KAMUYU AYDINLATMA PLATFORMU

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.
Financial Report
Consolidated
2021 - 4. 3 Monthly Notification

General Information About Financial Statements

Consolidated Financial Statements and Explanatory Notes for the Accounting Period 1 January - 31 December 2021

MERKEZİ KAYIT İSTANBUL

Independet Audit Comment

Independent Audit Company	GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
Audit Type	Continuous
Audit Result	Positive

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi (the "Company" or "Kartonsan")** and its subsidiaries (**collectively referred to as the "Group**") which comprise the consolidated statement of balance sheets as at 31 December 2021 consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash-flow for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS/TAS").

Basis for Opinion

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

Key Audit Matters

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

Inventories

Please refer to notes 2.5 and 9 to the consolidated financial statements

Key audit matters	How our audit addressed the key audit matter
Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements. The cost of inventories is determined by the weighted average method. Cost elements of inventories, inventory impairment policy, determination of provision for inventory impairment and inventory valuation determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the provision for inventory impairment and net realisable value: As a part of our audit procedures; - Evaluating whether there is a need for provision for net realizable value in accordance with the changes in gross sales profit on a general or product basis, -Evaluating the sales invoice samples and the unit prices in these invoices were compared with the unit prices in the balance sheet period and after the balance sheet date, -Testing inventory impairment balances with the inventory aging reports prepare and comparing the year-end inventory counts indicate that whether there were inventories that had not moved or been damaged for a long time, -Comparing the inventory turnover ratio, statement of cost of sales and selling costs to sales ratio with the prior period, -Recalculating the inventory cards selected as a sample for the cost calculation of the Group, -Evaluating inventory impairment study of the Group, -Testing the disclosures in the consolidated financial statements in relation to the inventories and evaluating the adequacy of such disclosures for TFRS requirements , We had no material findings related to the accounting for inventories as a result of these procedures.

Property, Plant and Equipment

Please refer to notes 2.5 and 11 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
The consolidated financial statements as of 31 December 2021 include property, plant and equipment with carrying values of TL 300.334.864. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives for property, plant and equipment and management used some estimates for the calculation of the relevant property, plant and equipment. In addition, the Group management has been tested for impairment on property, plant and equipment in every reporting period. The accounting estimates used by the Group management for calculating the depreciation on these estimates and the impairment tests and related notes determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the depreciation calculation methods of property, plant and equipment and evaluating the related impairment tests As a part of our audit procedures; - We have evaluated the model of impairment tests critically based on the Group management estimates and assumptions. We have examined the discounted cash flow estimates and past financial performances and trends of the Group. We have recalculated the impairment model in order to evaluate the sensitivity of the growth rates, discount rates and some basic assumptions used by the Group management. - Evaluating the consistency of estimates performed by the Group management for property, plant and equipment based on retrospective comparison, - Assessing and recalculating the inputs and estimates used including the depreciation studies for the impairment analysis of property, plant and equipment performed by the Group management, -Testing the disclosures in the consolidated financial statements in relation to the impairment on property, plant and equipment and evaluating the adequacy of such disclosures for TFRS requirements, We had no material findings related to the accounting for property, plant and equipment as a result of these procedures.

Revenue

Please refer to notes 2.5 and 19 to the consolidated financial statements.

Key audit matters	How our audit addressed the key audit matter
The Group recognizes the revenue when the Group transfers control of a good or service over time and economic benefits associated with the item will flow to the Kartonsan. Revenue is recognised on an accrual basis in the accompanying consolidated financial statements. The consolidated financial statements as of 31 December 2021 include revenue with carrying values of TL 1.588.647.216 which is recognized in consolidated statements of other comprehensive income. Recognition of sales on correct period on the basis of periodicity assumption in accordance with matching principle determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the testing recognition of revenue: As a part of our audit procedures; -Evaluating the revenue as a process is evaluated by observing the sales and delivery procedures of the Group. - Our audit procedures are focused on the assessment of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated. -We have evaluated revenue recognition during the period by applying the material verification procedures and substantive tests to the sales returns during the period following the end of the year. -Testing the disclosures in the consolidated financial statements in relation to the recognition of revenue and evaluating the adequacy of such disclosures for TFRS requirements, We had no material findings related to the accounting for revenue as a result of these procedures.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

· Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Responsibilities Arising from Regulatory Requirements

1) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Group's Board of Directors on 2 March 2022.

2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Group's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Group's articles of association related to financial reporting.

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

The engagement partner responsible for the audit resulting in this independent auditor's report is Mustafa Özgür GÜNEL.

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.

An Independent Member of BAKER TILLY INTERNATIONAL

Dr. Mustafa Özgür GÜNEL

Partner, CPA

İstanbul, 2 March 2022

Statement of Financial Position (Balance Sheet)

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 31.12.2021	Previous Period 31.12.2020
Statement of Financial Position (Balance Sheet)			
Assets [abstract]			
CURRENT ASSETS			
Cash and cash equivalents	4	420.621.833	184.978.244
Financial Investments		0	0
Financial Assets at Fair Value Through Profit or Loss		0	0
Financial Assets at Fair Value Through Other Comprehensive Income		0	0
Trade Receivables	5-6	174.155.921	92.438.904
Trade Receivables Due From Related Parties	5	10.754.792	4.436.821
Trade Receivables Due From Unrelated Parties	6	163.401.129	88.002.083
Receivables From Financial Sector Operations		0	0
Other Receivables	8	1.151.294	810.139
Other Receivables Due From Unrelated Parties	8	1.151.294	810.139
Contract Assets		0	0
Contract Assets from Ongoing Construction Contracts		0	0
Derivative Financial Assets		0	0
Inventories	9	171.495.394	128.906.230
Prepayments	5-17	51.178.701	13.320.564
Prepayments to Related Parties	5	13.987.543	7.613.374
Prepayments to Unrelated Parties	17	37.191.158	5.707.190
Other current assets	17	372.208	778.540
Other Current Assets Due From Unrelated Parties	17	372.208	778.540
SUB-TOTAL		**818.975.351**	**421.232.621**
Total current assets		**818.975.351**	**421.232.621**
NON-CURRENT ASSETS			
Financial Investments		0	0
Restricted Bank Balances		0	
Time Deposits		0	
Financial Assets Available-for-Sale		0	
Financial Investments Held To Maturity		0	
Financial Assets at Fair Value Through Profit or Loss		0	0
Financial Assets Held For Trading		0	
Other Financial Assets Measured at Fair Value Through Profit or Loss		0	
Financial Assets Designated As at Fair Value Through Profit or Loss		0	
Financial Investments with Risks on Policyholders		0	
Financial Assets at Fair Value Through Other Comprehensive Income		0	0
Financial Assets Measured At Fair Value Through Other Comprehensive Income		0	
Investments in Equity Instruments		0	
Financial Assets Measured at Amortised Cost		0	
Other Financial Investments		0	
Investments in subsidiaries, joint ventures and associates		0	
Trade Receivables		0	0
Trade Receivables Due From Related Parties		0	
Trade Receivables Due From Unrelated Parties		0	
Receivables From Financial Sector Operations		0	0
Receivables From Financial Sector Operations Due From Related Parties		0	
Receivables From Financial Sector Operations Due From Unrelated Parties		0	
Other Receivables	8	25.183	44.250
Other Receivables Due From Unrelated Parties	8	25.183	44.250
Contract Assets		0	0
Contract Assets from Ongoing Construction Contracts		0	
Derivative Financial Assets		0	0
Investment property	10	229.270	229.270
Property, plant and equipment	11	300.334.864	233.217.556
Land and Premises		24.059.097	24.059.097

Land Improvements		6.725.351	6.564.859
Buildings		40.939.968	36.157.840
Machinery And Equipments		214.719.438	149.243.936
Vehicles		1.230.912	972.843
Fixtures and fittings		11.200.915	7.971.182
Leasehold Improvements		82.497	65.525
Construction in Progress		670.815	7.497.489
Other property, plant and equipment		705.871	684.785
Right of Use Assets	12	5.480.627	5.295.181
Intangible assets and goodwill	12	5.100.683	3.487.585
Other intangible assets	12	5.100.683	3.487.585
Prepayments	17	28.190.378	10.812.307
Prepayments to Unrelated Parties	17	28.190.378	10.812.307
Deferred Tax Asset	25	25.617.415	24.272.551
Other Non-current Assets		0	0
Total non-current assets		**364.978.420**	**277.358.700**
Total assets		**1.183.953.771**	**698.591.321**
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Current Borrowings	5-7	1.127.709	760.356
Current Borrowings From Related Parties		233.819	168.528
Lease Liabilities	5-7	233.819	168.528
Other short-term borrowings		0	0
Current Borrowings From Unrelated Parties	7	893.890	591.828
Bank Loans	7	177	0
Lease Liabilities	7	893.713	591.828
Current Portion of Non-current Borrowings		0	0
Current Portion of Non-current Borrowings from Related Parties		0	0
Current Portion of Non-current Borrowings from Unrelated Parties		0	0
Other Financial Liabilities		0	0
Trade Payables	5-6	188.157.125	80.459.983
Trade Payables to Related Parties	5	60.079	59.852
Trade Payables to Unrelated Parties	6	188.097.046	80.400.131
Payables on Financial Sector Operations		0	0
Employee Benefit Obligations	16	4.247.696	3.286.264
Other Payables	5-8	17.260.121	4.967.114
Other Payables to Related Parties	5	56.381	38.451
Other Payables to Unrelated Parties	8	17.203.740	4.928.663
Contract Liabilities		0	0
Contract Liabilities from Ongoing Construction Contracts		0	0
Derivative Financial Liabilities		0	0
Deferred Income Other Than Contract Liabilities		0	0
Current tax liabilities, current	25	45.748.106	7.694.586
Current provisions	14-16	8.216.818	4.530.238
Current provisions for employee benefits	16	1.821.769	1.839.717
Other current provisions	14	6.395.049	2.690.521
Other Current Liabilities	14	0	0
Other Current Liabilities to Unrelated Parties	14	0	0
SUB-TOTAL		**264.757.575**	**101.698.541**
Total current liabilities		**264.757.575**	**101.698.541**
NON-CURRENT LIABILITIES			
Long Term Borrowings	5-7	5.145.854	5.000.691
Long Term Borrowings From Related Parties	5-7	4.147.419	3.895.371
Lease Liabilities	5-7	4.147.419	3.895.371
Long Term Borrowings From Unrelated Parties		998.435	1.105.320
Lease Liabilities	7	998.435	1.105.320
Other Financial Liabilities		0	0
Trade Payables		0	0
Payables on Financial Sector Operations		0	0
Other Payables		0	0
Contract Liabilities		0	0
Contract Liabilities from Ongoing Construction Contracts		0	0
Derivative Financial Liabilities		0	0
Deferred Income Other Than Contract Liabilities		0	0
Non-current provisions	16	23.157.194	15.293.908
Non-current provisions for employee benefits	16	23.157.194	15.293.908
Other non-current provisions		0	0
Deferred Tax Liabilities	25	2.756.587	2.787.391
Other non-current liabilities		0	0
Total non-current liabilities		**31.059.635**	**23.081.990**

Total liabilities		**295.817.210**	**124.780.531**
EQUITY			
Equity attributable to owners of parent		887.585.636	573.577.218
Issued capital	18	75.000.000	75.000.000
Inflation Adjustments on Capital	18	21.135.671	21.135.671
Balancing Account for Merger Capital		0	
Additional Capital Contribution of Shareholders		0	
Capital Advance		0	
Treasury Shares (-)		0	
Capital Adjustments due to Cross-Ownership (-)		0	
Share Premium (Discount)		7.529	7.529
Effects of Business Combinations Under Common Control		0	
Put Option Revaluation Fund Related with Non-controlling Interests		0	
Share Based payments (-)		0	
Other Accumulated Comprehensive Income (Loss) that will not be Reclassified in Profit or Loss	18	-7.802.118	-3.132.045
Gains (Losses) from investments in equity instruments		0	0
Gains (Losses) on Revaluation and Remeasurement	18	-7.802.118	-3.132.045
Increases (Decreases) on Revaluation of Property, Plant and Equipment		0	0
Increases (Decreases) on Revaluation of Intangible assets		0	0
Gains (Losses) on Remeasurements of Defined Benefit Plans	18	-7.802.118	-3.132.045
Other Revaluation Increases (Decreases)		0	
Gains (Losses) Due to Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability		0	
Gains (Losses) on Hedging Instruments that Hedge Investments in Equity Instruments		0	
Share of Other Comprehensive Income of Investments Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		0	
Exchange Differences on Translation		0	
Other Gains (Losses)		0	
Other Accumulated Comprehensive Income (Loss) that will be Reclassified in Profit or Loss		0	0
Exchange Differences on Translation		0	
Gains (Losses) on Hedge		0	0
Gains (Losses) on Cash Flow Hedges		0	
Gains (Losses) on Hedges of Net Investment in Foreign Operations		0	
Other Gains (Losses) on Hedge		0	
Gains (Losses) on Revaluation and Reclassification		0	0
Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets		0	
Gains (Losses) from Financial Assets Measured at Fair Value through Other Comprehensive Income		0	
Other Gains (Losses) on Revaluation and Reclassification		0	
Change in Value of Time Value of Options		0	
Change in Value of Forward Elements of Forward Contracts		0	
Change in Value of Foreign Currency Basis Spreads		0	
Share of other comprehensive income of associates and joint ventures accounted for using equity method that will be reclassified to profit or loss		0	
Other Gains (Losses)		0	
Restricted Reserves Appropriated From Profits	18	47.838.946	35.326.182
Profit from Sales of Participation Shares or Property that will be Added to Share Capital	18	2.315.343	2.315.343
Legal Reserves	18	45.523.603	33.010.839
Prior Years' Profits or Losses		372.385.619	307.975.367
Current Period Net Profit Or Loss		379.019.989	137.264.514
Non-controlling interests		550.925	233.572
Total equity		**888.136.561**	**573.810.790**
Total Liabilities and Equity		**1.183.953.771**	**698.591.321**

