ton of cardboard from 8.95 m³ (2007-2017 average) to 5.88 m³ and efforts in this area continue. 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 2018 and received the accreditation for the new period. Kartonsan purchases cellulose used in production from sources holding FSC certificates.

KARTONSAN AND HUMAN RESOURCES

Human resources is the most significant element of Kartonsan's sustainable leadership.

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 2018 year end, Kartonsan has 268 employees of which 21 were female and 247 were male. 98 of them are white-collar employees, and 170 of them are blue-collar. All the employees are working full time and the age composition of them are as follows:

2.95% under the age of 25,
39.20% between the ages 26-35,
36.20% between the ages 36-45,
21.65% who are 46 and above.

In addition, 131 staff members employed by the contractor firm were working at Kartonsan Kocaeli Factory as of 2018 year end.

Kartonsan is focused on developing sustainable nature of human resources.

Despite capacity increase realized in recent periods, modernization and automation projects launched by Kartonsan supported the limited increase in human resources.

While there has been no increase in total human resources who work at the production and trade cycle, parallel with the capacity increase, a relative increase has been observed in number of employees working in supplementary services like logistics and alike provided by the contractor firm.

Another development in human resources area in 2018 is the strengthening of engineering staff working at Kartonsan's pre-production planning and technical maintenance support groups. As the Company's engineering staff grew with the addition of 5 new employees, another important step was taken towards the future of Kartonsan.

Continuous development with the support of trainings

Kartonsan cares about updating its employees' technical and professional competencies.

Training programs are developed in line with the employees' personal development and their career goals as well as Kartonsan's needs and operations. These training programs aim to further improve employees' knowledge and differentiate themselves in the industry.

The diversified range of training programs in Kartonsan contributes to sustainable future, value generation and competitive strength of Kartonsan.



Training per employee: 17.56 hours/man

At Kartonsan, 37 trainings for a total of 7,024 hours were delivered in 2018.

In 2018, 37 training programs were realized in the following subjects:

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

During the same period, 7,024 hours of training were delivered including the contracted employees and training time per employee was realized as 17.56 hours/man.

In 2018, training hours per employee were in line with the targets and increased by 8% when compared to 2017.

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 2018, 20 students from vocational and technical high schools and undergraduate programs worked as trainees at Kartonsan.

Strong union relations, an exemplary industrialist identity

As an exemplary and long-established member of Turkish industry, Kartonsan has 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. Collective labor agreement discussions for the new period started in September 2018 and it is expected that the negotiations will be completed and the agreement will be signed with Cellulose Labor Union.

As of 2018 year end, Kartonsan has 167 employees who are members of the union.

Kartonsan conducts activities to develop employee satisfaction.

Kartonsan continued its activities to develop employee satisfaction and strengthen the value offered to people in 2018. Within the scope of social and cultural activities at Kartonsan, a cultural visit was realized to Eskişehir with the participation of employees and their families. Since the organization drew considerable interest of the employees, the Company plans to organize similar events and cultural trips to different cities.

Kartonsan Individual Suggestion System

Activities that started within the scope of Individual Suggestion System which was introduced in 2017 continued at full speed in 2018. The system 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 36% in 2018 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 2018. 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*	2017	2018
Total number of employees	403	398
Kartonsan	266	268
Male	243	247
Female	23	21
Average age (years)	37.78	38
Educational Demographics	2017	2018
Masters and doctorate degree	9	12
Undergraduate degree	46	50
Vocational higher education	60	62
High school	134	129
Primary education	17	15
Speaking one language	50	50
Proficient in two or more languages	5	5

*Number of people unless specified otherwise

LEAN MANAGEMENT IN KARTONSAN

Lean Management has always been an improvement area for Kartonsan and a progress trend has been caught in the last two years.

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.

Kartonsan continued its lean management studies in 2018.

Kartonsan's lean management activities which started in 2016 continued in 2018 and the Company continued to record new achievements in various areas like efficiency, human resources, customer satisfaction and production.

Within the scope of Lean Management approach which widely penetrated across the Company and became a significant tool in building the corporate experience, Kartonsan takes firm actions towards future with each 5S and Kaizen project.

Kaizen practices within the scope of lean management approach reached a wide impact area in 2018 with participation and suggestions of contractors as well.

Lean Management approach

Within the scope of Lean Management approach which was widely penetrated across the Company and became a significant tool in building the corporate experience, Kartonsan takes firm actions towards future with each 5S and Kaizen project.



Value flow analyses

Kartonsan, executed value flow analyses in 2018 which contribute greatly to total efficiency. With these analyses producing many outputs to support managerial decisions, Kartonsan's production cycle periods have reached a new standard.

Customers are being served in a better planned process and improvements were realized in optimization of inventory management as well as planning of marketing and production.

As a result of value flow analyses, Kartonsan strengthened its competencies in periodic production planning and started providing more exact delivery timing to customers.

Value flow analyses allowed Kartonsan to balance its production-trade cycle with lower product inventory levels and to achieve cost optimization. Unnecessary inventory of raw materials and chemicals were eliminated and additional contribution was provided for cost control.

Another output of the value flow analyses was the decrease in quantity of Quality 3 products due to increase in maintenance efficiency in the same production processes.

5S Practices

Kartonsan continued to apply 5S practices in 2018 which targets increasing employee satisfaction and work efficiency through work place improvement. In this context, with the active involvement of employees, improvements were realized in storage and warehouses, level of sanitation was increased, plant cafeterias and social areas were renewed and a new library with a rich content was established for all employees.

CORPORATE SOCIAL RESPONSIBILITY

In 2018, Kartonsan focused on educational and environmental subjects in social responsibility activities and contributed 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.

In addition to its support to these two schools, Kartonsan offers trainings to the students of these schools on environment and energy subjects.

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.

KSO (Kocaeli Chamber of Industry) Şahabettin Bilgisu Environment Award



Kartonsan's environmental policies and applications in this context were awarded by Kocaeli Chamber of Industry Şahabettin Bilgisu Environment Award.

Donations made in 2018 are summarized below:

Donations collected	Amount
Donations to universities, high schools and primary schools	523,979
Donations to non-profit organizations and foundations (Educational, sports-related, sectoral and social)	115,170
Donations to other institutions and organizations	9,864
Donations made for social purposes	84,270
Total	733,283

SELKA İÇ VE DIŞ TİCARET A.Ş.

High quality product range

Selka adopts its policy of meeting coated cardboard needs of printing, packaging and cardboard industries in a quick, economic and perfect manner 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's main principle is to meet coated cardboard needs and expectations of printing, packaging and other companies in cardboard business in a timely, economical and excellent manner without any limitation on quantity with its high quality product range.

Selka is a subsidiary of Kartonsan which has an ownership stake of 99.37% and it 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. In 2017, the Company started to import Bristol board which is not produced in Turkey and sold 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 38,272 tons in 2017 increased by 166 tons to reach a total of 38,438 tons at the end of 2018. In the same period, the Company's turnover increased by 50% to approximately TL 114.1 million.

Net pre-tax profit of the Company has been TL 8.04 million in 2017 which was above its target.

Selka's comparative net sales quantities and amounts for 2017 and 2018 are presented below:

	January-December 2017 Sales Quantity (Tons)	January-December 2017 Sales Amount (TL)	January-December 2018 Sales Quantity (Tons)	January-December 2018 Sales Amount (TL)
K1-K2 cardboard	8,779	17,786,913	7,692	23,276,524
K3 cardboard	14,466	23,184,830	10,610	24,309,170
Imported cardboard	15,027	34,752,535	20,136	66,458,048
Total	38,272	75,724,278	38,438	114,043,742

DÖNKASAN DÖNÜŞTÜRÜLEN ATIK KAĞIT SAN. VE TİC. A.Ş.

Reaching a higher capacity...

With its investments on infrastructure, DÖNKASAN aims to reach a higher capacity and transform into a more efficient company in 2019.

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 continues its activities in the facilities located in Esenyurt, Istanbul. The company recorded net sales of TL 14.8 million with the sale of 22 thousand tons of scrap paper in 2017. In 2018, the company realized sales of 36 thousand tons and recorded net sales of TL 26.7 million.

Net sales from separating services have been TL 1.1 million in 2018 with a quantity of 3,643 tons (2017: 4,953 tons).

Net profit for 2018 has been TL 246.3 thousand.

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

	January-December 2017 Sales Quantity (Tons)	January-December 2017 Sales Amount (TL)	January-December 2018 Sales Quantity (Tons)	January-December 2018 Sales Amount (TL)
Scrap paper	21,552	14,773,582	36,460	26,659,525
Income from separating services	4,593	1,315,976	3,643	1,139,141
Total	26,145	16,089,558	40,103	27,798,666

INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT

(Convenience translation of the report originally issued in Turkish)

G Ü R E L İ
YEMİNLİ MALİ MÜŞAVİRLİK
BAĞIMSIZ DENETİM
HİZMETLERİ A.Ş.

34^{ül}

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 01.01.2018-31.12.2018.

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 19.02.2019 in connection with the full set financial statements of the Company for the financial period of 01.01.2018-31.12.2018.

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.



c) 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


Mustafa Özgür Günel
Responsible Associate Chief Auditor
İstanbul, 05.03.2019

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Financial Statements and Independent Audit Report
As of January 01 - December 31, 2018

Independent Auditor Report

G Ü R E L İ
YEMİNLİ MALİ MÜŞAVİRLİK
BAĞIMSIZ DENETİM
HİZMETLERİ A.Ş.

34^{ül}

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

Independent Auditing of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi and its subsidiaries (the Group) dated on at December 31, 2018 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 accompanying consolidated financial statements represent the financial position as of December 31, 2018 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 been carried out, was carried out according to the Independent Audit Standards (IAS) which are 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 generation 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 Auditor 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 187.952.091 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 fixed 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
<p>The registration of revenues for the timely and accurate determination of income have been considered by us as a key audit topic.</p>	<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 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. Errors can be due to errors or tricks. 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:

- Identify and assess the risks of "significant mistakes" resulting from error or fraud on the financial statements; 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 fraud, 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 situation, 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 Auditor 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 not 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 Risk Early Detection System and Committee organized 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 19, 2019.
- 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, 2018 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



Mustafa Özgür Günel
 Responsible Partner Chief Auditor
 Istanbul, 19 February 2019

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Contents**

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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, 2018 and 2017**

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

	Footnote References	(Independently Audited) December 31, 2018	(Independently Audited) December 31, 2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	93.925.629	33.866.079
Trade Receivables	5-6	64.882.123	56.630.987
- Trade Receivables from Related Parties	5	3.326.112	4.472.469
- Trade Receivables from Non-Related Parties	6	61.556.011	52.158.518
Other Receivables	8	243.663	728.837
- Other Receivables from Non-Related Parties	8	243.663	728.837
Inventories	9	103.454.020	73.184.935
Prepaid Expenses	5-17	7.091.001	6.351.437
- Prepaid Expenses to Related Parties	5	1.239.119	3.222.637
- Prepaid Expenses to Non-Related Parties	17	5.851.882	3.128.800
Other Current Assets	17	13.225	248.294
- Other Current Assets from Non-Related Parties	17	13.225	248.294
Total Current Assets		269.609.661	171.010.569
Fixed Assets			
Other Receivables	8	15.619	14.920
- Other Receivables from Non-Related Parties	8	15.619	14.920
Investment Properties	10	229.270	229.270
Tangible Fixed Assets	11	187.952.091	188.824.076
- Lands and Plots		24.059.097	24.059.097
- Land improvements		2.204.643	1.970.799
- Buildings		29.147.305	25.374.994
- Plant machinery and equipment		123.113.610	129.202.714
- Vehicles		1.367.130	716.404
- Furniture and fixtures		6.515.441	2.932.905
- Special costs		123.917	145.475
- Ongoing investments		624.736	3.521.981
- Other tangible fixed assets		796.212	899.707
Intangible Fixed Assets	12	4.948.585	847.316
- Other Intangible Fixed Assets	12	4.948.585	847.316
Prepaid Expenses	17	5.556.352	3.729.744
- Prepaid Expenses to Non-Related Parties	17	5.556.352	3.729.744
Deferred Tax Assets	25	19.587.402	10.909.550
Total Fixed Assets		218.289.319	204.554.876
Total Assets		487.898.980	375.565.445

The accompanying 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, 2018 and 2017**

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

	Footnote References	(Independently Audited) December 31, 2018	(Independently Audited) December 31, 2017
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings	7	713.512	101.947
- Short-term borrowings to non-related parties	7	713.512	101.947
- Bank loans	7	713.512	-
- Payables from Financial Leasing Transactions	7	-	101.947
Trade Payables	5-6	52.283.578	42.387.267
- Trade Payables to Related Parties	5	41.729	36.138
- Trade Payables to Non-Related Parties	6	52.241.849	42.351.129
Payables for Employee Benefits		2.351.857	2.868.411
Other Payables	5-8	4.996.270	1.581.244
- Other Payables to Related Parties	5	17.287	15.706
- Other Payables to Non-Related Parties	8	4.978.983	1.565.538
Tax Liabilities of Period Profit	25	1.572.820	2.030.012
Short-Term Provisions	14-16	5.461.285	4.994.670
- Short-Term Provisions for Employee Benefits	16	1.555.187	644.899
- Other Short-Term Liabilities	14	3.906.098	4.349.771
Total Short-Term Liabilities		67.379.322	53.963.551
Long-Term Liabilities			
Long-Term Provisions	16	9.925.980	8.638.813
- Long-Term Provisions for Employee Benefits	16	9.925.980	8.638.813
Deferred tax liabilities	25	2.871.680	-
Total Long-Term Liabilities		12.797.660	8.638.813
SHAREHOLDERS' EQUITY			
Parent Company Shareholders' Equity		407.586.337	312.871.220
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 <i>not to be</i> <i>Reclassified to Profit or Loss</i>			
- Defined benefit plans re-measurement losses	18	(1.302.312)	(1.530.351)
Restricted Reserves from Profit	18	29.619.682	27.729.168
- Property or participation earnings to be added to capital	18	2.315.343	2.315.343
- Legal reserves	18	27.304.339	25.413.825
Retained Profits		169.624.160	152.102.490
Net Profit of the Period		113.501.607	38.426.713
Non-Controlling Shares		135.661	91.861
Total Shareholders' Equity		407.721.998	312.963.081
TOTAL LIABILITIES		487.898.980	375.565.445

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Consolidated Statement of Profit or Loss
For the Accounting Period as of December 31, 2018 and 2017**

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

	Footnote References	(Independently Audited) December 31, 2018	(Independently Audited) December 31, 2017
Revenue	19	637.093.284	479.476.905
Cost of Sales (-)	19	(476.584.019)	(400.751.516)
Gross Profit		160.509.265	78.725.389
General Administration Expenses (-)	20	(16.721.741)	(13.269.847)
Marketing Expenses (-)	20	(21.907.345)	(20.344.458)
Other Income from Main Operations	22	31.786.342	19.632.643
Other Expenses from Main Operations (-)	22	(24.443.009)	(9.716.589)
Main Operating Profit		129.223.512	55.027.138
Investment Operating Income	23	34.762.404	3.735.495
Investment Operating Expenses (-)	23	(18.773.239)	(1.040.502)
Operating Profit before Financing Expense		145.212.677	57.722.131
Financing Expenses (-)	24	(12.008.174)	(9.978.023)
Continued Operations Profit Before Taxation		133.204.503	47.744.108
Continued Operations Tax (Income)/Expense	25	(19.652.767)	(9.280.795)
- Period Tax Expense (-)	25	(25.518.696)	(3.381.430)
- Deferred Tax (Expense)/Income	25	5.865.929	(5.899.365)
Continued Operations Period Profit		113.551.736	38.463.313
Distribution of period profit			
- Non-Controlling Shares		50.129	36.600
- Parent Company Shares		113.501.607	38.426.713
Earnings Per Share	26	40,00742	13,54477
- Continued Operations Earnings Per Share	26	40,00742	13,54477
Other Comprehensive Income			
Items not to be reclassified in Profit or Loss:			
Defined benefit plans re-measurement losses		228.039	(194.773)
Other Comprehensive Income		228.039	(194.773)
Total Comprehensive Income		113.779.775	38.268.540
Distribution of Total Comprehensive Income			
- Non-Controlling Shares		50.129	36.600
- Parent Company Shares		113.729.646	38.231.940

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Consolidated Statement of Change in Shareholders' Equity
For the Accounting Period as of December 31, 2018 and 2017**

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

Previous Period - December 31, 2017 (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	Accumulated Profits			Parent Company Share- holders' Equity	Non- Controlling Shares	Share- holders' Equity
				Defined benefit plans remea- surement gain/loss	Restricted Reserves From Profit	Retained Earnings	Net Profit/ Loss of the Period			
Balances at the beginning of the period	2.837.014	93.298.657	7.529	(1.335.578)	26.695.093	159.378.512	2.903.493	283.784.720	65.255	283.849.975
Transfers	-	-	-	-	1.034.075	1.869.418	(2.903.493)	-	-	-
Total comprehensive income	-	-	-	(194.773)	-	-	38.426.713	38.231.940	36.600	38.268.540
Dividends	-	-	-	-	-	(9.145.440)	-	(9.145.440)	(9.994)	(9.155.434)
End-of-period balances	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