Statement of Profit or Loss and Other Comprehensive Income

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2021 - 31.12.2021	Previous Period 01.01.2020 - 31.12.2020
Statement of Profit or Loss and Other Comprehensive Income			
PROFIT (LOSS)			
Revenue	19	1.588.647.216	898.903.315
Cost of sales	19	-1.166.395.954	-698.402.343
GROSS PROFIT (LOSS) FROM COMMERCIAL OPERATIONS		422.251.262	200.500.972
Revenue from Finance Sector Operations		0	0
Cost of Finance Sector Operations		0	0
GROSS PROFIT (LOSS) FROM FINANCE SECTOR OPERATIONS		0	0
GROSS PROFIT (LOSS)		422.251.262	200.500.972
General Administrative Expenses	20	-26.395.624	-20.113.428
Marketing Expenses	20	-38.143.366	-29.545.778
Other Income from Operating Activities	22	90.492.360	32.294.654
Other Expenses from Operating Activities	22	-66.570.699	-22.051.993
PROFIT (LOSS) FROM OPERATING ACTIVITIES		381.633.933	161.084.427
Investment Activity Income	23	121.777.033	36.368.911
Investment Activity Expenses	23	-8.846.263	-13.651.789
Share of Profit (Loss) from Investments Accounted for Using Equity Method		0	0
PROFIT (LOSS) BEFORE FINANCING INCOME (EXPENSE)		494.564.703	183.801.549
Finance costs	24	-23.704.515	-10.896.416
PROFIT (LOSS) FROM CONTINUING OPERATIONS, BEFORE TAX		470.860.188	172.905.133
Tax (Expense) Income, Continuing Operations	25	-91.479.451	-35.552.400
Current Period Tax (Expense) Income	25	-91.617.001	-34.816.011
Deferred Tax (Expense) Income	25	137.550	-736.389
PROFIT (LOSS) FROM CONTINUING OPERATIONS		379.380.737	137.352.733
PROFIT (LOSS)		379.380.737	137.352.733
Profit (loss), attributable to [abstract]			
Non-controlling Interests		360.748	88.219
Owners of Parent		379.019.989	137.264.514
Earnings per share [abstract]			
Earnings per share [line items]			
Basic earnings per share			
Basic Earnings (Loss) Per Share from Continuing Operations			
Sürdürülen Faaliyetlerden Pay Başına Kazanç	26	5,05359985	1,83019352
Diluted Earnings Per Share			
OTHER COMPREHENSIVE INCOME			
Other Comprehensive Income that will not be Reclassified to Profit or Loss	18	-4.670.073	-899.346
Gains (Losses) on Remeasurements of Defined Benefit Plans	18	-4.670.073	-899.346
Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		0	0
Taxes Relating To Components Of Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		0	0
Other Comprehensive Income That Will Be Reclassified to Profit or Loss		0	0
Exchange Differences on Translation		0	0
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets		0	0
Other Comprehensive Income (Loss) Related with Financial Assets Measured at Fair Value through Other Comprehensive Income		0	0
Other Comprehensive Income (Loss) Related with Cash Flow Hedges		0	0
Other Comprehensive Income (Loss) Related with Hedges of Net Investments in Foreign Operations		0	0
Change in Value of Time Value of Options		0	0
Change in Value of Forward Elements of Forward Contracts		0	0
Change in Value of Foreign Currency Basis Spreads		0	0

Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss		0	0
Taxes Relating to Components of Other Comprehensive Income that will be Reclassified to Profit or Loss		0	0
OTHER COMPREHENSIVE INCOME (LOSS)		**-4.670.073**	**-899.346**
TOTAL COMPREHENSIVE INCOME (LOSS)		**374.710.664**	**136.453.387**
Total Comprehensive Income Attributable to			
Non-controlling Interests		360.748	88.219
Owners of Parent		374.349.916	136.365.168

Statement of cash flows (Indirect Method)

Presentation Currency	TL
Nature of Financial Statements	Consolidated

	Footnote Reference	Current Period 01.01.2021 - 31.12.2021	Previous Period 01.01.2020 - 31.12.2020
Statement of cash flows (Indirect Method)			
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		**399.219.813**	**166.148.402**
Profit (Loss)		379.380.737	137.352.733
Profit (Loss) from Continuing Operations		379.380.737	137.352.733
Adjustments to Reconcile Profit (Loss)		**125.982.471**	**65.197.961**
Adjustments for depreciation and amortisation expense	11,12,21	38.676.342	30.846.401
Adjustments for Impairment Loss (Reversal of Impairment Loss)		2.270.631	266.531
Adjustments for Impairement Loss (Reversal of Impairment Loss) of Receivables		2.205.317	803.556
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Other Financial Assets or Investments		0	0
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories		65.314	-537.025
Adjustments for provisions		-6.104.107	901.175
Adjustments for (Reversal of) Provisions Related with Employee Benefits		-9.808.635	293.600
Adjustments for (Reversal of) General Provisions		0	0
Adjustments for (Reversal of) Free Provisions for Probable Risks		0	0
Adjustments for (Reversal of) Other Provisions		3.704.528	607.575
Adjustments for Interest (Income) Expenses		117.939	-2.128.749
Adjustments for Interest Income		-20.826.028	-8.678.246
Adjustments for interest expense	24	23.704.515	10.896.416
Deferred Financial Expense from Credit Purchases	22	7.792.013	3.036.705
Unearned Financial Income from Credit Sales	22	-10.552.561	-7.383.624
Adjustments for fair value losses (gains)		0	0
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		0	0
Adjustments for Tax (Income) Expenses	25	91.479.451	35.552.400
Adjustments for losses (gains) on disposal of non-current assets		-457.785	-239.797
Adjustments for Losses (Gains) Arised From Sale of Tangible Assets		-457.785	-239.797
Changes in Working Capital		**-31.745.002**	**-2.556.172**
Adjustments for decrease (increase) in trade accounts receivable		-84.515.250	-31.082.675
Decrease (Increase) in Trade Accounts Receivables from Related Parties		-6.317.971	888.393
Decrease (Increase) in Trade Accounts Receivables from Unrelated Parties		-78.197.279	-31.971.068
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		-322.088	2.391.943
Decrease (Increase) in Other Related Party Receivables Related with Operations		0	0
Decrease (Increase) in Other Unrelated Party Receivables Related with Operations		-322.088	2.391.943
Adjustments for Decrease (Increase) in Contract Assets		0	0
Adjustments for decrease (increase) in inventories		-42.654.478	4.712.258
Decrease (Increase) in Prepaid Expenses		-37.858.137	-2.654.410
Adjustments for increase (decrease) in trade accounts payable		108.198.398	15.696.364
Increase (Decrease) in Trade Accounts Payables to Related Parties		227	4.946
Increase (Decrease) in Trade Accounts Payables to Unrelated Parties		108.198.171	15.691.418
Increase (Decrease) in Employee Benefit Liabilities		961.432	475.682
Adjustments for Increase (Decrease) in Contract Liabilities		0	0
Adjustments for increase (decrease) in other operating payables		12.293.007	2.466.261
Increase (Decrease) in Other Operating Payables to Related Parties		17.930	14.785
Increase (Decrease) in Other Operating Payables to Unrelated Parties		12.275.077	2.451.476

Other Adjustments for Other Increase (Decrease) in Working Capital		12.152.114	5.438.405
Decrease (Increase) in Other Assets Related with Operations		12.152.114	5.438.405
Cash Flows from (used in) Operations		**473.618.206**	**199.994.522**
Interest paid		-31.997.784	-14.115.141
Interest received		11.162.872	7.746.847
Income taxes refund (paid)	25	-53.563.481	-27.477.826
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		**-102.096.160**	**-54.155.950**
Proceeds from sales of property, plant, equipment and intangible assets		807.140	556.907
Proceeds from sales of property, plant and equipment		807.140	556.907
Purchase of Property, Plant, Equipment and Intangible Assets		-106.456.743	-59.836.521
Purchase of property, plant and equipment	11	-103.535.759	-59.287.282
Purchase of intangible assets	12	-2.920.984	-549.239
Cash advances and loans made to other parties		0	0
Cash receipts from repayment of advances and loans made to other parties		-17.378.071	-3.143.982
Paybacks from Other Cash Advances and Loans Made to Other Parties		-17.378.071	-3.143.982
Interest received		20.931.514	8.267.646
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		**-61.357.185**	**-17.471.151**
Proceeds from Issuing Shares or Other Equity Instruments		0	0
Payments to Acquire Entity's Shares or Other Equity Instruments		0	0
Cash Inflows from Sale of Acquired Entity's Shares or Other Equity Instruments		0	0
Proceeds from borrowings		177	2.251.711
Proceeds from Loans		177	0
Proceeds from Other Financial Borrowings		0	2.251.711
Repayments of borrowings		0	-911.950
Loan Repayments		0	-911.950
Payments of Lease Liabilities		-972.469	0
Dividends Paid		-60.384.893	-18.810.912
Interest paid		0	0
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		235.766.468	94.521.301
Net increase (decrease) in cash and cash equivalents		235.766.468	94.521.301
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	**184.501.602**	**89.980.301**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	**420.268.070**	**184.501.602**

Statement of changes in equity [abstract]

Presentation Currency	TL
Nature of Financial Statements	Consolidated

		Footnote Reference	Equity / Equity attributable to owners of parent [member] / Issued Capital	Inflation Adjustments on Capital	Balancing Account for Merger Capital	Additional Capital Contribution of Shareholders	Capital Advance	Treasury Shares	Capital Adjustments due to Cross-Ownership	Share premiums or discounts	Effects of Combinations of Entities or Businesses Under Common Control	Put Option Revaluation Fund Related with Non-controlling Interests	Share Based Payments	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss / Accumulated Gains (Losses) from Investments in Equity Instruments	Gains/Losses on Revaluation and Remeasurement [member] / Increases (Decreases) on Revaluation of Property, Plant and Equipment	Increases (Decreases) on Revaluation of Intangible Assets	Gains (Losses) on Remeasurements of Defined Benefit Plans	Other Revaluation Increases (Decreases)	Gains/Losses on Revaluation and Remeasurement [member]	Gains (Losses) Due to Change in Fair Value of Financial Liability Attributable to Change in Credit Risk of Liability	Gains (Losses) on Hedging Instruments that Hedge Investments in Equity Instruments	Share Of Other Comprehensive Income Of Associates And Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Exchange Differences on Translation	Other Reserves Of Other Gains (Losses)	Other Accumulated Comprehensive Income That Will Not Be Reclassified In Profit Or Loss	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss / Exchange Differences on Translation	Reserve Of Gains or Losses on Hedge / Cash Flow Hedges	Gains or Losses on Hedges of Net Investment in Foreign Operations	Other Gains or Losses on Hedge	Reserve Of Gains or Losses on Hedge	Gains (Losses) on Revaluation and Reclassification / Gains (Losses) on Remeasuring and/or Reclassification of Available-for-sale Financial Assets	Gains (Losses) from Financial Assets Measured at Fair Value through Other Comprehensive Income	Reserve of Other Remeasuring or Reclassification Adjustments	Gains (Losses) on Revaluation and Reclassification	Change in Value of Time Value of Options	Change in Value of Forward Elements of Forward Contracts	Change in Value of Foreign Currency Basis Spreads	Share of Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Other Gains (Losses)	Other Accumulated Comprehensive Income That Will Be Reclassified In Profit Or Loss	Restricted Reserves Appropriated From Profits [member]	Other equity interest [member]	Other reserves [member]	Advance Dividend Payments (Net)	Retained Earnings / Prior Years' Profits or Losses	Net Profit or Loss	Retained Earnings	Equity attributable to owners of parent [member]	Non-controlling interests [member]	Equity
Previous Period 01.01.2020 - 31.12.2020	**Statement of changes in equity [abstract]**																																																
	Statement of changes in equity [line items]																																																
	Equity at beginning of period		2.837.014	93.298.657						7.529							-2.232.699		-2.232.699						-2.232.699					0										0	33.055.650				247.684.119	81.344.785	329.028.904	455.995.055	173.260	456.168.315
	Adjustments Related to Accounting Policy Changes		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adjustments Related to Required Changes in Accounting Policies																		0						0					0										0					0	0	0	0		0
	Adjustments Related to Voluntary Changes in Accounting Policies																		0						0					0										0							0	0		0
	Adjustments Related to Errors																		0						0					0										0							0	0		0
	Other Restatements																		0						0					0										0							0	0		0
	Restated Balances		2.837.014	93.298.657	0	0	0	0	0	7.529	0	0	0	0	0	0	-2.232.699	0	-2.232.699	0	0	0	0	0	-2.232.699	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	33.055.650	0	0	0	247.684.119	81.344.785	329.028.904	455.995.055	173.260	456.168.315
	Transfers		72.162.986	-72.162.986															0						0					0										0	2.270.532				79.074.253	-81.344.785	-2.270.532	0		0
	Total Comprehensive Income (Loss)																		0						0					0										0							0	0		0
	Profit (loss)																		0						0					0										0						137.264.514	137.264.514	137.264.514	88.219	137.352.733
	Other Comprehensive Income (Loss)															-899.346		-899.346						-899.346					0										0							0	-899.346		-899.346
	Issue of equity																		0						0					0										0							0	0		0
	Capital Decrease																		0						0					0										0							0	0		0
	Capital Advance																		0						0					0										0							0	0		0
	Effect of Merger or Liquidation or Division																		0						0					0										0							0	0		0
	Effects of Business Combinations Under Common Control																		0						0					0										0							0	0		0
	Advance Dividend Payments																		0						0					0										0							0	0		0
	Dividends Paid																		0						0					0										0					-18.783.005		-18.783.005	-18.783.005	-27.907	-18.810.912
	Decrease through Other Distributions to Owners																		0						0					0										0							0	0		0
	Increase (Decrease) through Treasury Share Transactions																		0						0					0										0							0	0		0
	Increase (Decrease) through Share-Based Payment Transactions																		0						0					0										0							0	0		0
	Acquisition or Disposal of a Subsidiary																		0						0					0										0							0	0		0
	Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity																		0						0					0										0							0	0		0
	Transactions with noncontrolling shareholders																		0						0					0										0							0	0		0
	Increase through Other Contributions by Owners																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Cash Flow Hedges and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Time Value of Options and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Forward Elements of Forward Contracts and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Foreign Currency Basis Spreads and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Increase (decrease) through other changes, equity																		0						0					0										0							0	0		0
	Equity at end of period		75.000.000	21.135.671	0	0	0	0	0	7.529	0	0	0	0	0	0	-3.132.045	0	-3.132.045	0	0	0	0	0	-3.132.045	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35.326.182	0	0	0	307.975.367	137.264.514	445.239.881	573.577.218	233.572	573.810.790
	Statement of changes in equity [abstract]																																																
	Statement of changes in equity [line items]																																																
	Equity at beginning of period		75.000.000	21.135.671						7.529							-3.132.045		-3.132.045						-3.132.045					0										0	35.326.182				307.975.367	137.264.514	445.239.881	573.577.218	233.572	573.810.790
	Adjustments Related to Accounting Policy Changes		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Adjustments Related to Required Changes in Accounting Policies																		0						0					0										0					0	0	0	0		0
	Adjustments Related to Voluntary Changes in Accounting Policies																		0						0					0										0							0	0		0
	Adjustments Related to Errors																		0						0					0										0							0	0		0
	Other Restatements																		0						0					0										0							0	0		0
	Restated Balances		75.000.000	21.135.671	0	0	0	0	0	7.529	0	0	0	0	0	0	-3.132.045	0	-3.132.045	0	0	0	0	0	-3.132.045	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	35.326.182	0	0	0	307.975.367	137.264.514	445.239.881	573.577.218	233.572	573.810.790
	Transfers		0	0															0						0					0										0	12.512.764				124.751.750	-137.264.514	-12.512.764	0		0
	Total Comprehensive Income (Loss)																		0						0					0										0							0	0		0
	Profit (loss)																		0						0					0										0						379.019.989	379.019.989	379.019.989	360.748	379.380.737
	Other Comprehensive Income (Loss)															-4.670.073		-4.670.073						-4.670.073					0										0							0	-4.670.073		-4.670.073
	Issue of equity																		0						0					0										0							0	0		0
	Capital Decrease																		0						0					0										0							0	0		0
	Capital Advance																		0						0					0										0							0	0		0
	Effect of Merger or Liquidation or Division																		0						0					0										0							0	0		0
	Effects of Business Combinations Under Common Control																		0						0					0										0							0	0		0

	Advance Dividend Payments																		0						0					0										0							0	0		0
Current Period 01.01.2021 - 31.12.2021	Dividends Paid																		0						0					0										0					-60.341.498		-60.341.498	-60.341.498	-43.395	-60.384.893
	Decrease through Other Distributions to Owners																		0						0					0										0							0	0		0
	Increase (Decrease) through Treasury Share Transactions																		0						0					0										0							0	0		0
	Increase (Decrease) through Share-Based Payment Transactions																		0						0					0										0							0	0		0
	Acquisition or Disposal of a Subsidiary																		0						0					0										0							0	0		0
	Increase (decrease) through changes in ownership interests in subsidiaries that do not result in loss of control, equity																		0						0					0										0							0	0		0
	Transactions with noncontrolling shareholders																		0						0					0										0							0	0		0
	Increase through Other Contributions by Owners																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Cash Flow Hedges and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Time Value of Options and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Forward Elements of Forward Contracts and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which Fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Amount Removed from Reserve of Change in Value of Foreign Currency Basis Spreads and Included in Initial Cost or Other Carrying Amount of Non-Financial Asset (Liability) or Firm Commitment for which fair Value Hedge Accounting is Applied																		0						0					0										0							0	0		0
	Increase (decrease) through other changes, equity																		0						0					0										0							0	0		0
	Equity at end of period		75.000.000	21.135.671	0	0	0	0	0	7.529	0	0	0	0	0	0	-7.802.118	0	-7.802.118	0	0	0	0	0	-7.802.118	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	47.838.946	0	0	0	372.385.619	379.019.989	751.405.608	887.585.636	550.925	888.136.561

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

KARTONSAN KARTON SANAYİ VE TİCARET ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2021 TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

COVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR’S REPORT

To the General Assembly of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi (the “Company” or “Kartonsan”)** and its subsidiaries (**collectively referred to as the “Group**”) which comprise the consolidated statement of balance sheets as at 31 December 2021 consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash-flow for the year then ended and the notes to the consolidated financial statements, which include a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2021 and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS/TAS”).

Basis for Opinion

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

Key Audit Matters

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

Inventories	
Please refer to notes 2.5 and 9 to the consolidated financial statements	
Key audit matters	**How our audit addressed the key audit matter**
Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements. The cost of inventories is determined by the weighted average method. Cost elements of inventories, inventory impairment policy, determination of provision for inventory impairment and inventory valuation determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the provision for inventory impairment and net realisable value: As a part of our audit procedures; - Evaluating whether there is a need for provision for net realizable value in accordance with the changes in gross sales profit on a general or product basis, -Evaluating the sales invoice samples and the unit prices in these invoices were compared with the unit prices in the balance sheet period and after the balance sheet date, -Testing inventory impairment balances with the inventory aging reports prepare and comparing the year-end inventory counts indicate that whether there were inventories that had not moved or been damaged for a long time, -Comparing the inventory turnover ratio, statement of cost of sales and selling costs to sales ratio with the prior period, -Recalculating the inventory cards selected as a sample for the cost calculation of the Group, -Evaluating inventory impairment study of the Group, -Testing the disclosures in the consolidated financial statements in relation to the inventories and evaluating the adequacy of such disclosures for TFRS requirements, We had no material findings related to the accounting for inventories as a result of these procedures.

Property, Plant and Equipment	
Please refer to notes 2.5 and 11 to the consolidated financial statements.	
Key audit matters	**How our audit addressed the key audit matter**
The consolidated financial statements as of 31 December 2021 include property, plant and equipment with carrying values of TL 300.334.864. Depreciation is provided for property, plant and equipment on a straight-line basis over their estimated useful lives for property, plant and equipment and management used some estimates for the calculation of	We performed the following procedures in relation to the depreciation calculation methods of property, plant and equipment and evaluating the related impairment tests As a part of our audit procedures; - We have evaluated the model of impairment tests critically based on the Group management estimates and assumptions.

the relevant property, plant and equipment. In addition, the Group management has been tested for impairment on property, plant and equipment in every reporting period. The accounting estimates used by the Group management for calculating the depreciation on these estimates and the impairment tests and related notes determined as a key audit matter for audit of the consolidated financial statements.	We have examined the discounted cash flow estimates and past financial performances and trends of the Group. We have recalculated the impairment model in order to evaluate the sensitivity of the growth rates, discount rates and some basic assumptions used by the Group management. - Evaluating the consistency of estimates performed by the Group management for property, plant and equipment based on retrospective comparison, - Assessing and recalculating the inputs and estimates used including the depreciation studies for the impairment analysis of property, plant and equipment performed by the Group management, -Testing the disclosures in the consolidated financial statements in relation to the impairment on property, plant and equipment and evaluating the adequacy of such disclosures for TFRS requirements, We had no material findings related to the accounting for property, plant and equipment as a result of these procedures.

Revenue	
Please refer to notes 2.5 and 19 to the consolidated financial statements.	
Key audit matters	**How our audit addressed the key audit matter**
The Group recognizes the revenue when the Group transfers control of a good or service over time and economic benefits associated with the item will flow to the Kartonsan. Revenue is recognised on an accrual basis in the accompanying consolidated financial statements. The consolidated financial statements as of 31 December 2021 include revenue with carrying values of TL 1.588.647.216 which is recognized in consolidated statements of other comprehensive income. Recognition of sales on correct period on the basis of periodicity assumption in accordance with matching principle determined as a key audit matter for audit of the consolidated financial statements.	We performed the following procedures in relation to the testing recognition of revenue: As a part of our audit procedures; -Evaluating the revenue as a process is evaluated by observing the sales and delivery procedures of the Group. - Our audit procedures are focused on the assessment of invoices issued but risk and ownership have not been transferred. In this context, invoice, delivery note, warehouse exit and delivery documents are analyzed by sampling method and the actual delivery is made before the balance sheet date is evaluated. -We have evaluated revenue recognition during the period by applying the material verification procedures and substantive tests to the sales returns during the period following the end of the year. -Testing the disclosures in the consolidated financial statements in relation to the recognition of revenue and evaluating the adequacy of such disclosures for TFRS requirements, We had no material findings related to the accounting for revenue as a result of these procedures.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Responsibilities Arising from Regulatory Requirements

1) In accordance with subparagraph 4 of Article 398 of the TCC, the auditor’s report on the early risk identification system and committee was submitted to the Group’s Board of Directors on 2 March 2022.

2) No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Group’s bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Group’s articles of association related to financial reporting.

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

The engagement partner responsible for the audit resulting in this independent auditor’s report is Mustafa Özgür GÜNEL.

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

Dr. Mustafa Özgür GÜNEL
Partner, CPA
İstanbul, 2 March 2022

CONTENT **INDEX**

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020
(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited Current Period) 31 December 2021	(Audited Prior Period) 31 December 2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	420.621.833	184.978.244
Trade Receivables	5-6	174.155.921	92.438.904
- Trade Receivables from Related Parties	*5*	*10.754.792*	*4.436.821*
- Trade Receivables from Non-Related Parties	*6*	*163.401.129*	*88.002.083*
Other Receivables	8	1.151.294	810.139
- Other Receivables from Non-Related Parties	*8*	*1.151.294*	*810.139*
Inventories	9	171.495.394	128.906.230
Prepaid Expenses	5-17	51.178.701	13.320.564
- Prepaid Expenses to Related Parties	*5*	*13.987.543*	*7.613.374*
- Prepaid Expenses to Non-Related Parties	*17*	*37.191.158*	*5.707.190*
Other Current Assets	*17*	372.208	778.540
- Other Current Assets from Non-Related Parties	*17*	*372.208*	*778.540*
Total Current Assets		**818.975.351**	**421.232.621**
Non-Current Assets			
Other Receivables	8	25.183	44.250
- Other Receivables from Non-Related Parties	*8*	*25.183*	*44.250*
Investment Properties	10	229.270	229.270
Property, Plant and Equipment	11	300.334.864	233.217.556
- Land		*24.059.097*	*24.059.097*
- Land improvements		*6.725.351*	*6.564.859*
- Buildings		*40.939.968*	*36.157.840*
- Plant, machinery and equipment		*214.719.438*	*149.243.936*
- Motor vehicles		*1.230.912*	*972.843*
- Furniture and fixtures		*11.200.915*	*7.971.182*
- Leasehold improvements		*82.497*	*65.525*
- Constructions in progress		*670.815*	*7.497.489*
- Other property, plant and equipment		*705.871*	*684.785*
Right of Use Assets		5.480.627	5.295.181
Intangible Assets		5.100.683	3.487.585
- Other Intangible Assets		*5.100.683*	*3.487.585*
Prepaid Expenses		28.190.378	10.812.307
- Prepaid Expenses to Non-Related Parties		*28.190.378*	*10.812.307*
Deferred Tax Assets		25.617.415	24.272.551
Total Non-Current Assets		**364.978.420**	**277.358.700**
TOTAL ASSETS		**1.183.953.771**	**698.591.321**