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	Accumulated Profits			Parent Company Share- holders' Equity	Non- Controlling Shares	Share- holders' Equity
				Defined benefit plans remea- surement gain/loss	Restricted Reserves From Profit	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

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Consolidated Statement of Cash Flow
For the Accounting Period as of December 31, 2018 and 2017**

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

	Footnote References	(Independently Audited) 1 January - December 31, 2018	(Independently Audited) 1 January - December 31, 2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Period Profit		105.072.939	67.117.275
- Period Profit from continued operations		113.551.736	38.463.313
Amendments related to period profit reconciliation:		51.434.454	40.347.438
Adjustments Related to Amortization and Depreciation	11, 12, 21	26.860.385	25.585.850
Adjustment Related to Impairment (Cancellations)		190.994	(85.906)
- Adjustment Related to Impairment (Cancellations) of receivables		(6.500)	(17.822)
- Adjustment Related to Impairment (Cancellations) of Inventory		197.494	(68.084)
Adjustment Related to Provisions		1.344.398	935.268
- Adjustment Related to Provisions for employee benefits (Cancellations)		2.487.998	223.029
- Adjustment Related to General provisions (Cancellations)		-	(2.293.500)
- Adjustment Related to Free Provisions for Potential Risks (Cancellations)	(699.927)	-	-
- Adjustment Related to Other Provisions		(443.673)	3.005.739
Adjustment Related to interest income and expenses		3.690.650	5.326.723
- Adjustment Related to interest income		(4.333.588)	(1.723.306)
- Adjustment Related to interest expenses	24	12.008.174	9.978.023
- Deferred financing expense arising from forward purchases	22	3.802.800	2.508.804
- Unearned finance income from forward sales	22	(7.786.736)	(5.436.798)
Adjustment Related to Tax expense	25	19.652.767	9.280.795
Adjustments from disposal of fixed assets		(304.740)	(695.292)
- Adjustment related to gains from the disposal of tangible fixed assets		(304.740)	(695.292)
Changes in working capital:		(25.921.862)	(7.174.392)
Adjustment related to decrease/(increase) in trade receivables		(8.315.689)	(11.909.473)
- Decrease (increase) in trade receivables from related parties		1.146.357	(3.751.546)
- Decrease (increase) in trade receivables from non-related parties		(9.462.046)	(8.157.927)
Adjustment related to decrease (increase) in other receivables related to operations		484.475	1.334.705
- Decrease (increase) in related receivables related to operations from related parties	484.475	1.334.705	-
Adjustments related to increase in Inventory		(30.466.579)	(9.859.077)
Decrease (increase) in prepaid expenses		(739.564)	(3.439.590)
Adjustment Related to Increase/(decrease) in trade payables		9.984.701	16.493.478
- Increase (decrease) in trade payables to related parties		5.591	199
- Increase (decrease) in trade payables to non-related parties		9.979.110	16.493.279
Increase (decrease) in debt due to employee benefits		(516.554)	76.538
Adjustments related to increase (decrease) in other liabilities related to activities		3.415.026	376.059
- Increase (decrease) in other liabilities related to operations to related parties		1.581	3.630
- Increase (decrease) in other liabilities related to operations to non-related parties	3.413.445	372.429	-
Adjustments related to other increase (decrease) in working capital		232.322	(247.032)
- Decrease/(increase) in other assets related to operations		232.322	(247.032)
Cash flows from operations		139.064.328	71.636.359
Interest Paid		(15.899.364)	(8.526.322)
Interest Received		7.883.863	5.443.937
Tax Payments	25	(25.975.888)	(1.436.699)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
		(27.421.648)	(10.541.533)
Cash Inflows from Sales of Tangible and Intangible Fixed Assets		591.594	1.163.902
- Cash Inflows from Sales of Tangible Fixed Assets		591.594	1.163.902
Cash Outflows from Purchase of Tangible and Intangible Fixed Assets		(30.376.523)	(11.544.160)
- Cash Outflows from Purchase of Tangible Fixed Assets	11	(25.856.223)	(11.511.594)
- Cash Outflows from Purchase of Intangible Fixed Assets	12	(4.520.300)	(32.566)
Repayments from cash advance and debts given		(1.826.608)	(1.627.240)
- Repayments from other cash advance and debts given		(1.826.608)	(1.627.240)
Interest Received		4.189.889	1.465.965
C. CASH FLOW FROM FINANCING ACTIVITIES			
		(17.709.366)	(38.049.401)
Cash Inflows Arising from Borrowing		611.565	1.375.000
- Cash inflows from loans		611.565	1.375.000
Cash outflows related to debt payments		-	(26.269.932)
- Cash outflows related to loan repayments		-	(26.269.932)
Dividends paid		(18.320.931)	(9.155.434)
Interest Paid		-	(3.999.035)
Net Increase (Decrease) in Cash and Cash Equivalents Before Foreign currency translation differences effect		59.941.925	18.526.341
CASH AND CASH EQUIVALENTS IN BEGINNING OF THE PERIOD	4	33.674.942	15.148.601
CASH AND CASH EQUIVALENTS IN END OF THE PERIOD	4	93.616.867	33.674.942

The accompanying 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, 2018

(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 AŞ ("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 Turkey Borsa İstanbul AŞ ("BIAS") since 1985. All of its shares are quoted on BIAS and are traded on the star market. Kartonsan's free float rate is 22,40%, 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. Bülent Tarcan Cad. No: 5 Pak Business Mrk. Kat: 3 Gayrettepe/İSTANBUL. The Company's main headquarters is in Istanbul and has a factory in Kullar Köyü 41001 Kocaeli.

The details of subsidiaries subject to fully consolidation as of December 31, 2018 and December 31, 2017 are as follows:

Company Title	Field of activity	Company shareholding	
		December 31, 2018	December 31, 2017
Selka İç ve Dış Ticaret A.Ş. ("Selka")	Coated cardboard trade	%99,37	%99,37
Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. ("Dönkasan")	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, 2018, the Group has 306 employees, excluding subcontractors. (December 31, 2017: 313).

These consolidated financial statements have been approved for issue by the Board of Directors meeting dated 19 February 2018 numbered YK/2019-02 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 Ünal Bozkurt.

FOOTNOTE 2 - PRINCIPLES FOR PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basic principles of presentation

2.1.1 Applied financial reporting standards

The accompanying 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 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, 2018

(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				
	December 31, 2018			December 31, 2017	
	Capital	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
Dönkasan	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, 2018

(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.

	31.12.2018	31.12.2017
	Deferred Tax Asset	Deferred Tax Asset
Outstanding (Beginning of Period)	19.917.081	19.321.170
Investment Discount Indexing	8.477.041	-
Spending Amount/Adjustment	-	1.628.190
Utilized as Tax Discount	(3.142.291)	(1.032.279)
Balance (End of Period)	25.251.831	19.917.081

2.2 New standards, changes and interpretations

The Group has applied the new and revised standards and interpretations issued by the POA to those related to its field of activity.

a) TFRS's published but not yet put into effect and not applied early

The new standards, interpretations and amendments which have been published as of the date of the financial statements but have not been put into effect for the current reporting period yet and early applied by the Group are as follows. The Group shall make the required amendments to affect its financial statements and footnotes to them after effect of the new standards and interpretations unless otherwise stated.

TFRS 16 Leasing

By Public Oversight, Accounting and Auditing Standards Authority, the Turkish Financial Reporting Standards 16 "Leasing Standards" was published on 16 April 2018. This Standard replaces the existing International Accounting Standards 17 "Leasing Transactions Standards" in which the accounting of the leasing transactions was regulated, International Financial Reporting Standards Interpretation 4 "Determining Whether an Agreement Contains a Lease" and International Accounting Standards Interpretation 15 "Operating Leases - Incentives"; and it has subjected International Accounting Standards 40 "Investment Property Standard" to be amended. Turkish Financial Reporting Standards 16 eliminates the dual accounting model, the current application with regards to the tenants, which was in the manner of monitoring the financial leasing transactions on the balance sheet, and monitoring liabilities related to operating leases off the balance sheet. Instead of this, a single balance sheet-based accounting model is brought forth for all leases, similar to the accounting of the current financial leasing. Accounting for lessors has been continuing in a similar manner to existing practices. Although Turkish Financial Reporting Standards 16 is effective for annual periods beginning on or after January 1, 2019, early adoption is permitted for companies that have started to apply the Turkish Financial Reporting Standards 15 "Revenues from the Customer Financial Contracts" standard. The Group is assessing the potential impact of the adoption of Turkish Financial Reporting Standards 16 on its consolidated financial statements.

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TFRS interpretation 23 Uncertainties in tax practices

On May 24, 2018, Turkish Financial Reporting Standards Interpretation 23 "Interpretation of Uncertainty on Income Tax Applications" was published by the Public Oversight, Accounting and Auditing Standards Authority to determine how the uncertainties related to the calculation of income taxes will be reflected in the financial statements. There may be uncertainties found about how to apply tax regulations in a particular transaction or a case, or uncertainties about whether the tax authority will accept a company's tax transactions. Although Turkish Accounting Standards 12 Income Taxes, brings clarity to how to calculate current and deferred tax, but do not provide guidance on how to reflect the effects of the uncertainties related to them on the financial statements. Turkish Financial Reporting Standards Interpretation 23 introduces additional requirements to the provisions present in the Turkish Accounting Standards 12 by clarifying how to reflect the effects of uncertainty related to income taxes in the recognition of income taxes. Although the effective date of this Interpretation is the reporting periods beginning on or after January 1, 2019, early adoption is permitted. The Group is assessing the potential impact of the application of Turkish Financial Reporting Standards Interpretation 23 over its consolidated financial statements.

Amendments to TFRS 9 - Early Payments Causing Negative Compensation

In December 2017, Public Oversight by the Accounting and Auditing Standards Authority changed the requirements of Turkish Financial Reporting Standards 9 to bring clarity on to the recognition of financial instruments. Financial assets that cause negative compensation when paid early can be measured at amortized cost or if fair value differences are reflected in other comprehensive income when it meets the other relevant requirements of Turkish Financial Reporting Standards 9. In accordance with Turkish Financial Reporting Standards 9, when their contract is terminated early; financial assets that include an early payment option which require the payment of 'a reasonable additional fee' substantially reflecting the outstanding principal and interest amounts to a large extent, meets this criterion.

This amendment is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group is assessing the potential impact of the adoption of IFRS 9 on consolidated financial statements.

Amendments to TAS 28 - Long Term Investments in Subsidiaries and Joint Ventures

In order to clarify the need to apply Turkish Financial Reporting Standards 9 to the measurement of other financial instruments in which equity method is not applied from investments in associates and joint ventures, Turkish Accounting Standards 28 has been amended by Public Oversight, Accounting and Auditing Standards Authority in December 2017. These investments are, in essence, the long-term retained shares of the entity, which form part of the net investment in subsidiaries or joint ventures. An entity, before applying the relevant paragraphs of Turkish Accounting Standards 28, applies Turkish Financial Reporting Standards 9 in the calculation of such long-term investments. When Turkish Financial Reporting Standards 9 is applied, no adjustment is made to the carrying amount of long-term investments stemmed from the application of Turkish Accounting Standards 28. This amendment is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted.

The Group is assessing the potential impact of the adoption of TAS 28 on consolidated financial statements.

b) New and updated standards and interpretations published by the International Accounting Standards Board (IASB) but not yet published by the POA

The new standards, interpretations, and amendments to the existing International Financial Reporting Standards, as listed below, have been published by the International Board of Accounting Standards ("IASB"), but these new standards, interpretations and amendments have not yet been published by the Public Oversight, Accounting and The Auditing Standards Authority and nether has been adapted to the Turkish Financial Reporting Standards; and for that reason, they do not form part of the Turkish Financial Reporting Standards. According to this, standards issued by the IASB but not yet published by Public Oversight, Accounting and Auditing Standards Authority are referred to as International Financial Reporting Standards or International Accounting Standards. The Group will make the necessary changes to its consolidated financial statements and Footnotes after these standards and interpretations become effective in Turkish Financial Reporting Standards.

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Annual improvements - 2015-2017 Period

Improvements in IFRS

The Annual Improvements/2015-2017 Period in International Financial Reporting Standards, published for the standards currently in force, are presented below. These amendments are effective from 1 January 2019 and earlier application is permitted. The application of these amendments to International Financial Reporting Standards is not expected to have a significant impact on the Group's consolidated financial statements.

IFRS 3 Business Mergers and IFRS 11 Joint Agreements

International Financial Reporting Standards 3 and International Financial Reporting Standards 11 have been amended to bring clarity to how an increase in ownership interest in a joint operation that meets the entity definition will be accounted for. When one of the joint parties obtains the control power, it will have to re-calculate the share that the buyer has in advance, at its fair value, considering it as a business combination actualized progressively. When the joint control of one of the parties continues (or when it has obtained the joint control), it is not necessary to recalculate the previous share.

IMS 12 Income Taxes

International Accounting Standards 12 is amended to bring clarity to the recognition of income taxes accrued from dividends (including payments to financial instruments classified as equity) consistent with the transactions that generate the distributable profit of the entity (for example; in profit or loss, other comprehensive items of income or equity).

b) New and updated standards and interpretations published by the International Accounting Standards Board (IASB) but not yet published by the POA

UMS 23 Borrowing Costs

International Accounting Standards 23 has been amended to bring clarity to the fact that when financing activities are carried out from a single center, the general-purpose borrowing pool used in calculating capitalized borrowing costs should not be included in the direct borrowing amounts for the financing of qualifying assets that are currently under development or under construction. On the other hand, directly borrowed amounts for the financing of any qualifying assets that are ready for use or sale - or any asset that is not within the scope of special asset - should be included in the general-purpose borrowing pool.

Amendments to IAS 19 - Amendment, Downsizing or Fulfillment of Obligations in the Plan

On 7 February 2018 an amendment titled "Amendment on the Plan, Downsizing, or Fulfillment of Obligations (Amendments to International Accounting Standards 19)" by IASB. With this amendment made, clarifications have been brought to the recognitions of a change in the plan or downsizing as well as the fulfillment of the obligations. A company will then use the updated current actuarial assumptions to determine the cost of service and the net interest cost of the period, and will not take into account the impact on the asset ceiling in calculating the gain or loss arising from the fulfillment of any obligation to the plan; and the effects of this situation will be dealt with separately in other comprehensive income. This amendment is effective for annual periods beginning on or after January 1, 2019, and early adoption is permitted.

The Group is assessing the potential impact of the adoption of IAS 19 on consolidated financial statements.

Conceptual Framework (updated)

The updated Conceptual Framework was published by the IASB on March 28, 2018. The Conceptual Framework; introduces the IASB to the basic framework that will provide guidance to financial reporting when developing new International Financial Reporting Standards. The Conceptual Framework; helps to ensure that standards are conceptually consistent and that similar transactions are handled in the same way, providing useful information for investors, lenders, and creditors. Conceptual Framework; shall help companies to develop accounting policies where no International Financial Reporting Standards are applicable for a particular transaction, and, more broadly, help stakeholders to understand and interpret these standards. The updated Conceptual Framework, on the other hand, is more comprehensive than its previous version, and aims to provide all the tools necessary to establish standards for the IASB. The updated Conceptual Framework covers all aspects of the standards setting up; from the purpose of financial reporting to presentation and disclosure. Although the updated Conceptual Framework shall be effective for companies using the Conceptual Framework to develop accounting policies for a particular transaction where any International Financial Reporting Standards are not applicable, early adoption shall be permitted, beginning on or after January 1, 2020.

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IFRS 17 Insurance Contracts

On May 18, 2017, the International Financial Reporting Standards 17 Insurance Contracts standards was issued by IASB. International Financial Reporting Standards 17, which is the first internationally recognized standard for insurance contracts, will make it easier for investors and other interested parties to better understand the risks of insurers, their profitability and their financial position. International Financial Reporting Standards 17 replaces International Financial Reporting Standards 4, which was adopted as a temporary standard in 2004. International Financial Reporting Standards 4 has led to the use of a variety of accounting approaches in practice, as it allowed companies to recognize insurance contracts using local accounting standards. As a result of this, it made it difficult to for the investors to compare the financial performances of similar companies. International Financial Reporting Standards 17 resolves the consistent recognition of all insurance contracts, and solves the problem of comparability caused by International Financial Reporting Standards 4 for both investors and insurance companies. According to the new standard, insurance obligations will be accounted for using current values instead of historical cost. Since this information will be updated regularly, it will provide more useful information to users of financial statements. Although International Financial Reporting Standards 17 is effective for annual reporting periods beginning on or after 1 January 2021, early adoption is permitted.