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

CONSOLIDATED BALANCE SHEETS
AT 31 DECEMBER 2021 AND 2020
(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited Current Period) 31 December 2021	(Audited Prior Period) 31 December 2020
LIABILITIES			
Current Liabilities			
Short-term borrowings	5-7	1.127.709	760.356
- Short-Term Borrowings to Related parties	5-7	*233.819*	*168.528*
- Lease Liabilities	5-7	*233.819*	*168.528*
- Short-Term Borrowings to Non-Related parties	7	893.890	591.828
- Bank Borrowings	7	*177*	-
- Lease Liabilities	7	*893.713*	*591.828*
Trade Payables	5-6	188.157.125	80.459.983
- Trade Payables to Related Parties	5	*60.079*	*59.852*
- Trade Payables to Non-Related Parties	6	*188.097.046*	*80.400.131*
Employee Benefits	16	4.247.696	3.286.264
Other Payables	5-8	17.260.121	4.967.114
- Other Payables to Related Parties	5	*56.381*	*38.451*
- Other Payables to Non-Related Parties	8	*17.203.740*	*4.928.663*
Current Income Tax Liabilities	25	45.748.106	7.694.586
Short-Term Provisions	14-16	8.216.818	4.530.238
- Short-Term Provisions for Employee Benefits	16	1.821.769	*1.839.717*
- Other Short Term Provisions	14	6.395.049	*2.690.521*
Total Current Liabilities		**264.757.575**	**101.698.541**
Non-Current Liabilities			
Long-Term Borrowings	5-7	5.145.854	5.000.691
- Long Term Borrowings to Related Parties	5-7	4.147.419	3.895.371
- Lease Liabilities	5-7	*4.147.419*	*3.895.371*
- Long Term Borrowings to Non-Related Parties	7	998.435	1.105.320
- Lease Liabilities	7	*998.435*	*1.105.320*
Long-Term Provisions	16	23.157.194	15.293.908
- Long-Term Provisions for Employee Benefits	16	*23.157.194*	*15.293.908*
Deferred tax liabilities	25	2.756.587	2.787.391
Total Non-Current Liabilities		**31.059.635**	**23.081.990**
EQUITY			
Equity Holders of the Parent		**887.585.636**	**573.577.218**
Paid in Share Capital	*18*	75.000.000	75.000.000
Adjustment to Share Capital	*18*	21.135.671	21.135.671
Share Premium		7.529	7.529
Other Comprehensive Income or Expenses not to be Reclassified to Profit or Loss	*18*	(7.802.118)	(3.132.045)
-Gains/(losses) on remeasurements of defined benefit plans	*18*	(7.802.118)	*(3.132.045)*
Restricted Reserves	*18*	47.838.946	35.326.182
- Gains on Disposal of Subsidiaries or Property, Plant and Equipment and Intangible Assets	*18*	2.315.343	*2.315.343*
-Legal Reserves	*18*	45.523.603	*33.010.839*
Retained Earnings		372.385.619	307.975.367
Net Profit of the Period		379.019.989	137.264.514
Non-Controlling Interests		**550.925**	**233.572**
Total Equity		**888.136.561**	**573.810.790**
TOTAL LIABILITIES AND EQUITY		**1.183.953.771**	**698.591.321**

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	(Audited Current Period 1 January-31 December 2021	(Audited Prior Period 1 January-31 December 2020
Revenue	19	1.588.647.216	898.903.315
Cost of Sales (-)	19	(1.166.395.954)	(698.402.343)
Gross Profit from Financial Operations		**422.251.262**	**200.500.972**
Gross Profit		**422.251.262**	**200.500.972**
General Administrative Expenses (-)	20	(26.395.624)	(20.113.428)
Marketing Expenses (-)	20	(38.143.366)	(29.545.778)
Other Operating Income	22	90.492.360	32.294.654
Other Operating Expenses (-)	22	(66.570.699)	(22.051.993)
OPERATING PROFIT		**381.633.933**	**161.084.427**
Gains from Investment Activities	23	121.777.033	36.368.911
Losses from Investment Activities (-)	23	(8.846.263)	(13.651.789)
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		**494.564.703**	**183.801.549**
Financial Expenses (-)	24	(23.704.515)	(10.896.416)
PROFIT BEFORE TAX		**470.860.188**	**172.905.133**
Tax income/(expense)	25	**(91.479.451)**	**(35.552.400)**
- Current income tax expense	25	(91.617.001)	(34.816.011)
- Deferred tax income/expense	25	137.550	(736.389)
PROFIT FOR THE PERIOD FROM CONTIUING OPERATIONS		**379.380.737**	**137.352.733**
PROFIT FOR THE PERIOD		**379.380.737**	**137.352.733**
Attributable to:		**379.380.737**	**137.352.733**
Non-Controlling Interests		360.748	88.219
Equity Holders of the Parent		379.019.989	137.264.514
Earnings Per Share	26		
Earnings Per Share from Continuing Operations	26	5,05359985	1,83019352
Other Comprehensive Income			
Items Not to be Reclassified in Profit or Loss	18	(4.670.073)	(899.346)
-Gains/(losses) on remeasurements of defined benefit plans	18	(4.670.073)	(899.346)
Other Comprehensive Income		**(4.670.073)**	**(899.346)**
Total Comprehensive Income		**374.710.664**	**136.453.387**
Attributable to:		**374.710.664**	**136.453.387**
Non-Controlling Interests		360.748	88.219
Equity Holders of the Parent		374.349.916	136.365.168

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020
(Amounts on tables expressed in Turkish Lira ("TL") unless otherwise indicated.)

Prior Period - 31 December 2020 (Audited)

				Other comprehensive income and expense not to be reclassified to profit or loss		Retained Earnings				
	Paid in share capital	Adjustment to Share Capital	Share Premium	Gains/(losses) on remeasurement of defined benefit plans	Restricted Reserves	Prior years income	Net Profit for the Period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity
Balances at 1 January 2020	**2.837.014**	**93.298.657**	**7.529**	**(2.232.699)**	**33.055.650**	**247.684.119**	**81.344.785**	**455.995.055**	**173.260**	**456.168.315**
Amounts After Adjustments	**2.837.014**	**93.298.657**	**7.529**	**(2.232.699)**	**33.055.650**	**247.684.119**	**81.344.785**	**455.995.055**	**173.260**	**456.168.315**
Transfers	72.162.986	(72.162.986)	-	-	2.270.532	79.074.253	(81.344.785)	-	-	-
Total comprehensive income	-	-	-	(899.346)	-	-	137.264.514	136.365.168	88.219	136.453.387
Dividends paid					-	(18.783.005)	-	(18.783.005)	(27.907)	(18.810.912)
Balances at 31 December 2020	**75.000.000**	**21.135.671**	**7.529**	**(3.132.045)**	**35.326.182**	**307.975.367**	**137.264.514**	**573.577.218**	**233.572**	**573.810.790**

Current Period - 31 December 2021 (Audited)

				Other comprehensive income and expense not to be reclassified to profit or loss		Retained Earnings				
	Paid in share capital	Adjustment to Share Capital	Share Premium	Gains/(losses) on remeasurement of defined benefit plans	Restricted Reserves	Prior years income	Net Profit for the Period	Equity Holders of the Parent	Non-Controlling Interests	Total Equity
Balances at 1 January 2021	**75.000.000**	**21.135.671**	**7.529**	**(3.132.045)**	**35.326.182**	**307.975.367**	**137.264.514**	**573.577.218**	**233.572**	**573.810.790**
Transfers	-	-	-	-	12.512.764	124.751.750	(137.264.514)	-	-	-
Total comprehensive income	-	-	-	(4.670.073)	-	-	379.019.989	374.349.916	360.748	374.710.664
Dividends paid					-	(60.341.498)	-	(60.341.498)	(43.395)	(60.384.893)
Balances at 31 December 2021	**75.000.000**	**21.135.671**	**7.529**	**(7.802.118)**	**47.838.946**	**372.385.619**	**379.019.989**	**887.585.636**	**550.925**	**888.136.561**

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2021 AND 2020

(Amounts on tables expressed in thousands of Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Audited Current Period 31 December 2021	Audited Prior Period 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		**399.219.813**	**166.148.402**
Profit for the period		**379.380.737**	**137.352.733**
Profit for the period from continuing operations		379.380.737	137.352.733
Adjustments to reconcile profit for the period to cash generated from operating activities:		**125.982.471**	**65.197.961**
Depreciation and amortisation	11,12,21	38.676.342	30.846.401
Adjustments for Impairment (Reversal)		**2.270.631**	**266.531**
Adjustment Related to Impairment (Reversal) of receivables		2.205.317	803.556
Adjustment Related to Impairment (Reversal) of inventory		65.314	(537.025)
Adjustment Related to Provisions		**(6.104.107)**	**901.175**
Adjustment Related to provisions for employee benefits (Reversal)		(9.808.635)	293.600
Adjustment Related to free provisions for potential risks (Reversal)		-	-
Adjustment Related to Other Provisions		3.704.528	607.575
Adjustment related to interest income and expenses		**117.939**	**(2.128.749)**
Adjustment related to interest income		(20.826.028)	(8.678.246)
Adjustment related to interest expenses	24	23.704.515	10.896.416
Deferred financing expense arising from term purchases	22	7.792.013	3.036.705
Unearned finance income from term sales	22	(10.552.561)	(7.383.624)
Adjustment Related to Tax income/expense	**25**	91.479.451	35.552.400
Adjustments for Losses (Gains) from Disposal of Non-Current Assets		**(457.785)**	**(239.797)**
Adjustments for Losses (Gains) from Disposal of Property, Plant and Equipment		(457.785)	(239.797)
Changes in working capital		**(31.745.002)**	**(2.556.172)**
Adjustment related to decrease/(increase) in trade receivables		**(84.515.250)**	**(31.082.675)**
Decrease (increase) in trade receivables from related parties		(6.317.971)	888.393
Decrease (increase) in trade receivables from non-related parties		(78.197.279)	(31.971.068)
Adjustment related to decrease (increase) in other receivables related to operations		**(322.088)**	**2.391.943**
Decrease (increase) in related receivables related to operations from non-related parties		(322.088)	2.391.943
Adjustments related to decrease (increase) in Inventory		(42.654.478)	4.712.258
Decrease (increase) in prepaid expenses		(37.858.137)	(2.654.410)
Adjustment Related to Increase/(decrease) in trade payables		**108.198.398**	**15.696.364**
Increase (decrease) in trade payables to related parties		227	4.946
Increase (decrease) in trade payables to non-related parties		108.198.171	15.691.418
Increase (decrease) in payables due to employee benefits		961.432	475.682
Adjustments related to increase (decrease) in other liabilities related to activities		**12.293.007**	**2.466.261**
Increase (decrease) in other liabilities related to operations to related parties		17.930	14.785
Increase (decrease) in other liabilities related to operations to non-related parties		12.275.077	2.451.476
Adjustments related to other increase (decrease) in working capital		**12.152.114**	**5.438.405**
Decrease/(increase) in other assets related to operations		12.152.114	5.438.405
Total Cash flows from operating activities		**473.618.206**	**199.994.522**
Interest Paid		(31.997.784)	(14.115.141)
Interest Received		11.162.872	7.746.847
Income taxes refund/(paid)	25	(53.563.481)	(27.477.826)
CASH FLOWS FROM INVESTING ACTIVITIES		**(102.096.160)**	**(54.155.950)**
Cash Inflows from Sales of Property, Plant and Equipment and Intangible Assets		**807.140**	**556.907**
Cash Inflows from Sales of Property, Plant and Equipment		807.140	556.907
Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets		**(106.456.743)**	**(59.836.521)**
Cash Outflows from Purchase of Property, Plant and Equipment	11	(103.535.759)	(59.287.282)
Cash Outflows from Purchase of Intangible Assets	12	(2.920.984)	(549.239)
Repayments of cash advance and debts given		**(17.378.071)**	**(3.143.982)**
Repayments from other cash advance and debts given		(17.378.071)	(3.143.982)
Interest Received		20.931.514	8.267.646
CASH FLOW FROM FINANCING ACTIVITIES		**(61.357.185)**	**(17.471.151)**
Cash inflows from borrowings		177	**2.251.711**
Cash outflows from repayments of borrowings		**-**	**(911.950)**
Cash Outflows from loan repayments		-	(911.950)
Cash Outflows from payments of lease liabilities		(972.469)	-
Dividends paid		(60.384.893)	(18.810.912)
NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES		**235.766.468**	**94.521.301**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**235.766.468**	**94.521.301**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	184.501.602	89.980.301
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	420.268.070	184.501.602

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

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret AS (the "Company" or "Kartonsan") was established on 1967 in Turkey. Karstonsan's business activities include production and trade of coated cardboard. Kartonsan is subject to regulations of the Capital Markets Board ("CMB"), and its shares have been quoted on the Borsa Istanbul AS ("BIST") since 1985. The shares that are quoted on BIST are traded on the star market. Kartonsan's free float percentage is 21,86%, and the Company's ultimate controlling party is the "PAK Group" through the PAK Group companies (Note 18).