2.3 Changes in accounting policies

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

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
- If it is related to future periods both in the period of change and in future periods.

The significant estimates used during the preparation of the consolidated financial statements for the period between January 1- December 31, 2018 are consistent with the estimates used in the preparation of the financial statements for the period between January 1- December 31, 2017. 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.

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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.

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 fixed assets

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

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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	2018 Ratio (%)	2017 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 Fixed 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).

Intangible fixed 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.

Financial Leasing:

The Group classifies assets subject to lease as financial lease transactions due to risks and rewards arising from the ownership of the leased assets. Fixed assets acquired through financial leasing are recognized as a liability in the balance sheet of the Group at the present value of the assets and liabilities at the present value of the minimum lease payments if the fair value of the related assets and the value of the minimum lease payments are less than their present values. While the financial lease obligation on the balance sheet is reduced by principal repayment, the financial expense portion of the rent payments is recorded in the income statement of the turnover during the lease term. Property, plant and equipment acquired under finance lease contracts are depreciated over the useful life of the asset.

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Operational leasing

The Group undertakes operational leasing (real estate leasing) operations as a tenant. Rental contracts in which the lessor holds all risks and benefits of the property are called operational leasing. Lease payments made for an operational lease are charged to the records as expense according to the normal method during the lease term. The Group's lease expense for period is TL 714.180. (January 1-December 31, 2017: 619.296 TL).

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).

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 translated 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 are 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).

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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).

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.

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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).

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 lands.

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).

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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 Comparative Information and Adjustment of Financial Statements for the Previous Period

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.

The Company applied TFRS 9 Financial Instruments and TFRS 15 Revenue Standards from Customer Contracts in the accounting period beginning on January 01, 2018.

In the application of TFRS 9 Financial Instruments Standard, the Company has benefited from the exemption, which allows it not to rearrange the comparative information for prior periods regarding classification and measurement (including impairment) changes. The differences in the book value of financial assets and financial liabilities arising from the application of TFRS 9 are accounted for as of January 01, 2018 in retained earnings.

The Company applied retrospectively TFRS 15 Revenue from Contracts for the first time on January 01, 2018 with cumulative effect of the application. The cumulative effect arising from the application for the first time was recognized as a difference correction in retained earnings as of January 01, 2018 and the comparative information for prior periods has not been restated.

The effects of the application of TFRS 9 and TFRS 15 on statement of financial position as of December 31, 2018 are presented below. The application of the standards does not have a significant effect on the other comprehensive income statement and consolidated cash flow statement.

Statement of Financial Position

	December 31, 2018 (excluding effects)	TFRS 9 Effects	TFRS 15 Effects	December 31, 2018 (including effects)
ASSETS				
Current assets				
Cash and cash equivalents	93.992.513	(66.884)	-	93.925.629
Trade Receivables	65.455.718	(45.592)	(528.003)	64.882.123
Other Receivables	243.663	-	-	243.663
Inventories	103.454.020	-	-	103.454.020
Prepaid expenses	7.091.001	-	-	7.091.001
Other current assets	13.225	-	-	13.225
Total current assets	270.250.140	(112.476)	(528.003)	269.609.061
Fixed assets				
Other receivables	15.619	-	-	15.619
Investment properties	229.270	-	-	229.270
Tangible fixed assets	187.952.091	-	-	187.952.091
Intangible fixed assets	4.948.585	-	-	4.948.585
Prepaid expenses	5.556.352	-	-	5.556.352
Deferred tax asset	19.591.362	12.977	(16.937)	19.587.402
Total fixed assets	218.293.279	12.977	(16.937)	218.289.319
TOTAL ASSETS	488.543.419	(99.499)	(544.940)	487.898.980

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	December 31, 2018 (excluding effects)	TFRS 9 Effects	TFRS 15 Effects	December 31, 2018 including effects)
LIABILITIES				
Short term liabilities				
Short-term borrowings	713.512	-	-	713.512
Trade payables	52.283.578	-	-	52.283.578
Payables for employee benefits	2.351.857	-	-	2.351.857
Other Payables	4.996.270	-	-	4.996.270
Period profit tax liability	1.572.820	-	-	1.72.820
Short-term provisions	5.461.285	-	-	5.461.285
Total short-term liabilities	67.379.322	-	-	67.379.322
Long-term liabilities				
Long-term provisions	9.925.980	-	-	9.925.980
Deferred tax liability	2.871.680	-	-	2.871.680
Total long-term liabilities	12.797.660	-	-	12.797.660
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	(1.302.312)	-	-	(1.302.312)
Restricted reserves from profit	29.619.682	-	-	29.619.682
Previous years' profits or losses	170.324.087	(94.939)	(604.988)	169.624.160
Net period profit or loss	113.446.119	(4.560)	60.048	113.501.607
Non-controlling shares	135.661	-	-	135.661
Total equity	408.366.437	(99.499)	(544.940)	407.721.998
TOTAL LIABILITIES	488.543.419	(99.499)	(544.940)	487.898.980

Profit and Loss Statement

	December 31, 2018 (excluding effects)	TFRS 9 Effects	TFRS 15 Effects	December 31, 2018 including effects)
Revenues	637.016.299	-	76.985	637.093.284
Cost of sales (-)	(476.584.019)	-	-	(476.584.019)
Gross profit (loss)	160.432.280	-	76.985	160.509.265
General and administrative expenses (-)	(16.721.741)	-	-	(16.721.741)
Marketing expenses (-)	(21.907.345)	-	-	(21.907.345)
Other income from main operating	31.786.342	-	-	31.786.342
Other expenses from main operating (-)	(24.443.009)	-	-	(24.443.009)
Main Operating profit (loss)	129.146.527	-	76.985	129.223.512
Income from investment operations	34.762.404	-	-	34.762.404
Expenses from investment operations (-)	(18.773.239)	-	-	(18.773.239)
Operating profit (loss) before finance income (expense)	145.135.692	-	76.985	145.212.677
Financial expenses (-)	(11.990.637)	(17.537)	-	(12.008.174)
Profit before tax from continuing operations (loss)	133.145.055	(17.537)	76.985	133.204.503
Continuing operations tax income (expense)	(19.648.807)	12.977	(16.937)	(19.652.767)
Period profit (loss)	113.496.248	(4.560)	60.048	113.551.736
Other comprehensive income (expense)	228.039	-	-	228.039
Total comprehensive income (expense)	113.724.287	(4.560)	60.048	113.779.775

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TFRS 9 Financial Instruments Impact Measurement

The Company has modified the impairment method for financial assets in accordance with TFRS 9's new model of expected credit losses. The impact of the amendment on the retained earnings of the Company as of January 01, 2018 is as follows:

	January 01, 2018
Retained earnings - December 31, 2017	170.324.087
Increase in doubtful receivables related to receivables from trade activities	(45.592)
Adjustment decrease in the scope of IFRS 9 related to deposits in banks	(49.346)
Total effect of previous year adjustments in accordance with TFRS 9	(94.939)
Retained earnings - January 01, 2018 - (including effects of TFRS 9 excluding effects TFRS 15)	170.229.148

TFRS 15 Revenue from Customer Contracts - Effects

The effects of TFRS 15 Revenue from the Customer Contracts on the Company's retained earnings for January 01, 2018 is as follows:

	January 01, 2018
Retained earnings - January 01, 2018 - (including effects of TFRS 9 excluding effects TFRS 15)	170.229.148
Sales returns TFRS 15 effect	(604.988)
Total impact of previous year adjustments in accordance with TFRS15	(604.988)
Retained earnings - January 01, 2018 - (including effects of TFRS 9 and TFRS 15)	169.624.160

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, 2018	December 31, 2017
Cash	119.395	110.114
Banks		
- Demand deposit - TL	2.643.810	2.238.495
- Demand deposit - Foreign Currency	5.287.014	846.573
- Term deposit - TL	31.606.612	20.130.973
- Term deposit - Foreign Currency	52.595.305	10.539.924
- Bank Credit Card Receivable	1.673.493	-
Total	93.925.629	33.866.079

The average maturity of term deposits as of December 31, 2018 is 29 days (December 31, 2017: 23 days).

As of December 31, 2018, the interest rate of TL denominated time deposits amounting to TL 31.606.612 (December 31, 2017: TL 20.130.973) was actualized as 23% annually (December 31, 2017: 14.75%). As of December 31, 2018, the weighted average interest rate of foreign currency denominated deposits amounting TL 52.595.305 was realized as 3.32% annually. (December 31, 2017: TL 10.539.924 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 0.24%.)

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Cash and cash equivalents subject to cash flow statements as of December 31, 2018 and 2017 are as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Cash and cash equivalent	93.925.629	33.866.079
Interest accrual (-)	(308.762)	(191.137)
Cash flow statement cash and cash equivalents	93.616.867	33.674.942

FOOTNOTE 5 - RELATED PARTY DISCLOSURES

	December 31, 2018	December 31, 2017
a) Trade receivables from related parties		
Mel Macedonian Paper Mills S.S.A	3.326.112	4.472.469
Total	3.326.112	4.472.469
b) Prepaid expenses to related parties		
Mel Macedonian Paper Mills S.S.A	1.239.119	3.222.637
Total	1.239.119	3.222.637
c) Trade payables to related parties		
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	34.692	30.999
Pak Holding A.Ş.	7.037	5.139
Total	41.729	36.138
d) Other payables to related parties		
Shareholders (Dividend)	17.287	15.706
Total	17.287	15.706
e) Sales of goods and services to related parties		
	January 1- December 31, 2018	January 1- December 31, 2017
Mel Macedonian Paper Mills S.S.A	5.510.531	9.653.973
Hüseyin Kalkavan İnş.San.Tic.A.Ş.	-	287
Total	5.510.531	9.654.260

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f) Purchases of goods and services from related parties

	January 1- December 31, 2018	January 1- December 31, 2017
Mel Macedonian Paper Mills S.S.A	43.291.448	21.655.906
Ece Plaza Yönetimi A.Ş. (**)	1.068.503	934.536
Oycan İth. İhr. ve Tic. A.Ş. (*)	-	296.802
Hüseyin Kalkavan İnş.San.Tic.A.Ş.	4.000	72.475
Pak Holding A.Ş. (***)	22.932	19.841
Pak Gıda A.Ş.	2.427	7.035
Total	44.389.310	22.986.595

(*) Consists reflection of legal consultancy service.

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

(***) Consists of Interest expenses related to loans.

g) Top management benefits

	January 1- December 31, 2018	January 1- December 31, 2017
Top management benefits	2.597.747	2.280.725

All benefits provided to senior management during the period January 1 to December 31, 2018 and 2017 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, 2018 and 2017 periods.

FOOTNOTE 6 - TRADE RECEIVABLES AND PAYABLES**a) Trade receivables from related parties**

	December 31, 2018	December 31, 2017
Buyers	60.973.159	52.577.109
Notes receivables	2.143.460	1.110.468
Minus: Non-accrued finance income	(461.527)	(390.474)
Minus: Doubtful trade receivables provision	(1.099.081)	(1.138.585)
Total	61.556.011	52.158.518

The average maturity of trade receivables is 20 days (December 31, 2017: 22 days) and the effective annual interest rates are as follows:

	December 31, 2018				December 31, 2017			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Receivables	% 23	% 3	0	% 1,17	% 14	% 2	0	% 0,77

As of December 31, 2018, the Group holds mortgages and letters of guarantee amounting to TL 35.566.890 (December 31, 2017: TL 34.095.261) for trade receivables.

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

	December 31, 2018	December 31, 2017
1 January	1.138.585	1.156.407
Increase during the year	142.363	53.592
Collections	(181.867)	(71.414)
Total	1.099.081	1.138.585

b) Trade payables to related parties	December 31, 2018	December 31, 2017
Sellers	52.527.859	42.548.749
Minus: non-accrued financing expense	(286.010)	(197.620)
Total	52.241.849	42.351.129

The average maturity of trade payables is 21 days (December 31, 2017: 22 days) and the annual effective interest rates are as follows:

	December 31, 2018				December 31, 2017			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	% 23	% 3	0	% 1,17	% 14	% 2	0	% 0,77

FOOTNOTE 7 - SHORT-TERM BORROWINGS

	December 31, 2018	December 31, 2017
Short-term financial loans	713.512	-
Short term financial lease payables	-	101.947
Total	713.512	101.947

Details of short term financial lease payables are as follows:

	December 31, 2018			December 31, 2017		
	Minimum financial leasing payment	Interest	Total liability	Minimum financial leasing payment	Interest	Total liability
Financial Leasing Payable.	-	-	-	107.156	(5.209)	101.947
	-	-	-	107.156	(5.209)	101.947

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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, 2018	December 31, 2017
Tax refunds receivables from the tax office	190.769	697.296
Receivables from employees	51.546	30.374
Deposits and securities given	1.348	1.167
Total	243.663	728.837
b) Other long-term receivables from non-related parties	December 31, 2018	December 31, 2017
Deposits and securities given	15.619	14.920
Total	15.619	14.920
c) Other payables to related parties	December 31, 2018	December 31, 2017
Taxes, fees and deductions to be paid	2.195.683	1.185.636
Received order advances	2.783.300	379.902
Total	4.978.983	1.565.538

FOOTNOTE 9 - INVENTORIES

	December 31, 2018	December 31, 2017
Raw material and supplies	23.693.316	23.393.654
Semi-finished products	511.432	901.762
Finished Goods	52.025.096	28.706.672
Trade Goods	11.941.910	8.022.398
Other Inventories	15.483.288	12.163.977
Inventory impairment provision	(201.022)	(3.528)
Total	103.454.020	73.184.935

Cost of inventories amounting to TL 299.103.487 as of January 1- December 31, 2018 (January 1 - December 31, 2017: TL 291.357.285) is expensed as cost of sales. (Footnote 19 and 21).

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Movements in provision for impairment of inventories are as follows:

	December 31, 2018	December 31, 2017
1 January	(3.528)	(71.612)
Transferred to the income statement due to sales	3.528	71.612
Provision in the current period (-)	(201.022)	(3.528)
Total	(201.022)	(3.528)

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, 2018	January 1- December 31, 2017
Cost Expense	(2.129.895)	(133.999)
Net realizable value	1.928.873	130.471
Reserved provision	(201.022)	(3.528)

There is no inventory provided as collateral for liabilities.

FOOTNOTE 10 - INVESTMENT PROPERTIES

Investment properties amount is TL 229.270 (December 31, 2017: 229.270 TL). There is no movement for investment property during the period (January 1- December 31, 2017: None).

Investment properties are included in the financial statements with their cost value. The fair value of the investment properties is TL 249.000. The fair value of the investment property is foreseen by the Group management by considering the value in the expertise report dated 22 February 2008 by Turkish Industrial Development Bank Real Estate Appraisal Company licensed by the Capital Markets Board of Turkey. The value determined by Turkish Industrial Development Bank Real Estate Appraisal Company is TL 249.000 and the Group management believes that there is no significant change in the value of this property after 22 February 2008 due to the fact that the property in question is located in the Sazlıdere dam basin and there is a development restriction according to the zoning plan.

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FOOTNOTE 11 - TANGIBLE FIXED ASSETS

	January 01, 2018	Inflows	Outflows	Transfers	31 December 2018
Cost:					
Lands	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 Fixed 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 Fixed 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

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	1 January 2017	Inflows	Outflows	Transfers	31 December 2017
Cost:					
Lands	24.059.097	-	-	-	24.059.097
Land improvements	6.929.997	-	-	88.493	7.018.490
Buildings	47.268.731	-	-	4.255.702	51.524.433
Plant machinery and equipment	503.681.167	5.989.725	(485.448)	(3.087.827)	506.097.617
Vehicles	1.337.429	28.705	-	-	1.366.134
Furniture and fixtures	13.546.845	726.161	-	-	14.273.006
Special Costs	374.939	94.575	-	-	469.514
Other Tangible Fixed Assets	1.319.166	28.083	(208.512)	-	1.138.737
Ongoing investments	134.004	4.644.345	-	(1.256.368)	3.521.981
	598.651.375	11.511.594	(693.960)	-	609.469.009
Accumulated depreciation:					
Land improvements	(4.829.255)	(218.436)	-	-	(5.047.691)
Buildings	(23.929.539)	(1.393.867)	-	(826.033)	(26.149.439)
Plant machinery and equipment	(355.184.403)	(22.745.530)	209.423	825.607	(376.894.903)
Vehicles	(585.784)	(63.946)	-	-	(649.730)
Furniture and fixtures	(10.689.388)	(651.139)	-	426	(11.340.101)
Special Costs	(297.412)	(26.627)	-	-	(324.039)
Other Tangible Fixed Assets	(159.445)	(95.512)	15.927	-	(239.030)
	(395.675.226)	(25.195.057)	225.350	-	(420.644.933)
Net book value	202.976.149				188.824.076

As of December 31, 2018, there are no machinery and equipment acquired through financial leasing within the period. (As of December 31, 2017: TL 393.898.)