The registered address of Kartonsan is as follows:

Prof. Dr. Bülent Tarcan Cad. No:5 Engin Pak İş Mrk. Kat: 3 Gayrettepe/İSTANBUL

The Company's head office is in Istanbul and has a factory in Kullar Koyu 41001 in Kocaeli.

As of 31 December 2021 and 2020, the subsidiaries included in the consolidation scope of Kartonsan, their nature of business and effective interests are as follows:

		Effective Ownership Interest	
Subsidiares	**Nature of business**	**31 December 2021**	**31 December 2020**
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 accompanying consolidated financial statements and related notes of the Company and its Subsidiaries together referred as the "Group".

Total end of period and average number of personnel employed by the Kartonsan except subcontractors is 299 (31 December 2020: 300).

These consolidated financial statements as of and for the year ended 31 December 2021 have been approved for issue by the Board of Directors ("BOD") on 2 March 2022 numbered YK/2022-08 and on behalf of the Board of Directors which was signed by Member of the Board of Directors and General Manager Haluk Iber and Vice Chairman Süleyman Kaya.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards

The accompanying consolidated financial statements of the Group have been prepared in accordance with Turkish Financial Reporting Standards ("TFRS") promulgated by the Public Oversight Accounting and Auditing Standards Authority ("POA") that are set out in the 5th article of the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board ("CMB") on 13 June 2013 and published in Official Gazette numbered 28676. Turkish Accounting Standards ("TAS") include Turkish Financial Reporting Standards ("TFRS") and additions and interpretations ("TAS/TFRS") related to them.

The accompanying consolidated financial statements have been prepared in accordance with Communiqué No: II-14.1 and consolidated financial statements and notes are presented in accordance with the formats required by the CMB dated on 7 June 2013. In addition, the consolidated financial statements were published by POA with the decision numbered 30 on June 2, 2016 and together with the changes in TFRS 15 Revenue from Contracts with Customers and TFRS 16 Leases standards, it was presented in accordance with the "Announcement regarding to TAS Taxonomy", or "TFRS 2019" which was published on April 15, 2019.

2.1.1.1 Adjustments of financial statements in hyperinflationary economies

In the announcement published by the Public Oversight Accounting and Auditing Standards Authority of Turkey on January 20, 2022, it is stated that TAS 29 Financial Reporting in Hyperinflationary Economies does not apply to the TFRS financial statements as of December 31, 2021, since the cumulative change in the general purchasing power of the last three years according to Consumer Price Index (CPI) is 74.41%. In this respect, consolidated financial statements as of December 31, 2021 are not adjusted for inflation in accordance with IAS 29.

2.1.2 Functional and reporting currency

Items included in the consolidated financial statements of the Kartonsan are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in TL, which is Kartonsan's functional and presentation currency

2.1.3 Comparatives and Adjustment of Prior Period Financial Statements

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

2.1.4 Consolidation

Basis of Consolidation

The consolidated financial statements include Group accounts prepared in accordance with the principles set out in the following basics. Necessary 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 consolidated 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.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.1.4 Consolidation (continued)

Subsidiaries

Subsidiary is company over which Kartonsan has the power to control the financial and operating policies for the benefit of Kartonsan, either (a) through the power to exercise more than 50% of voting rights relating to the shares in the companies as a result of the ownership interest owned directly and indirectly by itself, and/or by certain Kartonsan members and companies owned by them where by Kartonsan exercises control over the ownership interest of the shares held by them and shares to be used according to Kartonsan preferences; or (b) although not having the power to exercise more than 50% of the ownership interest, Kartonsan has power to control the investee due to the dispersed capital structure of the investee and/or Kartonsan has rights or is exposed to variable returns from its involvement with the investee and when at the same time it has the power to affect these returns through its power over the investee.

The balance sheets and income statements of the Subsidiaries are consolidated on a line-by-line basis and the carrying value of the investment held by Kartonsan and its Subsidiaries is eliminated against the related equity in accordance with the full consolidation method. Intercompany transactions and balances between Kartonsan and its Subsidiaries are eliminated during the consolidation. The nominal amount of the shares held by Kartonsan in its Subsidiaries dividends are eliminated from equity and income for the period, respectively.

Non controlling interests include the share option under non controlling interest in the subsidiaries' net assets and operating results for the period. The amounts are presented separately from the consolidated balance sheet and statement of income. The obligation of non controlling interest exceeds more than the non controlling interest belonging to the interests of subsidiary, if the non controlling interest has no binding obligations, the benefits of non controlling interest may result against the interests of the majority.

As of 31 December 2021 and 2020, the subsidiaries included in the consolidation scope of Kartonsan is as follows:

	Effective Ownership Interest held by Kartonsan							
	31 December 2021				31 December 2020			
Subsidiaries	**Share Capital**	**Proportion of Effective Interest**	**Direct and Indirect Ownership Interest held by Kartonsan**	**Total Ownership Interest**	**Share Capital**	**Proportion of Effective Interest**	**Direct and Indirect Ownership Interest held by Kartonsan**	**Total Ownership Interest**
Selka	1.250.000	99,37%	99,37%	99,37%	1.250.000	99,37%	99,37%	99,37%
Dönkasan	4.000.000	100,00%	100,00%	100,00%	4.000.000	100,00%	100,00%	100,00%

2.1.5 Significant Accounting, Judgements, Estimates and Assumptions

Preparation of the consolidated financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Estimates and assumptions that may cause significant adjustments in the book value of assets and liabilities in the next financial reporting period are as follows:

2.1.5 Significant Accounting Estimates and Assumptions (continued)

Deferred tax assets

The Group has been recognized 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 the recognition the deferred tax assets, it has been taken into consideration the future profit projections and the last dates of the losses that occurred in the current period that can be used (Note 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 disclosed in the Note 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 consolidated financial statements (Note 25). Completion examination was completed in April 2018. Total investment expenditure is amounting to TL 139.662.402.

	31 December 2021 Deferred Tax Asset	**31 December 2020 Deferred Tax Asset**
Outstanding Balance (Beginning of the Period)	**28.520.568**	**29.216.286**
Investment Discount Indexing	10.324.445	2.661.604
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(5.373.697)	(3.357.322)
Balance at the End of the Period	**33.471.316**	**28.520.568**

In 2018, the Group filed an application to the Ministry of Industry and Technology in order to modernize its production facilities and to link some investments, which were made intended for continuance of the facilities activities, to the "Investment Incentive Certificate". As a result of the application and a subsequent application filed for amendment thereof, the final certificate of investment incentive numbered B137821 dated 18.10.2018 has been issued. The following incentives have been provided for the investment that is to be made pursuant to the incentive certificate.

- Investment Period: 09.04.2018-09.10.2022
- VAT Exemption
- Customs Duty Exemption

- Tax Deduction Rate: 50%, Investment Contribution Rate: 15% (In accordance with the relevant Turkish tax legislation, tax deduction rate was applied as 100% and investment contribution rate was applied as 30% accordingly for the expenditures of the Group for the period between 2017-2021).

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 38.761.214 and the total sum of expenditures having been incurred is equals to TL 67.318.796.The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 9.872.575 on corporation tax.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards

Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows:

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

International Standard Board (“IASB”) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to TFRS 3 Business Combinations. The amendments updated TFRS 3 by replacing a reference to an old version of the Board’s Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to TAS 16 Property, Plant and Equipment.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other appropriate component of equity.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was **issued** on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

TFRS 17 – Insurance Contracts

On 16 February 2019, POA issued TFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. TFRS 17 replaces TFRS 4, which was brought in as an interim Standard in 2004. TFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. TFRS 17 solves the comparison problems created by TFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. TFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 17.

Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17)

In December 2021, IASB issued Initial Application of TFRS 17 and TFRS 9—Comparative Information (Amendment to TFRS 17). Related changes were published by POA as Amendments to TFRS 17 on 31 December 2021.

The amendment is a transition option relating to comparative information about financial assets presented on initial application of TFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. TFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 17.

Amendments to TFRS 4: Applying TFRS 9 Financial Instruments with TFRS 4 Insurance Contracts

TFRS 4 has also been amended by POA within the amendments issued by IASB in order to reduce the impact of the differing effective dates of the new insurance contracts standard and TFRS 9. These amendments to TFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying TFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under TFRS 9 and those that would have been reported under TAS 39; or ii) an optional temporary exemption from applying TFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2021. These companies will be permitted to continue to apply existing requirements for financial instruments in TAS 39.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of TFRS 4.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends TAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

(a) Specifying that an entity's right to defer settlement must exist at the end of the reporting period;
(b) Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;
(c) Clarifying how lending conditions affect classification; and
(d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of TAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to TAS 1

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended TAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

The amendments to TAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 12.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying TFRS 9 Financial Instruments; and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 8.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to TAS 1 Presentation of Financial Statements and an update to TFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are effective from 1 January 2023, but companies can apply it earlier.

The Group is assessing the potential material impact on its consolidated financial statements resulting from the application of the amendments to Amendments to TAS 1.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have material impact on its consolidated financial statements.

TFRS 1 First-time Adoption of Turkish Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of TFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the "10 per cent test" for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.2 New and Revised Turkish Financial Reporting Standards (continued)

TAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in TAS 41 with those in TFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with TFRS 13.

Amendments are effective on 1 January 2021

Amendments that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases

2.3 Changes in Accounting Policies

Whether there are changes and errors in accounting policies and accounting estimates, the amended significant changes and the identified significant accounting errors are implemented retrospectively and the previous periods Group’s consolidated financial statements are adjusted.

2.4 Changes in Accounting Estimates and Errors

Changes made in the accounting policies and corrections regarding accounting errors are applied retrospectively to period profit or loss and prior year financial statements are restated are as follows:

- If changes in accounting estimates and errors are for only one period, changes are applied in the current year,
- If the estimated changes affect the following periods, changes are applied both on the current and following years prospectively.

The significant estimates used during the preparation of the consolidated financial statements for the period between January 1 and 31 December 2021 are consistent with the estimates used in the preparation of the consolidated financial statements for the period between January 1 and 31 December 2020. If any material changes in accounting policies or material errors are corrected, changes are applied retrospectively by restating the prior period consolidated financial statements.

2.5 Summary of Significant Accounting Policies

Offsetting

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Revenue Recognition

TFRS 15 "Revenue from Contracts with Customers" standard

TFRS 15 has developed a comprehensive framework to determine when and at what amount the proceeds will be recognized and replaces the TAS 18 Revenue, TAS 11 Construction Contracts and related interpretations. The new standard replaces the guidance on existing TFRSs; regulates the principles that will be applied by the entity in reporting the financial statements to the users of the financial statements about the nature, amount, timing and uncertainty of the contract revenue and cash flows. The basic principle of the standard is that the entity reflects the proceeds to the financial statements from an amount that reflects the cost that the Group expects to qualify for the transfer of the goods or services it commits to its customers.

Revenue is accounted for in the consolidated financial statements within the scope of the five-stage model below.

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contracts,
- Allocation of transaction price to the performance obligations,
- Recognition of revenue when the performance obligations are satisfied

In accordance with TFRS 15, when the entity fulfills its operating obligations, in other words, the control of the goods or services specified in a performance obligation is transferred to the customer; the revenue is recognized in the financial statements. TFRS 15 provides more guidance on more specific scenarios. In addition, TFRS 15 requires more comprehensive disclosures. Subsequent disclosures related to TFRS 15 include the assessment of the entity became principal or proxy and entity's application for licensing.

Inventories

The Group's inventories consist of raw materials, chemical materials, operating materials and scrap paper and finished goods inventories include ready-made coated cardboard inventories.

Inventories are valued at the lower of cost or net realisable value. Cost of inventories includes; all purchasing costs, covering costs and other costs incurred to make the inventories ready to sell. Cost elements included in inventories are materials, labour and an appropriate amount of factory overheads. Those costs also include systematically distributed costs from fixed and variable general production expenses incurred in covering direct raw material to the goods.

The cost of inventories is determined by the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses (Note 9).

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Property, Plant and Equipment and Related Depreciation

Property, plant and equipment are carried at cost less accumulated depreciation and impairment and reflected to the consolidated financial statements.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

Type	2021 Ratio (%)	2020 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
Motor Vehicles	20 - 25	20 - 25
Leasehold Improvements	20	20
Other Property, Plant and Equipment	10 - 20	10 - 20

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their net carrying amounts and are classified under “gains/losses from investing activities” in the current period. Repairs and maintenance expenses are charged to the income statements during the period in which they are incurred. Machinery and equipment are capitalised and amortised when their capacity is fully available for use (Note 11).

Intangible assets and Related Amortisation

Intangible assets mainly includes software rights, they are initially recognized at acquisition cost. Intangible assets are carried at cost less accumulated amortization and impairment, if any. These assets are amortized using the straight-line basis over their estimated useful lives. The estimated depreciation rates are between 20% and 33%. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being recognized for on a prospective basis. (Note 12).