TL 25.542.117 of the period depreciation expense is included in the cost of sales (As of January 1, - December 31, 2017: TL 24.720.102), TL 261.945 in marketing expenses (As of January 1, - December 31, 2017: TL 268.420), and TL 637.292 on the other hand, in general administrative expenses (As of January 1, - December 31, 2017: TL 206.535). (Footnote 19-20)

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FOOTNOTE 12 - INTANGIBLE FIXED ASSETS

	1 January 2017	Inflows	Outflows	December 31, 2018
Cost:				
Rights and computer software	3.337.527	4.520.300	-	7.857.827
	3.337.527	4.520.300	-	7.857.827
Accumulated depreciation:				
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

	1 January 2017	Inflows	Outflows	December 31, 2017
Cost:				
Rights and computer software	3.304.961	32.566	-	3.337.527
	3.304.961	32.566	-	3.337.527
Accumulated depreciation:				
Rights and computer software	(2.099.418)	(390.793)	-	(2.490.211)
	(2.099.418)	(390.793)	-	(2.490.211)
Net book value	1.205.543			847.316

The amortization expense of the total amount of 419.031 TL (1 January-December 31, 2017: 390.793 TL) 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 1.662.467.

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

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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 the Article 32/A of the Corporate Tax Law 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 25). Completion examination was completed in April 2018. Total investment expenditure is TL 139.662.402.

	31.12.2018	31.12.2017
	Deferred Tax Asset	Deferred Tax Asset
Outstanding (Beginning of Period)	19.917.081	19.321.170
Investment Discount Indexing	8.477.041	-
Spending Amount/Adjustment	-	1.628.190
Utilized as Tax Discount	(3.142.291)	(1.032.279)
Balance (End of Period)	25.251.831	19.917.081

FOOTNOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other short-term provisions

	December 31, 2018	December 31, 2017
Provision for lawsuit	1.915.490	2.694.667
Provisions for export discount expenses	689.325	650.335
Export commission expense provision	949.939	733.427
Other debt expense provisions	351.344	271.342
Total	3.906.098	4.349.771

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

	December 31, 2018	December 31, 2017
1 January	4.349.771	1.344.032
Payment and cancellations	(4.349.771)	(1.344.032)
Additional provision expense	3.906.098	4.349.771
Total	3.906.098	4.349.771

Information regarding the lawsuits filed against the Group or in favor of the Group as of December 31, 2018 as a result of the letter received from the group lawyers are as follows:

- For the annulment of the imposition of pollution load charges amounting to TL 1.587.697 and TL 732.559 accrued by the Kocaeli Metropolitan Municipality ISU, cases were filed in Kocaeli Commercial Court of First Instance 2016/455 E and 2015/445 E against the ISU General Directorate of Kocaeli Metropolitan Municipality respectively. In the case no. 2015/445 E, the first-instance court decided against the company. In the case of the case numbered 2016/455 E, the first instance court decided to partially accept and partially reject the case. As a result of the evaluation made by the Group management and the negotiations with the general directorate of the ISU, a total of TL 1.915.490 of settlement was reached for both cases and the parties decided to waive the proceedings in an amicable settlement manner. The agreed amount was paid to ISU on 13.02.2019. A provision amounting the total in mention is recognized in the consolidated financial statements.
- In the factory of the Group, the trade union in which the workers are a member and authorized to conduct collective bargaining is Turkish Pulp Paper, Wood and Products Workers' Union (Selüloz-İş). Collective labor agreements entered with the authorized labor union are valid for a period of two years. The collective labor agreement covering the period of September 1, 2016 - August 31, 2018 ended on August 31, 2018. The Parties have started negotiations on 3 October 2018 to re-enter into collective bargaining agreement again for a period of two years. As of 12 February 2019, the strike decision was taken by the related trade union and notified to the Group. Selüloz-İş Labor Union, with the decision it has taken on February 12, 2019, announced that the strike would be put into practice as of 8 March 2019 at 8:00

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AM. Provision is allocated in the consolidated financial statements amounting to TL 754.593 for the Group's resource outflow for this purpose.

3. The Company's Natural Gas Purchase Contract (Contract) with OMV Enerji Tic A.Ş. (OMV), which supplied the company with natural gas in 2017 and 2018 to be used powering the power plant, ended at the end of 2018. OMV, with a letter sent on 08.02.2019 after the end of the Contract, stated that it has applied to the international arbitration in 2015 for the removal of the 10.25% discount applied to the import price formula for retroactive operation imposed by GAZPROM, from which OMV has supplied the gas, that the Arbitration has decided to cancel the said rate of 10.25% effective from 2017, and has declared and claimed that in the event of the deduction of the said discount and reflected in the past, it shall request from us the amount of USD 2.723.528 calculated over the total of gas sold to our company (interest and charges excluded, VAT included).

The Group management is of the opinion that the demand is in violation of the contract, the amount is in dispute, the price has not yet come to maturity and such a liability has not yet been assumed by OMV. A detailed examination of the Group Legal Coordinator-ship on the subject matter of the contract in question and the disputed commercial transaction is ongoing. No provision has been made in the consolidated financial statements for the purpose of allocating resources.

d) Ratio of Collateral, Pledge, Mortgages to equity

The position of the Group's Collateral, Pledge, Mortgages (CPM) received from customers as of December 31, 2018 and December 31, 2017 is as follows:

	Original Currency	December 31, 2018		December 31, 2017	
		Original amount	TL equivalent	Original amount	TL equivalent
Received CPM	TL	27.410.720	27.410.720	23.215.720	23.215.720
	EURO	7.920.000	47.741.760	11.810.000	53.328.055
	GBP	900.000	5.987.520	800.000	4.064.240
	USD	950.000	4.997.855	1.680.000	6.336.792
Total			86.137.855		86.944.807

The position of the Group's Collateral, Pledge, Mortgages (CPM) received from sellers as of December 31, 2018 and December 31, 2017 is as follows:

	Original Currency	December 31, 2018		December 31, 2017	
		Original amount	TL equivalent	Original amount	TL equivalent
Received CPM	TL	1.371.378	1.371.378	1.504.221	1.504.221
	EURO	32.050	193.195	127.300	574.823
	USD	28.894	152.008	-	-
Total			1.716.581		2.879.044

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The position of the Group's given Collateral, Pledge, Mortgages (CPM) as of December 31, 2018 and December 31, 2017 is as follows:

	Original Currency	December 31, 2018		December 31, 2017	
		Original amount	TL equivalent	Original amount	TL equivalent
A. Total amount of CPMs given on behalf of a legal entity	TL	10.083.656	10.083.656	9.146.923	9.146.923
	USD	-	-	-	-
	EURO	75.000	452.100	75.000	338.662
B. Total amount of CPM given to guarantee the liabilities of 3rd 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 3rd parties not covered by the scope of B article		-	-	-	-
Total			10.535.756		9.485.585

The ratio of other CPM given by the Group to the shareholders' equity of the Group is 0% as of December 31, 2018 (December 31, 2017: % 0).

FOOTNOTE 15 - COMMITMENTS

The Group's commitments as of December 31, 2018 and December 31, 2017 are shown below:

a) Raw material and supplies purchase contracts

	December 31, 2018	December 31, 2017
Up to one year	31.482.813	8.092.084
Total	31.482.813	8.092.084

b) Machine and device purchase contracts

	December 31, 2018	December 31, 2017
Up to one year	4.713.781	8.131.260
Total	4.713.781	8.131.260

c) Services purchase contracts

	December 31, 2018	December 31, 2017
Up to one year	8.007.853	3.028.670
Total	8.007.853	3.028.670

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FOOTNOTE 16 - EMPLOYEE BENEFITS**Short-term provisions for employee benefits**

	December 31, 2018	December 31, 2017
Bonus and salary provision	926.150	182.889
Provision for annual leave	629.037	462.010
Total	1.555.187	644.899

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

	December 31, 2018	December 31, 2017
1 January	644.899	885.270
Provision expense	1.555.187	644.899
Payments made	(644.899)	(885.270)
Total	1.555.187	644.899

Long-term provisions for employee benefits

	December 31, 2018	December 31, 2017
Provision for severance pay	9.925.980	8.638.813
Total	9.925.980	8.638.813

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 5.434.42 as of December 31, 2018 (As of December 31, 2017: TL 4.732,48). 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, 2018	December 31, 2017
Discount rate	3,96	3,69
Turnover rate for estimation of the probability of retirement	97,30	97,41

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 6.017,60 effective from January 1, 2019 (As of January 1, 2018: TL 5.001,76) has been taken into consideration in calculating the provision for employment termination benefits.

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Movement of employment termination benefit is as follows:

	December 31, 2018	December 31, 2017
1 January	8.638.813	7.930.046
Service Cost	1.188.887	999.695
Interest Cost	1.786.676	1.079.851
Actuarial loss (Footnote 18)	(287.796)	245.367
Payments made	(1.400.600)	(1.616.146)
Total	9.925.980	8.638.813

FOOTNOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

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

	December 31, 2018	December 31, 2017
Other prepaid expenses *	2.748.404	2.269.936
Order advances given	3.103.478	858.864
Total	5.851.882	3.128.800

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

b) Other current assets from non-related parties

	December 31, 2018	December 31, 2017
Deferred VAT	-	208.781
Other	13.225	39.513
Total	13.225	248.294

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

	December 31, 2018	December 31, 2017
Order advances given for tangible and intangible fixed assets	5.556.352	3.729.744
Total	5.556.352	3.729.744

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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, 2018 (As of report date) and December 31, 2017:

	December 31, 2018	Partnership ratio (%)	December 31, 2017	Partnership ratio (%)
Pak Holding A.Ş.	975.590	34,39	975.590	34,39
Asil Gıda ve Kimya San. ve Tic. A.Ş.	660.522	23,28	593.059	20,90
Pak Gıda Üretim ve Pazarlama A.Ş.	564.903	19,91	564.903	19,91
Oycan İthalat İhracat ve Ticaret A.Ş.	403	0,01	403	0,01
Other Partners (Portion open to public)	635.596	22,40	703.059	24,79
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	

According to the decision of the Extraordinary General Assembly held on September 28, 2006, which was registered with the Trade Registry Gazette dated July 5, 2006 and numbered 6595, dated 10 July 2006, 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.

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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.

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, 2018, and December 31, 2017, the details of restricted profit reserves allocated from profits are presented below:

	December 31, 2018	December 31, 2017
Legal reserves	27.304.339	25.413.825
Property or participation earnings to be added to capital	2.315.343	2.315.343
Total	29.619.682	27.729.168

c) Dividend distribution

In accordance with the decision of the Capital Markets Board (CMB) dated 27 January 2010 number 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) 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, 2018, the Group's net distributable profit and other available resources are TL 275.654.180 (As of December 31, 2017: TL 183.057.616). 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 102,449,415 in the current period. As of December 31, 2018, the total amount of other sources which may be subject to profit distribution is TL 187.583.702 (As of December 31, 2017: TL 105.134.287). 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.

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d) 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, 2018	December 31, 2017
1 January	(1.530.351)	(1.335.578)
Actuarial Losses	287.796	(245.367)
Actuarial Losses - Tax Effect (Footnote 25)	(59.757)	50.594
Total	(1.302.312)	(1.530.351)

FOOTNOTE 19 - REVENUES AND COST OF SALES

	1 January - December 31, 2018	1 January - December 31, 2017
Domestic Sales	625.274.446	448.339.613
Overseas sales	102.219.069	89.142.145
Other income	4.138.323	3.229.372
Returns from sales (-)	(877.429)	(1.290.410)
Sales discounts (-)	(50.114.839)	(24.868.812)
Other Discounts (-)	(43.546.286)	(35.075.003)
Revenue, net	637.093.284	479.476.905
Cost of sales:	1 January - December 31, 2018	1 January - December 31, 2017
Used raw material and semi-finished inventory change	(299.103.487)	(281.481.882)
General production costs	(58.650.848)	(44.595.019)
Depreciation and amortization expenses	(25.961.146)	(25.110.895)
Employee benefits	(28.183.014)	(25.250.015)
Cost of sold trade goods	(60.014.488)	(21.352.820)
Cost of other sales	(4.671.036)	(2.960.885)
Cost of sales	(476.584.019)	(400.751.516)
Gross profit	160.509.265	78.725.389

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FOOTNOTE 20 - GENERAL MANAGEMENT EXPENSES AND MARKETING EXPENSES

a) General management expenses

	1 January - December 31, 2018	1 January - December 31, 2017
Employee benefits	(7.851.978)	(7.556.795)
Severance pay expenses	(2.975.564)	(2.079.545)
Outsourced benefits and services	(1.957.814)	(1.349.260)
Donation and aid expenses	(649.013)	(24.056)
Union, chamber and dues expenses	(555.435)	(267.063)
Rental Expenses	(764.350)	(647.135)
Taxes, duties and charges	(745.214)	(313.339)
Depreciation and amortization expenses	(637.292)	(206.535)
Other expenses	(585.081)	(826.119)
Total	(16.721.741)	(13.269.847)

b) Marketing expenses

	1 January - December 31, 2018	1 January - December 31, 2017
Shipping expense	(16.111.189)	(15.124.874)
Employee benefits	(2.369.692)	(2.042.899)
Export expense	(1.054.317)	(1.182.889)
Rental Expenses	(192.663)	(159.580)
Compensation and discounts paid	(335.845)	-
Taxes, duties and charges	(159.775)	(111.202)
Depreciation and amortization expenses	(261.945)	(268.420)
Other expenses	(1.421.919)	(1.454.594)
Total	(21.907.345)	(20.344.458)

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FOOTNOTE 21 - EXPENSES BY THEIR NATURE

	1 January - December 31, 2018	1 January - December 31, 2017
Used raw material and semi-finished inventory change	(299.103.487)	(281.481.882)
Cost of sold trade goods	(60.014.488)	(21.352.820)
Outsourced benefits and services	(60.608.662)	(45.944.279)
Employee benefits	(38.404.684)	(34.849.709)
Depreciation and amortization expenses	(26.860.383)	(25.585.850)
Shipping expense	(16.111.189)	(15.124.874)
Cost of other sales	(4.671.036)	(2.960.885)
Severance pay expenses	(2.975.564)	(2.079.545)
Export expense	(1.054.317)	(1.182.889)
Union, chamber and dues expenses	(555.435)	(267.063)
Compensation and discounts paid	(335.845)	-
Rental Expenses	(957.013)	(655.017)
Taxes, duties and charges Expenses	(904.989)	(424.541)
Donation and aid expenses	(649.013)	(24.056)
Other expenses	(2.007.000)	(2.432.411)
Total	(515.213.105)	(434.365.821)

FOOTNOTE 22 - OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

	1 January - December 31, 2018	1 January - December 31, 2017
Other income from main operations		
Foreign exchange income (Trade receivables and payables)	21.136.223	7.757.363
Interest eliminated from sales	7.786.736	5.436.798
Incentive, Premium and Compensation Income	-	2.265.406
Scrap sales revenues	638.753	502.157
Cancellation Income of provisions no longer required	928.040	2.364.914
Maturity difference income	26.074	67.707
Insurance compensation income	813.043	20.664
Other	457.473	1.217.634
Total	31.786.342	19.632.643
Other expenses from main operations		
Foreign exchange expenses (Trade receivables and payables)	(19.942.445)	(3.108.273)
Interest eliminated from purchases	(3.802.800)	(2.508.804)
Litigation expenses	-	(2.694.667)
Expenses of provision for doubtful receivables	(96.771)	(53.592)
Fixed asset sales and damage expenses	-	(134.862)
Other	(600.993)	(1.216.391)
Total	(24.443.009)	(9.716.589)

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FOOTNOTE 23 - INCOMES AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - December 31, 2018	1 January - December 31, 2017
Incomes from investment activities		
Foreign exchange income (excluding trade receivables and payables)	30.150.150	1.384.604
Interest income	4.307.514	1.655.599
Fixed asset sales profits	304.740	695.292
Total	34.762.404	3.735.495
Expense from investment activities		
Foreign exchange expense (excluding trade receivables and payables)	(18.773.239)	(1.040.502)
Total	(18.773.239)	(1.040.502)

FOOTNOTE 24 - FINANCING EXPENSES

	1 January - December 31, 2018	1 January - December 31, 2017
Credit card commissions	(11.834.085)	(5.860.736)
Foreign exchange expenses	-	(3.691.000)
Interest expenses	(16.603)	(313.812)
Bank deposit risk expense under TFRS 9	(17.537)	-
Other	(139.949)	(112.475)
Total	(12.008.174)	(9.978.023)

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

The current period tax liability on the balance sheets as of December 31, 2018 and December 31, 2017, is as follows:

	December 31, 2018	December 31, 2017
Current period tax provision	25.518.696	3.381.430
Minus: prepaid taxes and funds	(23.945.876)	(1.351.418)
Period profit tax liability	1.572.820	2.030.012

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The tax expenses in profit or loss and other comprehensive income statements for the periods January 1- December 31, 2018 and 2017 are as follows:

	1 January - December 31, 2018	1 January - December 31, 2017
Current tax expense (-)	(25.518.696)	(3.381.430)
Deferred tax (expense)/income	5.865.929	(5.899.365)
Total tax (expense)/income	(19.652.767)	(9.280.795)

a) Corporation tax

The Corporate Tax Law was amended by the law numbered 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, 2017: %20).