Impairment of Assets

The carrying amounts of the Group’s assets are reviewed at each reporting date and (for assets with indefinite useful lives, whenever there is an indication of impairment) to determine whether there is any indication of impairment. If any such indication exists then the assets’ recoverable amounts are estimated. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the present value of estimated future cash flows resulting from continuing use of an asset and from disposal at the end of its useful life. Impairment losses are accounted in profit or loss. The cash-generating unit represents the smallest group of identifiable assets whose cash inflows are substantially independent of other assets or asset groups.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Impairment of Assets (continued)

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

Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

• The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),

(a) A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
(b) Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
(c) Group has the right to direct the use of an identified asset

The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct the use of the asset throughout the period of use only if either:

a) Group has the right to direct how and for what purpose the asset is used throughout the period of use or
b) Relevant decisions about how and for what purpose the asset is used are predetermined:

i. Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
ii. Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors.

Right-of-use asset

At the commencement date, the Group measures the right-of-use asset and lease liability at cost. The cost of the right-of-use asset comprises:

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Right-of-use asset (continued)

a) The amount of the initial measurement of the lease liability,

b) Any lease payments made at or before the commencement date, less any lease incentives received,

c) Any initial direct costs incurred by the Group, and

d) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories)

The Group is liable for these costs starting from the date the lease actually begins or as a result of using the underlying asset for a certain period of time.

When applying the cost model, Group measures the right-of-use asset at cost:

a) Less any accumulated depreciation and any accumulated impairment losses; and

b) Adjusted for any remeasurement of the lease liability.

The Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset. In the event that the supplier transfers the ownership of the underlying asset to the Group at the end of the lease term or if the cost of use rights indicates that the Group will use a purchase option, the Group depreciates the right of use asset from the effective date of the lease to the end of the useful life of the underlying asset. In other cases, the Group depreciates the right of use assets on the basis of the shorter of the useful life or the lease term of the asset, starting from the effective date of the lease.

The Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group’s incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) Fixed payments, less any lease incentives receivable,

b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,

c) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

d) Payments of penalties for terminating the lease, if the lease term applied to the lease reflects the Group exercising an option to terminate the lease

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Lease liability (continued)

After the commencement date, Group measures the lease liability by:

a) Increasing the carrying amount to reflect interest on the lease liability,

b) Reducing the carrying amount to reflect the lease payments made, and

c) Remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The interest on the lease liabilities for each period in the lease term is the amount found by applying a fixed periodic interest rate to the remaining balance of the lease liabilities. The periodic interest rate, if easily determined, is the implied interest rate on the lease. If this rate cannot be easily determined, the Group uses the Group's incremental borrowing interest rate.

After the effective date of the lease, the Group remeasures the lease liabilities to reflect changes in lease payments. The Group reflects the remeasurement amount of the lease liabilities to the consolidated financial statements as an adjustment to the right of use assets.

The Group remeasures its lease liabilities by deducting the adjusted lease payments at a revised discount rate if either of the following conditions occurs:

(a) A change in the lease term. The Group determines adjusted lease payments based on the adjusted lease term.

(b) A change in these payments as a result of an index or rate change used to determine future lease payments. The Group remeasures the lease liabilities to reflect the adjusted lease payments only when there is a change in cash flows.

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

The Group remeasuring the lease liability by reducing the revised lease payments if any of the following conditions occur:

(a) Changes in amounts expected to be paid under a commitment regarding residual values. The Group determines the revised lease payments to reflect any change in the amounts expected to be paid within the context of the commitment regarding residual values.

(b) Changes in future rental payments as a result of a change in an index or rate that is used to determine such payments. The Group re-measures the lease liability to reflect these revised lease payments only when there is a change in its cash flows.
The Group determines the adjusted lease payments for the remaining lease term based on the adjusted contractual payments. In this case, the Group uses an unchanged discount rate.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Lease liability (continued)

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

(a) The restructuring shall extend the scope of the lease by adding the right of use on one or more underlying assets; and

(b) The increase in the lease amount by the appropriate price adjustment to reflect the price of the increase alone and the terms of the relevant contract.

Foreign Currency Translation

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

Earnings Per Share

Earnings per share disclosed in the consolidated income statement are determined by dividing net income attributable to equity holders of the parent by the weighted average number of shares outstanding during the period concerned.

In Turkey, companies can increase their share capital through a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings and inflation adjustment to equity. For the purpose of earnings per share computations, the weighted average number of shares in existence during the period has been adjusted in respect of bonus share issues without a corresponding change in resources, by giving them retroactive effect for the period in which they were issued and each earlier period as if the event had occurred at the beginning of the earliest period reported (Note 26).

Events after the Balance Sheet Date

Subsequent events cover all events that occur between the balance sheet date and the publication date of the consolidated financial statements.

The Group adjusts the amounts recognised in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements (Note 29).

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Contingent liabilities are consistently reviewed prior to the probability of any cash out-flow. In case of the cash outflow is probable, provision is set forth in the consolidated financial statements of the year the probability of contingent liability accounts is changed. A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made for the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Provisions, Contingent Liabilities and Contingent Assets (continued)

Where the effect of the time value of money is material, the amount of provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate reflects current market assessments of the time value of money and the risks specific to the liability. The discount rate shall be a pre-tax rate and shall not reflect risks for which future cash flow estimates have been adjusted.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the consolidated financial statements and treated as contingent assets or liabilities.

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

Related Parties

For the purpose of these consolidated financial statements, shareholders, parents of Kartonsan A.Ş, key management personnel and Board of Directors members, their close family members and the legal entities over which these related parties exercise control and significant influence, are considered and expressed as “related parties”. The transactions with the related parties from ordinary operations are occurred in accordance with the market conditions are disclosed in Note 5.

Government Grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable (Note 13).

Taxes on Income

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Income tax expense (or income) is the sum of the current tax expense and the deferred tax expense (or income).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Current Tax

Current year tax liability is calculated over the taxable profit for the period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it excludes items that cannot be taxed or deducted. The Group’s liability for current tax is calculated using legal statuory tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax

Deferred tax assets and liabilities are determined by calculating the temporary differences between the amounts shown in the consolidated financial statements and the amounts considered in the statutory tax base in accordance with the balance sheet method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liability or asset is not calculated in respect of temporary timing differences arising from the initial recognition of assets or liabilities other than goodwill or business combinations and which do not affect both commercial and financial profit /loss.

Deferred tax liabilities are calculated for all taxable temporary differences related to the investments in subsidiaries and associates and shares in joint ventures, except in cases where the Group is able to control the discontinuation of temporary differences and in the near future it is unlikely that such difference will be eliminated. Deferred tax assets resulting from taxable temporary differences related to such investments and shares are calculated on the condition that it is highly probable that future taxable profit will be available and that it is probable that future differences will be eliminated.

The carrying amount of the deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that financial profit will be available to allow the benefit of some or that entire amount.

Deferred tax assets and liabilities are calculated over the tax rates that are expected to be valid in the period when the assets are realized or the liabilities are fulfilled and legalized or substantially legalized as of the balance sheet date (tax regulations). During the calculation of deferred tax assets and liabilities, the tax consequences of the methods that the Group expects to recover or settle the carrying amount of the assets as of the balance sheet date are taken into consideration

Deferred tax assets and liabilities are recognized when there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with the income tax collected by the same tax authority, or if the Group intends to pay off the current tax assets and liabilities (Note 25).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Current and deferred tax for the period

The deferred tax, other than those directly attributable to debt or liability recognized in equity (in which case deferred tax is recognized directly in equity) or deferred tax, other than those arising from initial recognition of business combinations, is recognized as income or expense in the income statement. In business combinations, the tax effect is taken into consideration in the calculation of goodwill or in determining the part of the purchaser that exceeds the acquisition cost of the share of the acquiree's identifiable assets, liabilities and contingent liabilities in the fair value.

The taxes included in the consolidated financial statements include current period tax and the change in deferred taxes. The Group calculates current and deferred tax on the results for the period.

Offsetting in tax assets and liabilities

The amount of corporate tax payable is netted because it is related to prepaid corporate tax amounts. Deferred tax assets and liabilities are also offset in the same way (Note 25).

Provision for Employment Termination Benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

TAS 19 “Employee Benefits” requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity’s obligation for employment termination benefits. The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses and recognised under other comprehensive income (Note 16).

Statement of Cash Flow

Cash and cash equivalents are carried at their fair values in the consolidated statement of financial position. The cash and cash equivalents comprises cash in hand, bank deposits and highly liquid investments. Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements (Note 4).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Investment Properties

The Group's investment properties include lands.

Land and buildings that are held for rental yields or for capital appreciation or both rather than held in the production or supply of goods or services or for administrative purposes or for the sale in the ordinary course of business are classified as "investment property". Investment Properties are held for the purpose of gaining rent or appreciation of its value are recognized at cost value less accumulated depreciation and accumulated impairment losses, if any. If it meets the accepted criteria, the amount included in the balance sheet includes the cost of changing any part of the existing Investment Property. This amount does not include daily maintenance for Investment Property

In the event that Investment Properties are not used or sold, they are removed from the balance sheet. Gains or losses arising from the sale of these properties are recognized in the income statement. (Note 10).

Capital and Dividends

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

Financial Instruments

Financial Assets

The Group classifies and recognizes with taking into consideration the business model in which they are managed and the contractual cash flow characteristics within the scope of TFRS 9 – Financial Instruments" standard, Financial Assets Measured at Fair Value Through Profit or Loss, Financial Assets Measured at Fair Value Through Other Comprehensive Income and Financial Assets Measured at Amortized Cost as of 1 January 2019. Financial assets are recognized or derecognized in accordance with the provisions of TFRS 9, "Inclusion in Financial Statements and Exclusion of Financial Statements". The Group only recognizes a financial asset when it becomes party to the contractual provisions of the instrument. Financial assets are measured at their fair values when they are initially included in the consolidated financial statements.

a) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss; are financial assets held for trading and not acquired for trading purposes but recognized in this category at initial recognition. When a financial asset is acquired for the purpose of disposal in the short term, it is classified in that category. Derivative financial instruments which are not designated as effective hedging instruments are also classified as financial assets measured at fair value through profit or loss. Financial assets are carried at fair value and any gains or losses arising from the valuation are recognized in profit or loss. These financial assets are classified as current assets.

c) Financial assets measured at amortized cost

"Financial assets measured at amortised cost", are non-derivative assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets carried at amortised cost are measured at their fair value at initial recognition and by effective interest rate method at subsequent measurements. Gains and losses on valuation of non-derivative financial assets measured at amortised cost are accounted for under the statement of income.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

c) Financial assets measured at fair value through other comprehensive income

"Financial assets measured at fair value through other comprehensive income" are assets that are either equity securities or debt securities. The Group measures related financial assets at fair value. Gains or losses on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for foreign exchange gains and losses. When an equity security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to retained earnings. When a debt security is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Subsequent valuation of financial assets measured at fair value through other comprehensive income is carried at fair value. However, if the fair value cannot be determined reliably, for those with a fixed maturity, discounted price is calculated using the internal rate of return method; For those who do not have a fixed maturity, fair value is valued using pricing models or discounted cash flow techniques. Unrealized gains or losses arising from changes in the fair values of financial assets at fair value through other comprehensive income and expressing the difference between the amortized cost and fair value of the securities calculated using the effective interest method, are included in the "Revaluation Surplus" which is recognized in equity. When the financial assets at fair value through profit or loss are disposed of, the value in equity resulting from the application of fair value is reflected to the period profit / loss.

Trade Receivables

The Group recognizes its factoring and other receivables at their fair values on the initial recognition date and they are carried at amortized cost using the effective interest method in the subsequent reporting periods.

In the current period, in accordance with the TFRS 9 – "Financial Instruments" standard, the Group allocates provision for expected credit losses from expected amortization costs or financial assets measured at fair value through other comprehensive income.

Group has adopted "three stage approach (general model)" defined in TFRS 9 for the recognition of impairment losses on receivables from finance sector operations, carried at amortised cost or carried at fair value through other comprehensive income. General model considers the changes in the credit quality of the financial instruments after the initial recognition. Three stages defined in the general model are as follows:

"Stage 1", includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ("'ECL'") are recognised and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance). 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date and represents the credit loss on an asset weighted by the probability that the loss will occur in the next 12 months

"Stage 2", includes financial instruments that have had a significant increase in credit risk since initial recognition but those do not have objective evidence of impairment. For these assets, lifetime expected credit losses are recognised and interest revenue is calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

- Less than 90 days, more than 30 days delay
- Loan restructuring
- Significant deterioration of the probability of default

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

In the event of a significant deterioration in the probability of default, a significant increase in credit risk is considered and the financial asset is classified in stage 2.

"Stage 3", includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognised. Group appropriately classifies its financial instruments considering common risk factors (such as the type of the instrument, credit risk rating, guarantees, time to maturity and sector) to determine whether the credit risk on a financial instrument has increased significantly and to account appropriate amount of credit losses in the consolidated financial statements.

- Over 90 days delay
- Determination of the weakness of the credit worth, the weakness of the credit or the uncollectability of the credit or having a precise opinion on this matter

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments with their maturities equal or less than three months from date of acquisition that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

(ii) Financial liabilities

The Group's financial liabilities and equity instruments are classified according to the contractual agreements entered into and the definition of financial liability and equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all the liabilities. Accounting policies determined for the financial liabilities and the financial instruments based on equity are explained below. Financial liabilities are classified as either “Financial Liabilities Measured at fair value Through Profit or Loss” or “Other Financial Liabilities”.

a) Financial liabilities measured at fair value through profit or loss

“Financial liabilities measured at fair value through profit /loss” are recognized at their fair value and are reevaluated at the end of each balance sheet date. Changes in fair values are recognized recognized in the consolidated income statement. Net gains and/or losses recognized in the consolidated income statement also include interest payments made for these financial liabilities.

b) Other financial liabilities

Other financial liabilities are initially recognized at their fair value less transaction costs.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.5 Summary of Significant Accounting Policies (continued)

Financial Instruments (continued)

Other financial liabilities are recognized over their amortized costs using the effective interest method and with interest costs calculated over effective interest rate in subsequent periods.

The effective interest method is the calculation of the amortized costs of the financial liabilities and the distribution of the related interest expenses to related periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net present value of the financial liability.

The Group has no other financial liabilities in the current and prior periods.

(iii) Derivative financial instruments

Derivative financial instruments are initially recognized at fair value and are subsequently remeasured at their fair value. The fair value of derivative financial instrumenys measured at fair value and associated with the consolidated profit or loss is calculated by reference to the market interest rates valid for the rest of the contract for the relevant currency for the relevant period, by comparison with exchange rate. Derivatives are recorded as assets or liabilities in the balance sheet, respectively, depending on whether the fair value is positive or negative differences arising from the fair value of derivative financial instruments except for the cash flow hedge explained below are reflected in the profit and loss statement in the consolidated statements of income.

2.6 Changes in Accounting Policies

The current period consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation of the current period consolidated financial statements.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 3 - BUSINESS COMBINATIONS

As Kartonsan was established in Turkey, the Group's nature of business includes ensuring the production and trade coated cardboard. The Group's business activities comprise of 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. 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. Therefore, 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.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in hand	**268.289**	**282.139**
Banks	**420.353.544**	**184.696.105**
- Demand Deposits - TL	6.410.129	2.289.624
- Demand Deposits – Foreign Currency	53.522.782	14.993.399
- Time Deposit - TL	130.668.530	66.381.422
- Time Deposit - Foreign Currency	228.325.473	100.186.013
- Credit Card Receivables	1.426.630	845.647
Total	**420.621.833**	**184.978.244**

As of 31 December 2021, the average maturity of time deposits is 35 days (31 December 2020: 33 days).

As of 31 December 2021, the interest rate of TL denominated time deposits amounting to TL 130.668.530 (31 December 2020:TL 66.381.422) was realized as 17,81% annually (31 December 2020: 17,00%). As of 31 December 2021, the weighted average interest rate of foreign currency denominated deposits amounting to TL 228.325.473 was realized as 1,29 % annually (31 December 2020: TL 100.186.013 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 2,76 %).

As of 31 December 2021and 2020, cash and cash equivalents subject to cash flow statements are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Cash and cash equivalents	420.621.833	184.696.105
Interest accruals (-)	(353.763)	(194.503)
Cash and cash equivalents net cash flow position, net	**420.268.070**	**184.501.602**

NOTE 5 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties	31 December 2021	31 December 2020
Mel Macedonian Paper Mills S.S.A	10.754.792	4.436.821
Total	**10.754.792**	**4.436.821**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

b) Prepaid expenses to related parties

	31 December 2021	31 December 2020
Mel Macedonian Paper Mills S.S.A	13.987.543	7.613.374
Total	**13.987.543**	**7.613.374**

c) Trade payables to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizm. A.Ş.	46.837	41.296
Pak Holding A.Ş.	13.242	18.556
Total	**60.079**	**59.852**

d) Other payables to related parties

	31 December 2021	31 December 2020
Shareholders (Dividend)	56.381	38.451
Total	**56.381**	**38.451**

e) Short term lease liabilities to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	233.819	168.528
Total	**233.819**	**168.528**

f) Long term lease liabilities to related parties

	31 December 2021	31 December 2020
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	4.147.419	3.895.371
Total	**4.147.419**	**3.895.371**

g) Sales of goods and services to related parties

	1 January – 1 December 2021	1 January – 1 December 2020
Mel Macedonian Paper Mills S.S.A	17.648.694	11.631.351
Pak Holding A.Ş.	20.615	-
Total	**17.669.309**	**11.631.351**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

h) Purchases of goods and services from related parties

	1 January – 31 December 2021	1 January – 31 December 2020
Mel Macedonian Paper Mills S.S.A	115.333.387	66.563.431
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.(**)	1.472.608	1.306.799
Pak Holding A.Ş.(*)	57.460	35.224
Pak Gıda Üretim ve Pazarlama A.Ş.	102.678	20.090
Total	**116.966.133**	**67.925.544**

(*) Includes reflection of legal consultancy services.
(**) Includes rent and subscribtion fees of Pak İş Merkezi.

g) Key management compensation

	1 January – 1 December 2021	1 January – 1 December 2020
Key management compensation	5.451.270	4.973.403
Total	**5.451.270**	**4.973.403**

Key management compensation provided to key management personnel during the period 1 January 2021 to 31 December 2021 and 2020 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 1 January 2021 to 31 December 2021 and 2020 period.

NOTE 6- TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from non-related parties	**31 December 2021**	**31 December 2020**
Customers	157.449.016	85.327.718
Notes receivables	6.981.964	3.111.298
Doubtful trade receivables	6.602.100	4.396.785
Less: Non-accrued financial income	(1.029.851)	(436.933)
Less: Provision for doubtful trade receivables	(6.602.100)	(4.396.785)
Total	**163.401.129**	**88.002.083**

The average maturity of trade receivables is 27 days (31 December 2020: 20 days) and the effective annual interest rates are as follows:

	31 December 2021				**31 December 2020**			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Receivables	18%	0,58%	0	0,81%	17%	0,34%	0	0,08%

As of 31 December 2021, the Group holds mortgages and letters of guarantee amounting to TL 44.902.578 (31 December 2020: TL 29.472.476) for trade receivables.

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

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	**4.396.785**	**3.593.229**
Increases during the period	2.456.876	859.171
Collections	(251.561)	(55.615)
Total	**6.602.100**	**4.396.785**

b) Trade payables to non-related parties	31 December 2021	31 December 2020
Suppliers	179.522.313	78.019.142
Notes Payable	9.455.000	2.760.000
Less: Non accrued financial expense	(880.267)	(379.011)
Total	**188.097.046**	**80.400.131**

a) Trade payables to non-related parties (continued)

The average maturity of trade payables is 17 days (31 December 2020: 17 days) and the annual effective interest rates are as follows:

	31 December 2021				31 December 2020			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	18 %	0,58 %	0	0,81 %	17 %	0,34 %	0	0,08 %

NOTE 7 - BORROWINGS

Short term borrowings from related parties

	31 December 2021	31 December 2020
Lease Liabilities	233.819	168.528
Total	**233.819**	**168.528**

Long term borrowings from related parties

	31 December 2021	31 December 2020
Lease Liabilities	4.147.419	3.895.371
Total	**4.147.419**	**3.895.371**

Short term borrowings from non-related parties

	31 December 2021	31 December 2020
Short term loans	177	-
Lease Liabilities	893.713	591.828
Total	**893.890**	**591.828**

Long term borrowings from non-related parties

	31 December 2021	31 December 2020
Lease Liabilities	998.435	1.105.320
Total	**998.435**	**1.105.320**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The breakdown 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	**31 December 2021**	**31 December 2020**
Tax refunds receivables from tax office	1.126.392	783.343
Receivables from employees	22.859	19.463
Deposits and guarantees given	2.043	7.333
Total	**1.151.294**	**810.139**

b) Other long term receivables from non-related parties	**31 December 2021**	**31 December 2020**
Deposits and guarantees given	25.183	44.250
Total	**25.183**	**44.250**

c) Other payables to non-related parties	**31 December 2021**	**31 December 2020**
Taxes payable	11.967.571	3.879.803
Advances received	5.236.169	1.048.860
Total	**17.203.740**	**4.928.663**

NOTE 9 - INVENTORIES

	31 December 2021	**31 December 2020**
Raw materials and supplies	91.937.528	36.161.810
Semi-finished goods	2.295.894	535.561
Finished goods	41.535.970	54.819.692
Merchandise	9.230.478	14.915.581
Other inventories	26.589.370	22.502.118
Less: Provision for impairment	(93.846)	(28.532)
Total	**171.495.394**	**128.906.230**

As of 31 December 2021, cost of inventories of the Group amounting to TL 743.087.961 (31 December 2020: TL 472.121.022) is recognized as an expense under cost of sales (Note 19 and 21).

Movement of provision for impairment on inventories is as follows:

	1 January- 31 December 2021	**1 January- 31 December 2020**
Beginning of the Period - 1 January	**(28.532)**	**(565.557)**
Profit or loss position due to disposals	28.532	565.557
Provisions during the period (-)	(93.846)	(28.532)
Total	**(93.846)**	**(28.532)**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

The cost, net realisable value of the inventories related to inventory impairment and the provisions during the period are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Cost	(854.518)	(223.478)
Net realisable value	760.672	194.946
Provisions during the period	**(93.846)**	**(28.532)**

The Group has no inventory provided as guarante against its liabilities.

NOTE 10 - INVESTMENT PROPERTIES

As of 31 December 2021, investment properties of the Group is amounting to TL 229.270 (31 December 2020: TL 229.270). The Group has no movement for investment property during the period (31 December 2020: None).

Investment properties are included in the consolidated financial statements carried at cost. The fair value of investment properties is amounting to TL 7.470.000 based on the real estate appraisal report prepared on 30.01.2020 (for the valuation performed on 31 December 2019) by TSKB Gayrimenkul Degerleme A.S., licensed by the CMB. The Group management has been estimated that there has been no significant material changed incurred during the period regarding its investment properties.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

Cost:	**1 January 2021**	**Additions**	**Disposals**	**Transfers**	**31 December 2021**
Land	24.059.097				24.059.097
Land improvements	12.878.737	269.201	-	602.997	13.750.935
Buildings	65.481.309	19.422	-	6.314.253	71.814.984
Plant, machinery and equipment	598.278.608	22.184.574	323.358	73.822.415	693.962.239
Motor vehicles	2.157.706	564.476	-	-	2.722.182
Furniture and fixtures	23.740.014	6.090.794	236.677	-	29.594.131
Leasehold improvements	500.897	58.015	-	-	558.912
Other property, plant and equipment	1.196.549	182.506	191.478	-	1.187.577
Constructions in progress	7.497.489	73.912.991		(80.739.665)	670.815
	735.790.406	**103.281.979**	**751.513**	**-**	**838.320.872**
Accumulated depreciation:					
Land improvements	(6.313.878)	(711.706)	-	-	(7.025.584)
Buildings	(29.323.469)	(1.551.547)	-	-	(30.875.016)
Plant, machinery and equipment	(449.034.672)	(30.513.064)	304.935	-	(479.242.801)
Motor vehicles	(1.184.863)	(306.407)	-	-	(1.491.270)
Furniture and fixtures	(15.768.832)	(2.845.096)	220.712	-	(18.393.216)
Leasehold improvements	(435.372)	(41.043)	-	-	(476.415)
Other property, plant and equipment	(511.764)	(100.233)	130.291	-	(481.706)
	(502.572.850)	**(36.069.096)**	**655.938**	**-**	**(537.986.008)**
Net book value	**233.217.556**				**300.334.864**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Cost:	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Land	24.059.097				24.059.097
Land improvements	10.952.786	-	-	1.925.951	12.878.737
Buildings	58.161.366	15.000	-	7.304.943	65.481.309
Plant, machinery and equipment	552.138.949	18.521.644	1.105.209	28.723.224	598.278.608
Motor vehicles	2.157.706	-	-	-	2.157.706
Furniture and fixtures	20.794.701	3.048.581	103.268	-	23.740.014
Leasehold improvements	492.897	8.000	-	-	500.897
Other property, plant and equipment	1.156.749	44.800	5.000	-	1.196.549
Constructions in progress	11.088.370	34.363.237	-	(37.954.118)	7.497.489
	681.002.621	**56.001.262**	**1.213.477**	**-**	**735.790.406**
Accumulated depreciation:					
Land improvements	(5.649.324)	(664.554)	-	-	(6.313.878)
Buildings	(28.686.010)	(1.463.492)	-	826.033	(29.323.469)
Plant, machinery and equipment	(425.275.564)	(24.028.552)	1.094.627	(825.183)	(449.034.672)
Motor vehicles	(972.313)	(212.550)	-	-	(1.184.863)
Furniture and fixtures	(13.767.765)	(2.099.815)	99.598	(850)	(15.768.832)
Leasehold improvements	(395.914)	(39.458)	-	-	(435.372)
Other property, plant and equipment	(415.744)	(97.248)	1.228	-	(511.764)
	(475.162.634)	**(28.605.669)**	**1.195.453**	**-**	**(502.572.850)**
Net book value	**205.839.987**				**233.217.556**

As of 31 December 2021, the Group has no machinery and equipment acquired through finance leases. (31 December 2020: None.)