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. Otherwise, dividends paid 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.

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.

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The expected and actual tax expense agreement for the periods January 1- December 31, 2018 and 2017 is as follows:

	January 1- December 31, 2018	January 1- December 31, 2017
Pre-tax profit	133.204.503	47.744.108
Tax expense calculated on current tax rates (-)	(29.304.991)	(9.548.822)
Effect of change in investment discount	10.139.508	595.911
Effect of provision for litigation	(592.827)	-
Effect of changing expenses with the exception of the value increase gain exception		(926.490)
Effect of disallowable expenses	(243.985)	(169.467)
Other	349.528	768.073
Total Tax Income	(19.652.767)	(9.280.795)

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, 2018 and December 31, 2017 is as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Investment discount	(168.345.538)	(132.780.539)	25.251.831	19.917.081
Tangible and intangible fixed assets	63.922.822	65.679.835	(11.210.535)	(11.713.324)
Provisions for employee benefits	(9.925.980)	(8.638.813)	2.061.010	1.781.293
Financial losses	(112.830)	(305.241)	24.823	61.048
Inventories	(379.654)	97.442	83.524	(21.438)
Non-accrued finance income	(162.659)	(179.757)	35.785	39.547
Doubtful trade receivables provision	(189.294)	(146.977)	37.858	29.396
Provisions for Litigation	-	(2.694.667)	-	592.827
Other, net	(1.961.029)	(1.014.181)	431.426	223.120
Deferred tax assets, net			16.715.722	10.909.550

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

	December 31, 2018	December 31, 2017
1 January	10.909.550	16.758.321
Associated with the statement of profit or loss	5.865.929	(5.899.365)
Tax effect of actuarial losses classified under equity (Footnote 18)	(59.757)	50.594
Total	16.715.722	10.909.550

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FOOTNOTE 26 - EARNINGS PER SHARE

	1 January - December 31, 2018	1 January - December 31, 2017
Period profit of parent company	113.501.607	38.426.713
Weighted average number of shares during the period	2.837.014	2.837.014
Earnings per share	40,00742	13,54477

FOOTNOTE 27 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

	December 31, 2018	December 31, 2017
Loans and receivables		
Cash and cash equivalent	93.925.629	33.866.079
Trade Receivables	64.882.123	56.630.987
Total	158.807.752	90.497.066

Financial liabilities valued by effective interest method

	December 31, 2018	December 31, 2017
Trade payables	52.283.578	42.387.267
Borrowings	713.512	101.947
Total	52.997.090	42.489.214

b) Fair value of financial instruments

There are no financial assets and liabilities measured at fair value as of December 31, 2018 and December 31, 2017.

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.

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The foreign currency position tables as of December 31, 2018 and December 31, 2017 are as follows:

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	-

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

December 31, 2017

	TL Equivalent (functional currency)	USD	EURO	Other
1. Trade Receivables	23.238.711	170.563	4.758.192	218.441
2a. Monetary Financial Assets	11.412.620	439.762	2.149.685	9.251
2b. Non-Monetary Financial Assets				-
3. Other	3.922.429	47.806	828.726	-
4. Current Assets Total (1+2+3)	38.573.760	658.131	7.736.603	227.692
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	3.387.807	820.356	65.000	-
8. Fixed Assets Total (5+6+7)	3.387.807	820.356	65.000	-
9. Total Assets (4+8)	41.961.567	1.478.487	7.801.603	227.692
10. Trade Liabilities	23.165.725	2.575.675	2.913.968	49.171
11. Financial Liabilities	101.947	-	22.536	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Short Term Liabilities (10+11+12)	23.267.672	2.575.675	2.936.504	49.171
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)	23.267.672	2.575.675	2.936.504	49.171
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)	18.693.895	(1.097.188)	4.865.099	178.521
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	18.693.895	(1.097.188)	4.865.099	178.521
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge	-	-	-	-
23. The Amount of Hedged part of Foreign Exchange Assets	-	-	-	-
23. The Amount of Hedged part of Foreign Exchange Liabilities	-	-	-	-
23. Export	95.382.452	4.585.454	17.915.152	2.006.779
24. Import	102.443.654	7.519.096	17.981.948	139

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

The exchange rate sensitivity analysis tables as of December 31, 2018 and December 31, 2017 are as follows:

	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)	-	-
If the 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)	-	-
	December 31, 2017			
	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
USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	(415.600)	415.600	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	(415.600)	415.600	-	-
EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	2.194.426	(2.194.426)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	2.194.426	(2.194.426)	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	90.564	(90.564)	-	-
8. Other currency kuru hedged portion (-)	-	-	-	-
9 Other currency assets net effects (7+8)	90.564	(90.564)	-	-
Total (3+6+9)	1.869.390	(1.869.390)	-	-

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

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.

December 31, 2018	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.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

December 31, 2017	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) ^(*)	4.472.469	52.158.518	-	743.757	33.755.965	91.130.709
- <i>The portion of maximum risk guaranteed by collateral, etc.</i>	-	34.095.262	-	-	-	34.095.262
A. Net book value of overdue or non- impaired financial assets	4.472.469	28.128.104	-	743.757	33.755.965	67.100.295
B. Net book value of overdue assets but not impaired	-	24.030.414	-	-	-	24.030.414
C. Net book value of impaired assets	-	-	-	-	-	-
- <i>Overdue (gross book value)</i>	-	<i>1.138.585</i>	-	-	-	<i>1.138.585</i>
- <i>Impairment (-)</i>	-	<i>(1.138.585)</i>	-	-	-	<i>(1.138.585)</i>
- <i>Part of the net value secured with collateral, etc.</i>	-	-	-	-	-	-
- <i>Overdue (gross book value)</i>	-	-	-	-	-	-
- <i>Impairment (-)</i>	-	-	-	-	-	-
- <i>Part of the net value secured with collateral, etc.</i>	-	-	-	-	-	-
D. Factors that include off-balance sheet credit risk	-	-	-	-	-	-

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

As of December 31, 2018, trade receivables amounting to TL 3.271.816 (As of December 31, 2017: TL 24.030.414) are overdue but not impaired. These trade receivables consist of independent customers who pay their past debts without delay. In addition, TL 1.601.184 (As of December 31, 2017: TL 1.994.759) of these receivables is secured. The aging of overdue but not impaired trade receivables is as follows:

	December 31, 2018	December 31, 2017
1-30 days past over due date	3.009.364	22.697.968
1-3 months past over due date	89.400	1.332.446
3-12 months past over due date	173.052	-
1-5 years past over due date	-	-
More than 5 years past over due date	-	-
Total	3.271.816	24.030.414

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.

The analysis of the non-derivative financial liabilities as at December 31, 2018 and December 31, 2017 according to their maturities is as follows:

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	-	-	-

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Explanatory Notes Related to the Financial Statement
For the Accounting Period as of January 01 - December 31, 2018**

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

December 31, 2017	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	101.947	107.156	107.156	-	-	-
Trade Payables	42.387.267	42.584.887	42.584.887	-	-	-
Payables for employee benefits	2.868.411	2.868.411	2.868.411	-	-	-
Other Payables	1.581.244	1.581.244	1.581.244	-	-	-
Total	46.938.869	47.141.698	47.141.698	-	-	-

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.

Net debt to equity ratios as of December 31, 2018 and December 31, 2017 are as follows:

	December 31, 2018	December 31, 2017
Total payables	80.176.982	62.602.364
Minus: cash and cash equivalents (Footnote 4)	(93.925.629)	(33.866.079)
Net payable	(13.748.647)	28.736.285
Total Equity	407.721.998	312.963.081
Total Capital	393.973.351	341.699.366
Net Payable/Capital Ratio	-	% 8,41

FOOTNOTE 29 - EVENTS AFTER THE REPORTING PERIOD

2018 Profit Distribution Table

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. 2018 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 2018 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	133,204,503.00	125,662,644.68
4.	Taxes (-)	19,652,767.00	23,213,230.15
5.	Net Profit for the Period ⁽¹⁾	113,501,607.00	102,449,414.53
6.	Losses in Prior Years (-)	0.00	0.00
7.	General Legal Reserves (-)	0.00	0.00
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	113,501,607.00	102,449,414.53
9.	Donations during the Year (+)	733,283.49	
10.	Net Distributable Profit for the Period Including Donations	114,234,890.49	
11.	First Dividend to Shareholders	5,711,744.52	
	Cash	5,711,744.52	
	Bonus Shares	0	
	Total	5,711,744.52	
12.	Dividends Distributed to Owners of Privileged Shares	5,697,559.45	
13.	Other Dividends Distributed	4,558,047.56	
	To the Members of the Board of Directors	4,558,047.56	
14.	Dividends Distributed to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	15,863,725.81	
16.	General Legal Reserves	3,168,922.66	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	78,501,607.00	67,449,414.53
20.	Other Resources to be Distributed	0.00	0.00

⁽¹⁾ Net period profit is TL 113,551,736 (133,204,503-19,652,767) of which amount TL 50,129 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 113,501,607 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	4,842,938.46		4.26685	2,421,469.2304932	242,146,923.05%
	B	18,339,136.85		16.15760	6.4642432	646.42%
	TOTAL	23,182,075.31				

Other Disclosures Required by the Regulations

1) GENERAL INFORMATION

a) The Company's Field of Activity

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

Head Office:

Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL
 Tel: (+90 212) 273 20 00
 Fax: (+90 212) 273 21 70
 Web: www.kartonsan.com.tr

Factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No: 300 41140 Kullar/Başiskele/Kocaeli
 Tel: (+90 262) 349 61 50
 Fax: (+90 262) 349 33 00

Sales Office:

Tax Office: Large Taxpayers
 Tax Registration No: 5260057491
 Trade Registration No: 95869/41270
 Central Registration System No: 0526005749100010

The Company's Paid-in Capital: TL 2,837,014.21
 The Company's Paid-in Capital: 283,701,421 Shares

Shares Representing the Company's Paid-in Capital
 A Type Shares 200 Shares
 B Type Shares 283,701,221 Shares

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

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

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

	31 December 2018	Share (%)	31 December 2017	Share (%)
Pak Holding A.Ş.	975,590	34.39	975,590	34.39
Asil Gıda ve Kimya San. ve Tic. A.Ş.	660,522	23.28	593,059	20.90
Pak Gıda Üretim ve Pazarlama A.Ş.	564,903	19.91	564,903	19.91
Oycan İthalat İhracat ve Ticaret A.Ş.	403	0.01	403	0.01
Other Shareholders (Free Float)	635,596	22.40	703,059	24.79
Total Capital	2,837,014	100.00	2,837,014	100.00

Other Disclosures Required by the Regulations

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

The Articles from 8 to 14 of the Company's articles of association include regulations regarding the board of directors and the audit board. Explanations regarding the structure and working principles of the board of directors, and committees have been made in the section titled Corporate Governance.

Independent Auditor in accordance with the Turkish Commercial Code*

Name Surname	Title	Beginning of Term of Office	End of Term of Office	Appointment Date
Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.	Independent Auditor	01.01.2018	31.12.2018	29.03.2018

* Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. is also the Independent Audit Company appointed in line with the Capital Markets Board legislation

c) Information on Affiliates and Subsidiaries:

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

Selka İç ve Dış Ticaret A.Ş.

Shareholder Name/Title	Share Amount	Share (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,242,088.75	99.37
Other Real and Legal Entities	7,911.25	0.63
Total	1,250,000.00	100

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

Shareholder Name/Title	Share Amount	Share (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	93,152	100
Total	93,152	100

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

2) MARKET PROFILE, OPERATIONS AND EXPECTATIONS

a) Market Profile and Implemented Sales Policies

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

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

b) Investment and Dividend Policies

Most of the Company's investment plans are concerned with the maintenance of the existing plant. However, a quality improvement and capacity increase investment has been completed for the second cardboard production line (BM 2) within 2014. The production capacity of 280,000 tons/year that the Company reached thanks to this investment made Kartonsan Europe's fourth biggest coated cardboard producer.

Other Disclosures Required by the Regulations

Kartonsan makes its investments in line with a holistic strategy with the aim of continuously reducing the environmental impact of its production and operations. Brief information about our Company's past investments by years and its future plans are detailed in the previous sections of this annual report.

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

The Company's dividend policy is to distribute the minimum amount of the distributable profit in accordance with the amount recommended by the Capital Markets legislation. In the absence of a specific ratio defined by the Capital Markets Board of Turkey (CMB), the minimum profit distribution ratio is set as 5%. Nevertheless, the dividend policy is reviewed each year based on the domestic and international economic conditions, as well as investment opportunities and the availability of financing.

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

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

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

The dividend distribution takes place within the legal term.

Unless a resolution to the contrary is taken at the General Assembly, the Company shall continue to distribute dividends by striking a balance between the possible expectations of the shareholders and the Company's growth strategies. In accordance with the resolution of the Ordinary General Assembly of our company held on 29 March 2018, it was decided to pay out cash gross dividends.

Our Company decided to revise its Dividend Policies in 2014 to comply with Capital Market Legislation and announced revised policies to the public as indicated below.

The dividend policy which will be applied in 2014 and beyond is presented below.

Dividend Policy

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

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

Principles Regarding Calculation, Payment Method and Distribution of Dividend

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

a) The dividend is distributed to all shareholders equally with respect to their shares as of dividend distribution date without considering issue and acquisition dates (Rights related to A group shares' privileges mentioned in the Company's articles of association are reserved).

Other Disclosures Required by the Regulations

b) It is a policy to distribute the dividend in cash with one installment depending on the decision taken in the Annual General Meeting in which dividend distribution is determined. However, the decision to carry out the payment through installments or bonus shares may be taken in the general meeting in line with the proposal of the Board of Directors on the condition that it is in line with Capital Market Legislation, the Turkish Commercial Code, the Capital Market Board's principles for dividend distribution and the principles of capital increases.

c) The dividend is calculated in accordance with article 25 of the company's articles of association. The dividend is distributed by the end of the fiscal period in which general meeting is held and the dividend distribution decision is taken.

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

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

a) A 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital.

b) First dividend is set aside and distributed from the remaining part at the amount determined by the Capital Market Board.

c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a basis for the first dividend, once the 5% capital reserve is set aside and the first dividend amount is distributed:

i) 5% to (A) type bearer shareholders,

ii) The remaining part to the Board of Directors, excluding independent members. This amount is determined in the Annual General Meeting.

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

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

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

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

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

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

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

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

3) FINANCIAL RESOURCES AND RISK MANAGEMENT POLICIES

The Company utilized its shareholders' equity to finance its modernization investment in 2014. However, additional funding was needed owing to the magnitude of the investment made and the decreased production and sales figures during the course of the investment, which was fulfilled through FC and TL borrowings from the parent companies. Currently there are no interest-based loans with utilized by the Company. In this respect, the Company is exposed to exchange rate risk for FC credits, as well as the credit interest rate risk. On the basis of the average of a long track record, the Company boasts strong shareholders' equity and solid cash generation capability, which preclude the need for external financing. The Company invests its surplus funds into TL and term FC deposits within the financial system. Exchange rate risks and credit risks are the Company's main financial risks, because its international receivables and foreign currency deposit accounts carry a risk stemming from changes in foreign exchange rates. Given that the Company carries a long FX position, any increase in exchange rates leads to a positive impact, whereas a decrease would adversely affect the Company's financials.

Other Disclosures Required by the Regulations

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and Company policies. As per the organization of our Board of Directors, the Risk Detection Committee was set up in 2013 in accordance with the provisions of the Capital Market Law (CML) and the Turkish Commercial Code (TCC); the committee has been functioning in line with the principles defined since its establishment.

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

4) FORECASTS REGARDING THE DEVELOPMENT OF OPERATIONS

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

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

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

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

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

6) DEVELOPMENTS ON INVESTMENTS AND INCENTIVE UTILIZATION

Most of the investments planned by the Company are related to the maintenance of the existing plant. Nonetheless, the Company carried out modernization and expansion investment in the cardboard production line no. 2 (BM2) in our production facility in 2014, which brought about quality improvement and capacity increase. A portion of TL 139.7 million of this investment was undertaken within the frame of the investment incentive certificate. The total production capacity of 250,000 tons/year that Kartonsan reached as a result of this investment put the Company in the position of Europe's fourth biggest coated cardboard producer. The current investments concern the maintenance of the facility, and quality and productivity increases.

In April 2018, an application was filed with the Directorate General of Incentive Implementation for inclusion of certain investment projects associated with modernization in an investment incentive certificate. The investments were included under an investment certificate; however, a second application was filed seeking amendment of the incentive certificate due to erroneous amount. "Application for amendment of the investment incentive certificate" filed with the T.R. Ministry of Industry and Technology Directorate General of Incentive Implementation was deemed appropriate and approved by the related authority; hence, the three-year incentive certificate dated 8 June 2018 and no. A137821 was cancelled and superseded by a 3-year incentive certificate dated 18 October 2018 and no. B137821.

Appended to the 3-year incentive certificate dated 18 October 2018 and no. B137821, there is a list of domestic machinery and equipment worth TL 32,928,750 and a list of imported machinery and equipment worth USD 14,854,553. Investment inception and completion dates as inscribed on the incentive certificate are 9 April 2018 and 9 April 2021, respectively. All of the investments will be covered from equity in their entirety. For the investments covered under the investment incentive certificate, the Company was granted 15% incentive for investment based on the investment amount and 50% Corporate Tax discount, Value Added Tax exemption and Customs Duty Exclusion.

Other Disclosures Required by the Regulations

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

The Company produces coated cardboard at its factory in Kullar, Kocaeli and generates the electricity required by the plant under an electricity generation license. The Company's theoretical annual coated cardboard production capacity is calculated to be approximately 240,000 tons (31.12.2017: 240,000 tons per annum). Production and sales volumes for 2018 and 2017 are presented below. As of 31 December 2018, the net capacity utilization ratio stood at approximately 86% (31 December 2017: 88%).

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

	31 December 2018	31 December 2017
Coated Cardboard (Tons)	206,854	210,861
Electricity Production (103 KWh)	138,247	146,913

8) INFORMATION RELATED TO SALES

A comparison of the Company's consolidated net sales volumes for the years 2018 and 2017 is set out below:

	31 December 2018	31 December 2017
Sales Volume		
Coated Cardboard (Tons)	221,051	237,952
Electricity (103 KWh)	17,424	19,225
Scrap Paper (Tons)	5,695	4,154

Consolidated net sales figure of the Company amounted to TL 637,093,284 in 2018 compared to TL 479,476,905 in 2017.

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

Liquidity Ratios		31 December 2018	31 December 2017
Current Ratio	Current Assets/Short Term Liabilities	4.00	3.17
Acid Test Ratio	(Current Assets-Inventories)/Short Term Liabilities	2.47	1.81
Inventories/Current Assets	Inventories/Current Assets	0.38	0.43
Working Capital	Current Assets (excluding Cash and Liquid - Short Term Liabilities (Excluding Financial Loans)	109,018,222	83,282,886
Cash Ratio	(Cash and Liquid Assets)/Short Term Liabilities	1.39	0.63
Financial Structure Ratios			
Financial Leverage	(Short Term + Long Term Liabilities)/Total Assets	0.16	0.17
Total Liabilities/Shareholders' Equity		0.20	0.20
Short Term Liabilities/Shareholders' Equity		0.17	0.17
Long Term Liabilities/Shareholders' Equity		0.03	0.03
Fixed Assets/Shareholders' Equity		0.54	0.65
Financial Borrowing/Shareholders' Equity		-	-
Profitability Ratios			
Asset Turnover Ratio	Net Sales/Total Assets	1.31	1.28
Gross Profit Margin	Gross Profit/Net Sales	0.25	0.16
Return on Assets	Net Profit/Total Assets	0.23	0.10
Net Profit/Net Sales		0.18	0.08
Profit Before Tax/Net Sales		0.21	0.10
Return on Equity		0.278	0.12
Operating Profit/Sales Revenues		0.20	0.11
Earnings per Share		40.01	13.54
Cash Assets		93,925,629	33,866,079
Financial Liabilities		713,512	101,947
Net Financial Position		93,212,117	33,764,132
Trade Receivables		64,882,123	56,630,987
Other Receivables		259,282	743,757
Inventories		103,454,020	73,184,935
Trade Payables		52,283,578	42,387,267
Other Payables		7,348,127	4,449,655

Other Disclosures Required by the Regulations

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

There were no changes in the senior management of the Company during reporting period Information on the Company's General Manager is provided below.

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

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

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

The Company employed 306 individuals, except for personnel of contractor firms, as of 31 December 2018 (31 December 2017: 313 individuals).

Workers employed at the Company's factory are members of the Selülöz-İş trade union. The Company signs collective labor agreement with the authorized labor union for a 2-year period. The collective agreement covering the period from 1 September 2016 to 31 August 2018 expired on 31 August 2018. The parties initiated negotiations on 3 October 2018 for concluding a new agreement for another two-year period. As of 12 February 2019, the related labor union passed a decision to go on strike and served the same on our Company. Selülöz-İş union announced that the strike would go live on 8 March 2019 at 08:00 hours based on the decision it has taken on 12 February 2019. Negotiations were in progress with Selülöz-İş union, the authorized labor union, as of this writing.

12) INFORMATION ON DONATIONS DURING THE YEAR

The Company undertakes contributions to foundations, associations and schools active in the fields of sport, education and culture. In the Annual General Meeting held in 2018, the upper limit for donations was set at TL 750,000 (2017: TL 750,000).

Details of the donations and assistance provided by the Company in 2018 are as follows:

Donations (TL)	31 December 2018	31 December 2017
Donations to universities, high schools and primary schools	523,979	13,806
Donations to non-profit organizations and foundations (Educational, sports-related, sectoral and social)	115,170	50,411
Donations made for social purposes	84,270	68,045
Donations to other institutions and organizations	9,864	-
Total	733,283	132,262

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

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and the Company's policies. The Early Detection of Risk Committee was formed in 2013 and started to operate. The Committee held 6 meetings within 2018 and presented the report which it had prepared to the Board of Directors. Explanations concerning financial risks are provided in the footnotes to the financial statements. Early Detection of Risk Committee submitted the report regarding 2018 that they prepared to the Board of Directors.

Other Disclosures Required by the Regulations

14) INFORMATION CONCERNING RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

16) RELATED PARTY TRANSACTIONS

Related party transactions were mentioned in detail in the previous sections of annual report, specifically in FOOTNOTE 5 of the notes on the financial statements. The affiliated Company Report which was prepared in accordance with Article 199 of the Turkish Commercial Code is presented in the following sections.

17) DISCLOSURE POLICY

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

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

THE COMPANY DISCLOSURE POLICY

Objective

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

I- DISCLOSURE POLICY METHODS AND INSTRUMENTS

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

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

II- PRINCIPLES REGARDING MATERIAL EVENT DISCLOSURES TO THE PUBLIC

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

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

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

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

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

IV- PRINCIPLES REGARDING THE DISCLOSURE OF FUTURE EXPECTATIONS

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

Evaluations regarding the Company's future are disclosed to the public, at most 4 times each year, by the Company management. These announcements can be made in annual reports which are disclosed within the context of Capital Market Board's regulations regarding financial statements or in presentations undertaken with the purpose of informing investors, on the condition that they should be announced in the Public Disclosure Platform (KAP). Additional explanations are provided within the context of Capital Market Legislation

Other Disclosures Required by the Regulations

if there is an important change in evaluations concerning the future, or there is important deviation from the realizations or previously announced points. This additional explanation also includes any reasons for these changes. Annual reports and announcements prepared within the scope of this article are announced on the Company's website on the first business day following the date of the announcement.

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

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

V- INDIVIDUALS WITH ADMINISTRATIVE RESPONSIBILITY AND THEIR RIGHTS

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

a) Board Members,

b) Individuals who may regularly access insider information directly or indirectly, and who hold authority to take decisions that will affect the Company's development and commercial targets in the future, even if they are not Board Members,

c) Individuals who are closely related to a person who holds administrative responsibility,

c1) The wife and children of individuals who hold administrative responsibility, and those who reside in the same home as individuals who hold administrative responsibility,

c2) Individuals who hold administrative responsibility or individuals whose administrative responsibilities are undertaken by individuals mentioned in section c1, or legal entities, corporations, institutions and/or partnerships which are controlled by these individuals directly or indirectly; or entities, corporations, institutions or and partnerships that are established for the benefit of these individuals or entities, corporations, institutions and/or partnerships whose economic interest are the same as those of these individuals,

c3) Board Members of affiliated companies which comprise 10% or more of the Company's total assets as set out in the latest annual financial statements that are prepared according to Capital Market Legislation and individuals who have regular access to insider information, either directly or indirectly, and who hold authority to take administrative decisions which affect the Company's development in the future and its commercial goals, even if they are not Board Members.

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

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

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

Other Disclosures Required by the Regulations

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

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

VII- MEETINGS TO INFORM INVESTORS AND OTHER ISSUES

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

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

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

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

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

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

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

18) CORPORATE GOVERNANCE

Section I - Corporate Governance Principles Compliance Statement

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

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

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

Other Disclosures Required by the Regulations

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

By its decision no. 2/49 dated 10 January 2019, the Capital Markets Board of Turkey (CMB) decided that the Corporate Governance Compliance Reporting, which was being made pursuant to the Corporate Governance Communiqué numbered II-17.1, be started to be made via KAP (Public Disclosure) Platform using Corporate Governance Compliance Report (CRF) and Corporate Governance Information Form (CGIF) templates. The Company's Corporate Governance Compliance Report (CRF) for 2018 and the Corporate Governance Information Sheet (CGIF) covering current information about the corporate governance practices at our Company can be accessed at "<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>".

Section II - Shareholders

2.1. Investor Relations Unit

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

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

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

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

In 2018, the Investor Relations Division continued to carry out activities regarding the activities to inform shareholders, facilitation of shareholders' use of rights, realization of General Assembly meeting and the statements made in relation to public disclosure principles. The Investor Relations Division Report, prepared in relation to the activities carried out in 2017 was presented to Board of Directors on 13 February 2018. The Investor Relations Division Report, prepared in relation to the activities carried out in 2018 was presented to Board of Directors on 19 February 2019.

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

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

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

The Investor Relations Unit received 32 inquiries from investors during 2018 by e-mail and telephone. Responses to enquiries were given through e-mail and verbal communication.

Other Disclosures Required by the Regulations

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

Information Requests	Total	% Share
Information Concerning the Capital Increase and Registered Capital Ceiling	27	38%
Reasons Behind Increase and Decreases in the Share Price	19	26%
Information on the General Assembly and Shareholding Rights	11	15%
Information Concerning the Financial Statements	13	18%
Information on Dividend Payouts	2	3%
	72	100%

In 2018, most of the inquiries made by shareholders were concerned with net earnings, share price performance, the increase in the registered capital ceiling and the increase in capital. The remaining questions were concerned with financial statements and dividend distribution. The written and verbal questions forwarded to the Investor Relations Unit by shareholders in accordance with the Capital Markets Board legislation, cannot be answered in case the relevant information was not disclosed to the public. On the other hand, if it is disclosed to the public, the information is made accessible to shareholders.

Material Disclosure to the Public Disclosure Platform (KAP) is used as a general disclosure method. Material disclosures were included simultaneously on our website and the e-company platform of the Central Registry Agency of Turkey. During 2018, 12 material disclosures were carried out.

2.2. Exercise of Shareholders' Right to Information

Our Company announced its "Disclosure Policy" in accordance with the Capital Markets legislation. The said policy is available at KAP (Public Disclosure Platform: <https://www.kap.org.tr/tr/sisteme-onfo/ozet/997-kartonsan-karton-industry-and-commerce-as>) and at our company's website at <http://kartonsan.com.tr/tr/page.php?id=41>.

As required by legislation and in accordance with the essence of Corporate Governance Principles, the Company aims to provide the shareholders with fair, timely, accurate, complete, understandable, analyzable and easily accessible financial and non-financial information (excluding confidential data and trade secrets) about the Company's past performance and its future expectations, without spoiling the equality of opportunity among the shareholders and without affecting the value of the capital market instruments issued by the Company.

The Company's main principle is to inform the shareholders and individuals and/or institutions who will benefit from the disclosure, about the matters publicly disclosed in a manner which is timely, accurate, complete, understandable, interpretable, easily accessible with low cost, and equal.

Requests for information concerning issues which have not yet been publicly disclosed and which could compromise the equality of opportunity among shareholders are refused; however, all details of any information on the publicly shared matters are provided to those shareholders who request it.

The Company's website features up-to-date data and information concerning the Company, and information and documents concerning investors are published under the "Investor Relations" menu. The Company undertook every effort to simultaneously publish the declarations and disclosures on the corporate website. Investor Relations Division was established to ensure relation among the shareholders regarding the Company. The shareholders are informed through this division. Information demanding meeting requests that reach to the aforementioned unit are conveyed to the Company's management and the meetings are carried out following the assignment of appropriate meeting calendar.

Informative meetings, general assembly meetings, annual reports, statements made by the company's management in newspapers and magazines, special case statements, presentations and reports disclosed to the public, the Company's main contract for public access, the Company General Assembly Internal Instruction are also announced in the Company's corporate internet web site, in addition to the methods stipulated by Trade Law and Capital Market Legislation.

Other Disclosures Required by the Regulations

In the Company, each shareholder is entitled to obtain information and carry out reviews. These rights are neither removed nor restricted via the Company's Articles of Association or by the decision of any Company department. In line with the right to obtain information, and as required by Capital Markets Legislation, all requests for information from shareholders are responded to, except for matters which are yet to be made public that could compromise the equality of opportunities among shareholders. The Company's Investor Relations Division is responsible for such informing activities. Decisions which might affect the utilization of shareholder rights are declared on the corporate website in a timely manner.

The Company's Articles of Association does not respond to requests for the appointment of special auditors to examine certain incidents or requesting this from the General Assembly as an individual right. Matters not covered by the Articles of Association are regulated according to the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. Each year, the Company is subject to the independent audit in accordance with Capital Markets Legislation and is also audited in accordance with the Tax Laws. There is no Company decision or provision in the Company's Articles of Association that would prohibit shareholders from exercising their right to information (rights which do not contravene the legislation and which would not compromise the equality of opportunity). To this end, the exercise of requesting a special auditor right does not appear to be necessary, considering the targeted benefit and its costs to the Company. However, in the event that a majority of the shareholders submit a written application to the Company, it is always possible to form an agenda item for the General Assembly, and to exercise the right to a special audit, on the condition that it is approved of in the General Assembly.

2.3. General Assembly Meetings

The Ordinary General Assembly for the 2017 fiscal year was simultaneously held physically and electronically on 29 March 2018. Media was not involved in the meeting. Partners, stakeholders and shareholders also attended the meeting. The General Assembly Meeting was held both physically and electronically with a quorum of 75.78%, which was achieved through representation of 214,981,401.- shares with a total nominal value of TL 2,149,814.01 out of a total of 283,701,421 shares. Since the Company's Articles of Association do not provide for a special meeting quorum for the General Assembly Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitations for the meeting, including the agenda, were made within due time as stipulated by the law and the Company's Articles of Association, by being promulgated at least 21 days in advance of the general assembly meeting in the Turkish Trade Registry Gazette issue 9527 dated 1 March 2018, in the Milliyet and Dünya dailies dated 3 March 2018, and were posted on the Company's website (www.kartonsan.com.tr), Public Disclosure Platform (KAP) (<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>), and Electronic General Meeting System of the Central Registry Agency (EGKS). Since the Company does not have registered shares, there was no special invitation form concerning any such shareholders.

The invitation declarations described the location, date and hour of the General Assembly Meeting, power of attorney samples for by proxy attendants in the Meeting, required points for attending the meeting, financial statements for the year 2017, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors. Furthermore, General Assembly documents together with the other documents prepared in accordance with the corporate governance principles were declared for the attention of investors in a special section on the corporate website. Such documents were presented to the examination of the shareholders 15 days prior to the General Assembly Meeting. The members of the Board of Directors, independent auditor's representative and the officers of the financial affairs department responsible for the preparation of the financial statements were present at the General Assembly meeting to provide the required information and answer the questions. The shareholders expressed their opinions and requests. Questions verbally directed by the shareholders in the meeting were responded to during the course of the meeting by the concerned individuals who were given the platform by the meeting chair. The shareholders did not submit any written questions during the meeting. Therefore, any written response was not issued by Investor Relations Unit.

The shareholders did not request special auditor within the period.

The shareholders did not suggest an agenda during the related general assembly meeting.

During the General Assembly Meeting, information was shared on the donations that were made during the year. A separate agenda item was set for the donations. Pursuant to Capital Market Legislation, the General Assembly decided the maximum amount of donations that would be made within the period.

Other Disclosures Required by the Regulations

Another agenda item was created regarding the matters of informing the General Assembly and permitting the below mentioned deeds as per the Capital Market Legislation and Turkish Trade Law no: 395 and 396 in relation to the issues for the shareholders who hold the Management Power in their hands, members of board, executive managers, their spouses and up to second degree blood and relatives by marriage to be able to carry out deeds that may create conflict of interest and to compete with The Company or its subsidiaries. It was ensured that the aforementioned permit was given by the General Assembly.

Participants and minutes of general meetings are available at the Company's website (www.kartonsan.com.tr), the Central Registry Agency of Turkey's e-company application and the Public Disclosure Platform (KAP) (<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>). They are open for the examination of shareholders.

2.4. Voting Rights and Minority Rights

According to the Company's Articles of Association, there are no regulations providing privileged voting rights.

Practices that cause difficulties concerning the exercise of voting rights in General Assembly Meetings of the Company are avoided. In this context, each share holds a voting right through which the shareholders vote freely in General Assembly Meetings. The Company has no shares which do not hold voting rights. As a matter of principle for the Company, each shareholder, including the shareholders located abroad, is provided with the opportunity to vote as easily and conveniently as possible. The Company did not receive any applications from shareholders to participate or vote in the General Assembly Meeting in this sense.

The Company does not have an affiliate or subsidiary with which it has a reciprocal participation relationship that involves sovereignty. In case that a reciprocal partnership relation arises in the future, it is accepted in principle that the affiliate or the subsidiary will not exercise their right of voting in the General Assembly, and this situation will be disclosed to the public in compliance with the relevant legislation stipulations, unless obligatory situations arise such as constituting a quorum.

There is no regulation in the Company's Articles of Association concerning the exercise of minority rights. Matters not covered by the Articles of Association are regulated in accordance with the relevant provisions of the Turkish Commercial Code and Capital Markets Legislation. The Company accepts that the related regulations concerning the use of minority rights are sufficient.

2.5. Dividend Rights

According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation method of privileged dividends are set out in detail in the Articles of Association.

Of the distributable profit used to calculate the first dividend, 10% of the paid-in capital is deducted and 5% of the remainder is distributed to A-Type shareholders. Furthermore, in the event that a first dividend is distributed, a certain amount determined by the General Assembly is distributed to the Board members as dividends.

In the General Assembly Meeting held on 29 March 2018, it is decided that cash gross dividends would be distributed on 2 April 2018.

The Company has a clearly defined and consistent dividend policy, which was submitted for the information and approval of shareholders in 2009 during the 2008 fiscal year General Assembly Meeting. The dividend policy is featured in the annual report and also made public on the corporate website. Within the framework of Capital Market Committee Corporate Governance Principles Communiqué arrangements, the dividend policy was revised and publicly disclosed in 2014. It was presented to the shareholders' information in 2013 Annual Report and it was submitted for information and approval to the general assembly held on 27 March 2014. The dividend policy can be accessed via the Company's web site (www.kartonsan.com.tr), through the e-company application of Central Registry Agency and through the Public Disclosure Platform (KAP) (<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>).

Other Disclosures Required by the Regulations

2.6. Transfer of Shares

All the equity shares of the Company comprise bearer shares and the Articles of Association of the Company does not include any restrictive provisions on the transfer of shares.

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company Website and Its Content

The Company actively uses its website to issue public disclosures and to inform its shareholders. The Company is committed to keeping its website up-to-date to provide updated information in its website. Announcements as required by regulatory provisions are included in the website in the same form. The website is featured on all printed documents of the Company, like bills, dispatch notes and letterheads.

The Company's website is accessible at www.kartonsan.com.tr. Central Securities Depository's e-company application is accessible through <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>. The Company's website includes an Investor Relations section to ensure that shareholders may access the information they need in a practical manner. Alongside information which is required to be disclosed in accordance with legislation, the Company website also includes trade registry information, current shareholding structure and management, detailed information on the privileged shares, the final version of the Company's Articles of Association, material disclosures, financial and annual reports, registration statements and public offering circulars (if any), agendas of General Assembly Meetings, lists of participants and minutes of the meetings, document for voting by proxy, necessary documents in case of stock and proxy collection by tender calling, the Company's dividend policy and disclosure policies. The existing information and documents featured on the Company website is considered to be sufficient. The Company website completely features all the documents and announcements as required by the Capital Markets Board.

The Company website only features the shareholding structure. The Company does not declare information concerning the stake of the ultimate controlling individuals after netting off indirect and mutual affiliate relations. According to the Company's Articles of Association, A-Type shares are privileged in terms of dividend rights. The number of A-Type shares and the calculation for privileged dividend rights are mentioned in detail in the Articles of Association. In addition, it is the Company's preference that it does not announce such information, given that the Company does not hold information on the final individual holding of the shares, and the difficulty in keeping such information up-to-date.

The English version of the Company website is also available. However, information concerning the Investor Relations is only available in Turkish. English versions of the Company's annual reports are also accessible on the Company website as well.

3.2. Annual Report

Each year, a detailed annual report is prepared and presented by the Board of Directors of the Company to ensure that stakeholders of the Company kept informed prior to the General Assembly Meetings. The annual report is also featured in the corporate website. Furthermore, interim reports are also prepared and announced to the public on a quarterly basis in accordance with the Communiqué no: II-14.1.

The Company pays maximum attention to ensure that the said reports do contain detailed information concerning the Company's operations, and the Company takes every effort to ensure that the information provided is consistent with the Company's financial and operational results.

The annual reports prepared by the Company do not provide information on the outside activities of Board members and managers. The declarations of the Board members concerning their independence are included in the annual reports.

Information on the structure and members of committees formed among Board members are presented in the annual reports. However, information concerning the frequency of meetings, activities and working principles of the committees and comments of the Board of Directors on the effectiveness of the committees are not included in the annual reports, since the Company believes that such information is of immaterial importance for shareholders.

Other Disclosures Required by the Regulations

Information on the number of Board of Directors meetings during the year is included in the annual reports, but detailed information on the list of participants in such meetings is excluded. According to the Company's Articles of Association, the Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by a majority of the Board members present at the meeting. In this context, information concerning the list of participants to the meetings is considered to be of immaterial importance for shareholders.

Information on the number of Board of Directors meetings during the year is included in the annual reports, but detailed information on the list of participants in such meetings is excluded. According to the Company's Articles of Association, the Board of Directors' meeting is held with the participation of a majority of the Board members, and decisions are taken by a majority of the Board members present at the meeting. In this context, information concerning the list of participants to the meetings is considered to be of immaterial importance for shareholders.

Since the foundation of the Company, none of the Board of Directors' members have been sentenced to any penal procedure or a sanction at a material level. In case of such a situation in the future, it is (within the framework of its importance) accepted that it should be announced publicly as a matter of principle.

Information concerning any significant legal action filed against the Company and possible outcomes are expressed in the footnotes of the financial statements prepared by the Company. These footnotes are also included in the annual reports.

Since its foundation, there have been no instances of conflicts of interest between the Company and any institutions which have provided investment consultancy and rating services to the Company. It is accepted as a principle that in the event of such a situation arising in the future, public disclosures will be issued, provided that such disclosures do not affect the competitiveness of the Company or include any trade secrets of the Company (within the framework of its importance).

Footnotes to the financial statements of the Company include information concerning the Company, its affiliates and subsidiaries. Furthermore, these footnotes are also provided in the Company's annual reports.

Since the Company does not have a cross-shareholding relationship in which direct participation in capital exceeds 5%, such information is not included in the annual reports.

The Company's annual reports provide information concerning employee and social benefits, vocational training, any operations undertaken by the Company that may result in social or environmental impacts, and the Company's corporate social responsibility activities.

Every year during the general assembly meetings, the Company provides information concerning the issues listed in section 1.3.6 of the Corporate Governance Principles of the Company. Therefore, the Company deems the inclusion of such information in the annual report to be unnecessary.

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

The Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise their rights, as determined within the framework of legislation, and mutual contracts at the transactions and activities of the Company in a complete and fair manner. In the event that stakeholder rights are not protected by legislation and mutual contracts, it is accepted as a principle that their benefits will be protected by goodwill and fairness within the capabilities of the Company.

The Company does not have a procedure in cases where stakeholder rights that are protected by legislation and mutual contracts are violated by the activities. Through a fair approach, the Company undertakes, as a fundamental principle, to ensure that all of its stakeholders exercise all of their rights that are derived from the laws and agreements, in a complete manner. The Company has no compensation policy for its employees.

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company policies and procedures are fundamental principles for the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and public is carried out within the framework of Company disclosure policy. The Company's disclosure policy can be reached

Other Disclosures Required by the Regulations

via the website (www.kartonsan.com.tr), through the e-company application of Central Registry Agency (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and through KAP (<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>).

Communication channels of the Company are accessible for all stakeholders and contact information is available on the Company website. Stakeholders are entitled to communicate with the Corporate Governance Committee and the Audit Committee without any interference from the Company. Stakeholders are also entitled to reach these committees through all communication channels.

Our Company's target is to protect the rights of each and every stakeholder independently in the event of possible conflicts of interest between stakeholders.

4.2. Stakeholders' Participation in the Management

In order to ensure that personnel at different levels of the organization participate in the management, monthly Executive Committee meetings are held in various departments, with the participation of the relevant department executives as well as the senior management, and various issues are discussed in these meetings. During the aforementioned meetings, requests and expectations of personnel, customers and suppliers are collected and delivered to the top management. The departments implement the decisions taken. Personnel are informed of all activities and processes of the Company linked to procedures that are established according to the ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System. There is no pronouncement in the Company's Articles of Association concerning the participation of personnel in the management.

4.3. Human Resources Policy

The Company's recruitment policy aims to ensure that the right individuals are appointed to the right positions, in view of employee's objectives and personnel competencies, while paying due regard to ensure equal opportunity among employees in same position.

In case of a situation where changes in the management are expected to give rise to administrative disruption; career planning and possible scenario projections are utilized in the determination of new manager appointments.

The criteria for the recruitment of personnel are stated in written form and all recruitment decisions comply with these criteria.

The Company plans and implements various training programs to enrich employee's know-how and skills, and support their personnel development. Training sessions for each year are planned in the previous year. Fairness is accepted and implemented as a principle in all rights provided to employees.

The Company's financial reports are provided both on the Company's website and in its annual reports. The Company has ensured that it is possible for all stakeholders to access these reports easily and freely. The Company periodically informs its employees of issues concerning pay, career, training and health. Employees of the Company are informed of all decisions or developments concerning them through e-mail, announcements on the bulletin boards or through informing union representatives. The senior management also takes account of the union's views of such decisions.

The job definitions of Company employees are stated in written form in compliance with ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System. Employee salaries and other benefits are determined on the basis of performance and efficiency. The Company has no plans to oblige its employees to hold shares in the Company.

Other Disclosures Required by the Regulations

The Company takes all precautions to prevent any racial, religious, language or gender discrimination as well as attitudes towards employees that could physically, mentally or emotionally affect employees.

The Company recognizes that the foundation of associations and collective bargaining rights are provided by law. There is an active labor union in the Company's plant through which the Company and the union negotiate on labor contracts.

The relations with employees are managed through Human Resources Department. Besides, there are union representatives for the staff who are members of labor unions.

The Company spends maximum efforts to take all necessary measures to provide the employees with a safe working environment, and aims to create the appropriate working conditions for its employees. The Company's efforts in this vein are carried out within the frame of OHSAS 18001 Occupational Health and Safety Management System.

The Company has espoused it as a policy to continuously improve the quality of Kartonsan products and services in line with the customers' requests and expectations. The Company takes the utmost care to maintain the quality standards of the products and services produced. The Company pays maximum diligence to maintain the confidentiality of customers' and suppliers' information that is characterized as trade secrets, and has formulated the necessary authorizations and job descriptions that will prevent unauthorized access to the same.

4.4. Code of Ethics and Social Responsibility

The Board of Directors has not prepared a code of ethics for the Company and its employees, which is disclosed to employees and the public. However, there are job definitions for employees and their actions and statements are kept in compliance with well-established business life principles, laws, ethical values, traditions, norms, and principles of environmental protection. General rules of work ethics have been determined in the collective labor contract and in the employee handbook.

The Company is committed to regulations and ethical codes concerning issues related to the environment, consumer and public health.

The Company holds ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System, and OHSAS 18001 Occupational Health and Safety System certificates audited by Bureau Veritas. All necessary action is taken to meet system requirements and to ensure the safety of the employees and respect for the environment.

The Waste Water Treatment Plant avoids the direct discharge of processed water to the environment, and the waste water treatment plant's output values are constantly monitored. Other wastes are delivered to licensed firms, which then recycle or eliminate them, thus contributing to the prevention of environmental pollution.

In cardboard production, the Company uses 90% recycled paper in an effort to contribute to the national economy and the protection of forests.

Noise levels both by night and by day, in and around the factory, are measured; all efforts are taken to ensure the noise level is maintained within the legal limits.

To contribute to minimizing environmental pollution, the Company uses natural gas, generates its own energy and undertakes all necessary emission measures in time.

The Company also undertakes social donations to sport clubs, municipalities, public agencies, associations and foundations in the region where its production plant is located.

The Company formed an internal audit system to tackle all forms of fraud including commission and bribery, and utilizes it effectively.

The Company accepts, supports, and respects all internationally recognized human rights.

Other Disclosures Required by the Regulations

SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of Board of Directors

The composition of the Board of Directors is regulated in details with the article 8 of the Articles of Association. The said article is given below:

Board of Directors

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

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

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

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

Board of Directors

Name Surname	Title	Beginning of Term of Office	End of Term of Office	Re-Appointment	New Term of Office
Ünal Bozkurt	Chairman of the Board of Directors	05.10.2000	29.03.2019	29.03.2018	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	02.08.2001	29.03.2019	29.03.2018	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	06.02.2006	29.03.2019	29.03.2018	1 Year
Sinan Ercan Gülçur	Board Member	05.10.2000	29.03.2019	29.03.2018	1 Year
Babür Gökçek	Board Member	06.02.2006	29.03.2019	29.03.2018	1 Year
Mehmet İmregün	Board Member	21.03.2011	29.03.2019	29.03.2018	1 Year
Hatice Canan Pak İmregün	Board Member	01.10.2012	29.03.2019	29.03.2018	1 Year
Haluk İber	Board Member and General Manager	02.03.2006	29.03.2019	29.03.2018	1 Year
Ali Ersin Güredin*	Independent Board Member	02.05.2012	29.03.2018	-	1 Year
Tamer Koçel*	Independent Board Member	02.05.2012	29.03.2018	-	1 Year
Ahmet Göksel Yücel	Independent Board Member	29.03.2018	29.03.2019	29.03.2018	1 Year
Süleyman Kadri Mirze	Independent Board Member	29.03.2018	29.03.2019	29.03.2018	1 Year

* Since the maximum period to serve as an Independent Board Member has expired, they have not been re-nominated at the end of their term of office.

The Board of Directors held 18 meetings within the year ended on 31.12.2018. The average attendance rate of the board members to the board of directors meetings was 93% for 2018. All decisions taken during the year were fulfilled.

The résumés of the members of the Board of Directors are included in the General Assembly Information documents, which the Company has prepared and announced to the public. The maximum period to serve as an independent board member of independent members of the board of directors Ali Ersin Güredin and Tamer Koçel has expired, and Ahmet Göksel Yücel and Süleyman Kadri Mirze were appointed to serve as independent board members. The said e General Assembly Information documents are available at the

Other Disclosures Required by the Regulations

Public Disclosure Platform (KAP) (<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>) and at the e-company application. (<http://kartonsan.com.tr/tr/page.php?id=47> ya da <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>) As required by Capital Markets Board regulations concerning independent directors, on 19 February 2018 the Kartonsan Corporate Governance Committee identified two candidates to serve as independent members of the Kartonsan Board of Directors and submitted their names to the board on 22 February 2018. Both persons have submitted their affidavits of independence to the Company and there was no evidence of any breach of that status during the reporting period. The affidavits which these independent directors have submitted to the Company read as follows:

Declarations of the Board members concerning their independence

I hereby declare and avow, as required by laws and regulations and the Company's articles of association, that I am a candidate to serve in the capacity of "independent director" on the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.Ş. ("the Company") in accordance with the criteria set forth in "Corporate Governance Principles" and published by the Capital Markets Board and furthermore:

That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management;

That within the most recent five years, I have neither been employed by nor served as a director in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;

That within the most recent five years, I have been neither a partner, nor an employee, nor a director in any firm which provides the Company with substantial amounts of any products or services;

That any shareholding interest which I may have in the Company amounts to less than 1% of the Company's capital and that none of these shares entail any special rights | That I have no shareholding interest in the Company;

That, as may be seen from my attached resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors;

That I will not work full time in public institutions and organizations after being elected as an independent member of the board of directors, except as a university faculty member, provided that this complies with the legislation;

That I am currently not a full-time employee of any public agency or organization;

That I am a resident of Turkey as defined in the Income Tax Law;

That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, that I shall maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;

That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Date / Name / Signature

The issue of whether or not members of the board may undertake duties outside the Company is not bound by any specific rules or regulations. Information concerning this matter is included as a separate item in general meeting agendas and is submitted for the knowledge and approval of shareholders.

There are no targets set for women as members of the Company's board of directors. At least two women have been serving as Company directors for many years. Inasmuch as no minimum number of female directors has been set, the issue of fulfilling such targets does need not to be addressed.

Other Disclosures Required by the Regulations

5.2. Operating Principles of the Board of Directors

The principles of the Board of Directors' operations are regulated in details with the article 9 and the article 10 of the Articles of Association. The said articles are given below:

The Duties and Authorities of the Board of Directors and Transfer of Them

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

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

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

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

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

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

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

Meetings of the Board of Directors

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

The Kartonsan Board of Directors has committed itself to the principle of conducting its activities transparently, accountably, fairly, and responsibly and it does so. In 2018, a total of 18 board meetings were held. All members attended these meetings except for those who had a valid excuse (reasons of health, travel abroad, etc.). Inasmuch as all the decisions that were taken during the reporting period were passed by a unanimous vote of those who were present, no notices of dissenting opinions were entered into the record.

No delegations of authority have been made among the members of the Company's board of directors. Committees have been set up within the board however and information about their activities is published in annual reports and on the Company's corporate website.

Members of the Board of Directors are not covered by insurance against the risk that the Company may suffer a loss on account of misjudgment and errors in the performance of their duties.

Other Disclosures Required by the Regulations

After each year's general meeting, the Company's Board of Directors draws up power of signature statements concerning the ways in which the Company may be represented and bound. None of these statements give any Company officer the power to represent the Company on their sole authority. Business and operations of a substantial nature may be performed only under the signature of at least two authorized persons representing different power of signature groups. No one has unlimited authority to make decisions on the Company's behalf.

The Company's chairman and general manager is not the same person. This has been true at the Company for many years.

Even if it should transpire, at some future date, that the Company's chief executive and chairman were to be the same person, it is not thought that this would have any impact on the stakeholders' rights and for that reason, it would not be necessary to notify shareholders of the situation or to include specific mention of it in annual reports.

A Corporate Governance Committee has been set up consisting of members of the Company's Board of Directors. An investor relations division has also been set up and reports to this committee. The Kartonsan Board of Directors acknowledges the leading role it must play in preventing and resolving any disputes which may arise between shareholders and the Company.

5.3. Number, Structure, and Independence of Committees Established within the Board of Directors

An Audit Committee, an Early Detection of Risk Committee, and a Corporate Governance Committee have been set up whose members are within the Kartonsan Board of Directors. Neither a nominating committee nor a remuneration committee has been set up, the functions of such committees having been assigned to the Corporate Governance Committee instead. Matters pertaining to which members serve on which committees and to the committees' operating principles are decided on and publicly disclosed by the Kartonsan Board of Directors.

The Kartonsan Audit Committee consists of two members, both of whom are independent directors and one of whom naturally serves as the committee head.

The Kartonsan Corporate Governance Committee consists of four members, three of whom are Board Members and one of whom is the head of the Investor Relations Unit. The Kartonsan Risk Detection Committee consists of three members. The heads of both committees are independent directors.

The committees that were active in 2018 are indicated below:

Audit Committee

Name Surname	Title	Beginning of Term of Office	End of Term of Office	Re-Appointment	New Term of Office
Ali Ersin Güredin*	Chairman of the Audit Committee	04.05.2012	10.04.2018	-	-
Tamer Koçel*	Member of the Audit Committee	04.05.2012	10.04.2018	-	-
Ahmet Göksel Yücel	Member of the Audit Committee	10.04.2018	10.04.2019	10.04.2018	1 Year
Süleyman Kadri Mirze	Member of the Audit Committee	10.04.2018	10.04.2019	10.04.2018	1 Year

* Since the maximum period to serve as an Independent Board Member has expired, they have not been re-nominated at the end of their term of office

Corporate Governance Committee

Name Surname	Title	Beginning of Term of Office	End of Term of Office	Re-Appointment	New Term of Office
Tamer Koçel**	Chairman of the Corporate Governance Committee	04.05.2012	10.04.2018	-	-
Süleyman Kadri Mirze	Chairman of the Corporate Governance Committee	10.04.2018	10.04.2019	10.04.2018	1 Year
Aslı Balkır	Member of the Corporate Governance Committee	09.04.2013	10.04.2019	10.04.2018	1 Year
Süleyman Kaya	Member of the Corporate Governance Committee	09.04.2013	10.04.2019	10.04.2018	1 Year
Bülent Yılmaz*	Member of the Corporate Governance Committee	28.03.2014	10.04.2019	10.04.2018	1 Year

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

** Since the maximum period to serve as an Independent Board Member has expired, they have not been re-nominated at the end of their term of office.

Other Disclosures Required by the Regulations

Early Detection of Risk Committee

Name Surname	Title	Beginning of Term of Office	End of Term of Office	Re-Appointment	New Term of Office
Ali Ersin Güredin*	Chairman of the Early Detection of Risk Committee	09.04.2013	10.04.2018	-	-
Ahmet Göksel Yücel	Chairman of the Early Detection of Risk Committee	10.04.2018	10.04.2019	10.04.2018	1 Year
Mehmet İmregün	Member of the Early Detection of Risk Committee	09.04.2013	10.04.2019	10.04.2018	1 Year
Sinan Ercan Gülçur	Member of the Early Detection of Risk Committee	28.03.2014	10.04.2019	10.04.2018	1 Year

* Since the maximum period to serve as an Independent Board Member has expired, they have not been re-nominated at the end of their term of office.

Neither the CEO nor the general manager nor any other director with executive duties served on any of these committees.

Owing to the size and nature of the Kartonsan Board of Directors, it has only two independent members. Inasmuch as at least the head of committees and all of the members of the Audit Committee must be independent directors, it is impossible in principle for Kartonsan's independent board members not to serve on more than one committee. Therefore, one independent member of the Board of Directors necessarily serves on two committees.

The operations of committees are governed by principles which have been set forth in writing. The current working principles of the committees are available at the Company's website (<http://kartonsan.com.tr/tr/page.php?id=37>), at the Public Disclosure Platform (KAP) ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>") and at the e-company application (<http://kartonsan.com.tr/tr/page.php?id=47> ya da <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

All committees have the power to invite any Company manager to attend a committee meeting in order to have the benefit of that manager's views when such are deemed to be necessary. The Kartonsan Board of Directors allocates funding sufficient for committees to perform their functions.

Another of the committees' working principles is that they may procure consultancy services which they deem to be necessary to perform their duties, on condition that such services are paid for by the Company.

Written records are maintained concerning all the activities of committees. This matter is also governed by the committees' written working principles. Committees submit reports of their activities to the Kartonsan Board of Directors at regular intervals.

All committees other than the Early Detection of Risk Committee are required to convene at the Company's headquarters at least four times a year and at least once every three months. The Early Detection of Risk Committee may convene at the frequency required by its duties and responsibilities. The Early Detection of Risk Committee held 6 meetings in 2018.

5.4. Risk Management and Internal Control Mechanisms

The Company decided to set up an Early Detection of Risk Committee in 2013. This committee consists of three members and is headed by an independent member of Board of Directors. Owing to the way it is constituted, the Kartonsan Board of Directors elects a new Early Detection of Risk Committee every year following the election of the Board itself. Early Detection of Risk Committee members perform their duties as set out in their governing regulation. The committee submits an annual report of its activities during the current year to the Kartonsan Board of Directors towards the end of that year.

Internal control systems have been set up and are functioning at the Company. These internal control systems are governed by the Company's ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System, and OHSAS 18001 Occupational Health and Safety Management System certifications. Such certifications are regularly audited by independent agencies, which report any breaches of their terms to the Company's senior management. Such problems as may be reported are resolved and policies are formulated accordingly through interactive communication.

Other Disclosures Required by the Regulations

The Kartonsan Board of Directors deploys risk management mechanisms in order to ensure that internal control functions are periodically checked so that improvements may be made in them. The Company's management prefers not to have the results of these reviews included in annual reports and therefore they are not.

5.5. Strategic Goals of the Company

The Kartonsan Board of Directors sets out each year's strategic objectives during the previous year and also determines the human and financial resources that will be needed to achieve those objectives. The degree to which targets are being fulfilled is checked at regular (monthly, quarterly, and annual) intervals.

The Kartonsan Board of Directors has committed itself to the principle of conducting its activities transparently, accountably, fairly, and responsibly.

The Kartonsan Board of Directors ensures that all of the Company's business and related activities are conducted in accordance with the requirements of laws and regulations, of the articles of association, and of Company regulations and policies.

5.6. Financial Rights

Financial rights of the Board of Directors is regulated by the Article 12 of the Company's articles of association and the text of the article is shown below.

Financial Rights of Board Members

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

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

Principles governing the remuneration of members of the Board of Directors and of Company senior executives have been set out in writing. Such remuneration is included as a separate item on general meeting agendas in order to inform shareholders, whose opinions on the matter are solicited. The Company's remuneration policy is published on the Kartonsan corporate website (www.kartonsan.com.tr). It is also accessible from the Central Registry Agency (e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916) and the Public Disclosure Platform (KAP) (<https://www.kap.org.tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>).

Owing to the size and nature of its Board of Directors, the Company has decided not to set up a separate remuneration committee but rather to have the duties which CMB Corporate Governance Principles say such a committee must carried out by the Kartonsan Corporate Governance Committee instead.

The Kartonsan Corporate Governance Committee performs the duties which are required by the Capital Markets Board under its published Corporate Governance Principles. It currently engages in no activities other than the ones mandated by those principles.

The remuneration paid to independent members of the Kartonsan Board of Directors involves neither Company stock options nor any other form of payment that is contingent upon the Company's performance. Care is given to ensure that the amounts paid to independent directors are at such a level as to maintain their independence. The general assembly of shareholders has voted to pay independent directors their remuneration on a monthly basis.

The Company has not entered into any debt or credit relationship with any member of its board nor with any senior executive; neither does it grant guarantees, surety, or the like to such persons. It is an avowed principle of the Kartonsan Board of Directors to abstain from such relationships and dealings.

Information about the remuneration paid and all the other benefits given to members of the Kartonsan Board of Directors is included in interim and annual reports and is published on the Company's corporate website. Although recipients are not identified by name, a distinction is made between the amounts that are paid to Board Members on the one hand and those that are paid to senior executives on the other.

Other Disclosures Required by the Regulations

19) AFFILIATED COMPANY REPORT PREPARED WITHIN THE CONTEXT OF ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors is obliged to prepare a report concerning relations with the Company's holding company and affiliated companies of the holding company in the first three months of financial year in line with article 199 of the Turkish Commercial Code number 6102, which has been in force since 1 July 2012. The Board of Directors is also obliged to involve the result of this report in the annual report.

In the report dated 28 February 2019, which was prepared by Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors, it was stated that;

"Asil Gıda ve Kimya San ve Tic A.Ş. (Holding Company) which is a holding company of Kartonsan Karton Sanayi ve Ticaret A.Ş. (Affiliated Company), Pak Holding A.Ş. and directly or indirectly affiliated companies of these two companies provided appropriate counter performance in each legal activity according to terms and conditions within our knowledge in dates which transactions were made. The Company has no loss and no measures were taken or avoided.

The Company evaluated legal activities for the benefit of the holding company or its subsidiaries, and all precautions that were taken or avoided to be taken for the benefit of the holding company or its affiliated companies in 2018 under the holding company's guidance according to the terms and condition within our knowledge in all transaction made between our Company, the holding company and its subsidiaries in the period between 1 January 2018 - 31 December 2018. We declare that our Company recorded no losses and did not hold an advantage and did not balance the holding company's advantages or losses in connection to any transactions which occurred according to known terms and conditions in 2018."

20) EARNINGS OF BOARD MEMBERS AND SENIOR MANAGEMENT AND REMUNERATION POLICY

Members of the Board of Directors and executive managers who serve in Kartonsan obtain the following earnings as explained below.

Compensation Provided to the Members of the Board of Directors

- Attendance Fee

The amount is decided by the General Assembly.

The Payment of the Attendance Fee

According to Article 61/4 of the Income Tax Law, the attendance fee paid or benefits provided to the Chairman and the members of the Board of Directors are characterized as wages. As is the case for wages paid to employees, attendance fee payments made to the Chairman and the members of the Board are also subject to tax through withholding deductions.

- Dividend Payment

The dividend payment is decided each year by the General Assembly at the General Assembly Meeting in accordance of Article No: 25 of the Company's Articles of Association.

Other Disclosures Required by the Regulations

Compensation Provided to the Senior Managers

The General Manager, who is also a member of the Board of Directors, and Assistant General Managers, are entitled to the compensation set out below in addition to compensation connected to their membership of the Board:

- Monthly Salary (decided annually)
- Bonus at the amount of the monthly salary (paid four times a year)
- Performance Premium (paid once a year at the end of the year)
- Employment Termination Benefits (paid after the 5th, 10th, 15th, 20th and 25th year of service, between 1 and 2.5 times the salary)
- Individual Accident and Health Insurance
- Vehicles and Office Stocks allocated for their duties.

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

	31 December 2018	31 December 2017
Benefits Provided to Senior Managers	2,414,205	2,040,880
Benefits Provided to Board Members	183,542	239,845
Total	2,597,747	2,280,725

21) OTHER ISSUES

- The Company has no own shares which it acquires.
- Explanation regarding charges filed against the Company which may affect financials and regarding their potential results are made in footnotes of financial tables (Footnote 14).
- All of the Company's capital exists and there is no instance of the capital remaining uncovered or deeply in debt.
- There was no important issue after the activity period.
- In 2017, routine inspections were continued to be carried out at the company's factory by Kocaeli Metropolitan Municipality, Başiskele Municipality and Environment and Urbanization Provincial Directorate regarding waste and pollution that are generated as a result of our manufacturing activities. No inspections were carried out at our premises by any other public institutions, except for the public institutions mentioned above.
- No administrative or legal penalty was imposed on the company and members of the management organ due to the practices that conflict the legislation stipulations.
- No Extraordinary General Assembly Meeting was held in 2018.

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
Fax: (212) 285 03 40

Tax Affirmation

Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.
Spine Tower Büyükdere Cad. No: 243 Kat: 25-26 34398 Sarıyer / İstanbul
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Ordinary General Assembly Meeting

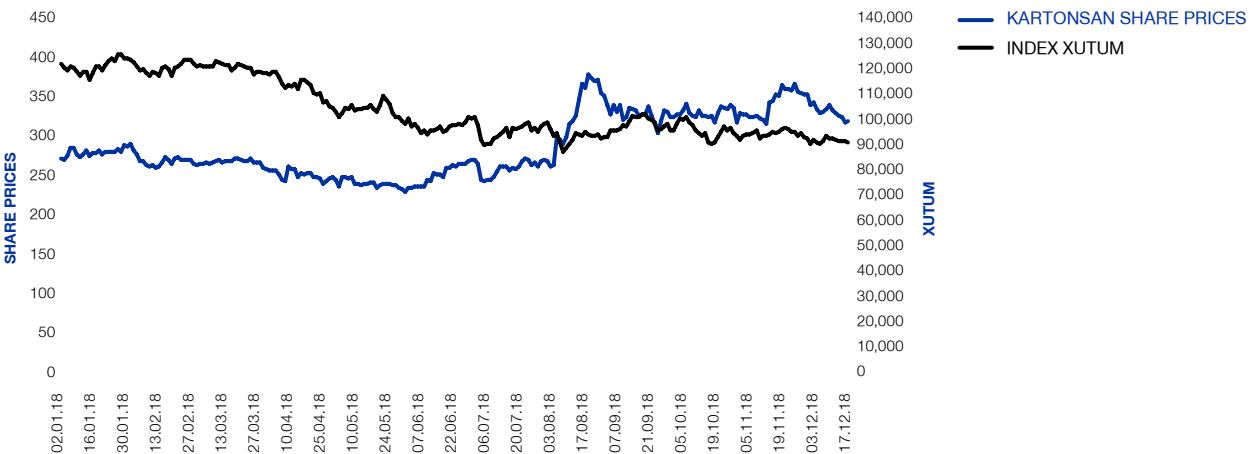
Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 28 March 2019 at 10:30 in Point Hotel Barbaros Esentepe Yıldız Posta Caddesi No: 29 Şişli - İstanbul.

Performance of Kartonsan Shares in 2018

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 2018

(COMPARED WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 244.30 and the highest share price was TL 380.40. The average price in 2017 was TL 297.27. The lowest and highest prices of the shares are presented in the adjacent table.

PERIOD	PERIOD	LOWEST TL	HIGHEST TL
02.01.2018	30.03.2018	272.06	299.17
02.04.2018	29.06.2018	244.30	275.30
02.07.2018	28.09.2018	257.00	380.40
01.10.2018	31.12.2018	311.60	368.70

Prof. Dr. Bülent Tarcan Caddesi
No: 5 Engin Pak İş Merkezi, Kat: 3
Gayrettepe 34349, İstanbul, Turkey
Tel: (+90 212) 273 20 00 (pbx)
Fax: (+90 212) 273 21 70