Current period depreciation and amortisation charges on property, plant and equipment amounting to TL 34.390.759 (31 December 2020: TL 26.485.176) included in cost of sales, the portion amounting to TL 713.038 included in (31 December 2020: TL 398.568) marketing expenses and remaining portion amounting to TL 713.038 (31 December 2020: TL 1.721.925) is included in general administrative expenses (Note 19 and 20).

NOTE 12 – RIGHT OF USE ASSETS AND INTANGIBLE ASSETS

Right of Use Assets

Cost:	1 January 2021	Additions	Disposals	31 December 2021
Head Office	4.246.270	499.055	-	4.745.325
Motor Vehicles	2.074.199	985.476	(276.480)	2.783.195
	6.320.469	**1.484.531**	**(276.480)**	**7.528.520**

Accumulated depreciation:	1 January 2021	Additions	Disposals	31 December 2021
Head Office	(617.102)	(423.407)	-	(1.040.509)
Motor Vehicles	(408.186)	(875.955)	276.757	(1.007.384)
	(1.025.288)	**(1.299.362)**	**276.757**	**(2.047.893)**
Net book value	**5.295.181**			**5.480.627**

Cost:	1 January 2020	Additions	Disposals	31 December 2020
Head Office	2.877.339	1.368.931	-	4.246.270
Motor Vehicles	1.087.471	1.696.751	(710.023)	2.074.199
	3.964.810	**3.065.682**	**(710.023)**	**6.320.469**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Accumulated depreciation:	**1 January 2020**	**Additions**	**Disposals**	**31 December 2020**
Head Office	(244.880)	(372.222)	-	(617.102)
Motor Vehicles	(465.029)	(574.432)	631.275	(408.186)
	(709.909)	**(946.654)**	**631.275**	**(1.025.288)**
Net book value	**3.254.901**			**5.295.181**

Intangible Assets

Cost:	**1 January 2021**	**Additions**	**Disposals**	**31 December 2021**
Rights and computer software	8.923.215	2.920.984	-	11.844.199
	8.923.215	**2.920.984**	**-**	**11.844.199**

Accumulated depreciation:	**1 January 2021**	**Additions**	**Disposals**	**31 December 2021**
Rights and computer software	(5.435.630)	(1.307.886)	-	(6.743.516)
	(5.435.630)	**(1.307.886)**	**-**	**(6.743.516)**
Net book value	**3.487.585**			**5.100.683**

Intangible Assets (continued)

Cost:	**1 January 2020**	**Additions**	**Disposals**	**31 December 2020**
Rights and computer software	8.373.976	549.239	-	8.923.215
	8.373.976	**549.239**	**-**	**8.923.215**

Accumulated depreciation:	**1 January 2020**	**Additions**	**Disposals**	**31 December 2020**
Rights and computer software	(4.141.552)	(1.294.078)	-	(5.435.630)
	(4.141.552)	**(1.294.078)**	**-**	**(5.435.630)**
Net book value	**4.232.424**			**3.487.585**

Current period depreciation and amortisation charges on intangible assets amounting to TL 1.307.886 (31 December 2020: TL 1.294.078) included in cost of sales and remaining portion amounting to TL 1.299.362 (31 December 2020: TL 946.654) is included in general administrative expenses.

NOTE 13 – GOVERNMENT GRANTS

In 2018, the Group filed an application to the Ministry of Industry and Technology in order to modernize its production facilities and to link some investments, which were made intended for continuance of the facilities activities, to the "Investment Incentive Certificate". As a result of the application and a subsequent application filed for amendment thereof, the final certificate of investment incentive numbered B137821 dated 18.10.2018 has been issued. The following incentives have been provided for the investment that is to be made pursuant to the incentive certificate.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

- Investment Period: 09.04.2018-09.10.2022
- VAT Exemption
- Customs Duty Exemption
- Tax Deduction Rate: 50%, Investment Contribution Rate: 15% (In accordance with the relevant Turkish tax legislation, tax deduction rate was applied as 100% and investment contribution rate was applied as 30% accordingly for the expenditures of the Group for the period between 2017-2021).

The total sum of expenditures envisaged to be incurred pursuant to the incentive certificate numbered B137821 of 18.10.2018 is equals to TL 130.138.000 whereas the sum of expenditures having been incurred during the period is equals to TL 38.761.214 and the total sum of expenditures having been incurred is equals to TL 67.318.796.The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 9.872.575 on corporation tax.

The Group has applied to the Ministry of Economy in August 2016 for the completion visa of the investment incentive certificate dated February 6, 2016 and numbered C110178 to be carried out. The Ministry of Economy completed the completion examination in July 2017. The result of the completion examination was notified to the Group in April 2018. In accordance with Article 32/A of the Corporate Tax Law with numbered 5520, as a result of the completion of the investment incentive certificate, the Group has calculated the deferred tax asset in the amounts presented 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 (Note 35). Completion examination was completed in April 2018. Total investment expenditure is amounting toTL 139.662.402.

NOTE 13 - GOVERNMENT GRANTS (continued)

	31 December 2021 Deferred Tax Assets	31 December 2020 Deferred Tax Assets
Outstanding Balance (Beginning of the Period)	**28.520.568**	**29.216.286**
Investment Discount Indexing	10.324.445	2.661.604
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(5.373.697)	(3.357.322)
Balance at the End of the Period	**33.471.316**	**28.520.568**

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Other short term provisions

	31 December 2021	31 December 2020
Provision for export discount expenses	3.270.627	817.090
Provision for export commission expense	2.233.496	1.367.459
Provision for other debt expense	890.926	505.972
Total	**6.395.049**	**2.690.521**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Other short term provisions (continued)

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

	1 January- 31 December 2021	1 January- 31 December 2020
Beginning of the Period - 1 January	**2.690.521**	**2.082.946**
Payments and reversals	(2.690.521)	(2.082.946)
Additions	6.395.049	2.690.521
End of the Period – 31December	**6.395.049**	**2.690.521**

In accordance with the information regarding the ongoing lawsuits filed against the Group or in favor of the Group as of 31 December 2021 as a result of the attorney letters obtained from legal counsel's of the Group are as follows:

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

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

2. Since the claim made by OMV is against law and the agreement, the request was dismissed and an objection was filed against the content. Due to abovementioned reasons, the Group has allocated no related provisions included in the consolidated financial statements fort he outflow of the resources. In addition, since OMV has not illegally returned the bank letter of guarantee issued by the Group in the sum of TL 6.640.000, despite all requests made upon expiration of the Natural Gas Sales Agreement, a lawsuit was initiated against OMV in İstanbul Commercial Courts of First Instance for the return to the Group of the bank letter of guarantee issued by Halk Bank A.S on 04.12.2012 numbered. 0450MW 011897 for the amount of TL 6.640.000, and also for the collection of the Group's outstanding receivables in the aggregate sum of USD 395.805,04 inclusive of VAT payable as per the finalized e-invoice numbered KM62018000000148 issued on 31.12.2018 under the Natural Gas Sales Agreement. The provision for doubtful receivables has been disclosed amounting toUSD 395.805,04 in the consolidated financial statements. In accordance with the agreement made with OMV in February 2022, the letter of guarantee amounting to TL 6.640.000 is not in retention and the amount of USD 395.805,04 was paid by OMV including interests and other costs. In accordance with the negotiated settlement and waiver of notice, both OMV and the Group withdrawed from the lawsuit and therefore, the lawsuit concluded in favor of the Group.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

3. The Group has been filed a lawsuit against Istanbul Metropolitan Municipality in the 10th Administrative Court of Istanbul with the merits numbered 2019/16513, with a request for the cancellation of the 1/5000-scaled master plan covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no fund outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

4. The Group has been filed a lawsuit against Kucukcekmece Municipality in the 5th Administrative Court of Istanbul with the merits numbered 2017/1253, with a request for the cancellation of the 1/1000-scaled amendment project covering the area where an immovable property owned by the Group located in Sefakoy/Kucukcekmece. The lawsuit is still ongoing. Since no cash outflow from the Group is expected regarding the lawsuit, the provision has not been disclosed in the consolidated financial statements.

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

d) Ratio of Collateral, Pledge, Mortgages to equity

Collateral, Pledge, and Mortgages ("CPM") obtained from the customers of the Group as of 31 December 2021 and 2020 is as follows:

		31 December 2021		31 December 2020	
	Currency	Original currency amount	TL eqivalent	Original currency amount	TL eqivalent
CPM's Received	TL	46.015.720	46.015.720	25.030.720	25.030.720
	EUR	450.000	6.789.015	2.905.000	26.167.950
	GBP	-	-	500.000	4.971.900
	USD	-	-	750.000	5.505.375
Total			**52.804.735**		**61.675.945**

Collateral, Pledge, and Mortgages ("CPM") obtained from the suppliers of the Group as of 31 December 2021 and 2020 is as follows:

		31 December 2021		31 December 2020	
	Currency	Original currency amount	TL eqivalent	Original currency amount	TL eqivalent
CPM's Received	TL	2.107.778	2.107.778	1.907.078	1.907.078
	EUR	1.501.025	22.645.514	898.344	8.092.193
	USD	-	-	27.140	199.221
Total			**24.753.292**		**10.198.492**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Collateral, Pledge, and Mortgages ("CPM") of the Group as of 31 December 2021 and 2020 is as follows:

	Currency	31 December 2021 Original currency amount	31 December 2021 TL eqivalent	31 December 2020 Original currency amount	31 December 2020 TL eqivalent
A. Total amount of CPMs given in the name of its own legal personality					
	TL	8.977.631	8.977.631	8.920.700	8.920.700
	USD	-	-	-	-
	EUR	110.000	1.659.537	110.000	990.869
B. Total amount of CPM given on behalf of the fully consolidated companies		-	-	-	-
C.Total amount of CPM given on behalf of third parties for ordinary course of business					
D. Total amount of other CPM given					
i) Total amount of CPM's given on behalf of the majority shareholder		-	-	-	-
ii) Total amount of CPM's given to on behalf of other group companies which are not in scope of B and C		-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C		-	-	-	-
Total			**10.637.168**		**9.911.569**

The ratio of other CPM given by the Group to equity of the Group is 0% as of 31 December 2021 (31 December 2020: 0%).

NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

e) Insurance coverage of property, plant and equipment

As of 31 December 2021 and 2020, insurance coverage of property, plant and equipment is as follows:

Type	**31 December 2021**	**31 December 2020**
Buildings	63.595.000	63.595.000
Machinery and Equipment	440.298.000	440.298.000
Cash in hand	462.135	462.135
Inventories	144.520.000	139.520.000
Furniture and Fixtures	3.527.600	3.527.400
Motor Vehicles	3.979.925	3.909.774
Total	**656.382.660**	**651.312.309**

NOTE 15 - COMMITMENTS

As of 31 December 2021 and 2020, commitments of the Group are as follows:

a) Raw material and supplies purchase contracts

	31 December 2021	**31 December 2020**
Up to one year	33.096.891	39.653.514

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Total	**33.096.891**	**39.653.514**

b) Machinery and equipment purchase contracts

	31 December 2021	31 December 2020
Up to one year	51.183.349	28.363.496
Total	**51.183.349**	**28.363.496**

c) Services purchase contracts

	31 December 2021	31 December 2020
Up to one year	4.418.608	2.759.110
Total	**4.418.608**	**2.759.110**

NOTE 16 - EMPLOYEE BENEFITS

Employee benefits payables

	31 December 2021	31 December 2020
SSI Premium and Tax Deduction Payables	3.577.574	2.811.419
Fees Payables	631.616	446.959
Other liabilities	38.506	27.886
Total	**4.247.696**	**3.286.264**

Short-term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for bonus and salaries	373.455	969.997
Provision for unused vacation	1.448.314	869.720
Total	**1.821.769**	**1.839.717**

The movement of salaries, bonuses and provision of premiumus are as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	**1.839.717**	**1.000.099**
Increases during the period	1.821.769	1.839.717
Payments during the period	(1.839.717)	(1.000.099)
Total	**1.821.769**	**1.839.717**

Long-term provisions for employee benefits

	31 December 2021	31 December 2020
Provision for employment termination benefits	23.157.194	15.293.908
Total	**23.157.194**	**15.293.908**

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

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Under Turkish Labour Law, Kartonsan and its Subsidiaries are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). After the legislation on May 23, 2002, some transitional clauses relating to the length of service before retirement have been removed.

As of 31 December 2021, the amount payable consists of one month's salary limited to a maximum of 8.284,51 (31 December 2020: TL 7.117,17) for each year of service. The liability is not funded as there is no funding requirement.

NOTE 16 - EMPLOYEE BENEFITS (continued)

The principal assumption is that the maximum liability for each year of service will increase in line with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. CMB Financial Reporting Standards require actuarial valuation methods to be developed to estimate the obligation under defined benefit plans. Accordingly the following actuarial assumptions have been used in the calculation of the total liability. Related rates have been presented by considering the weighted average of actuarial assumptions of the Subsidiaries within the scope of consolidation.

	31 December 2021	31 December 2020
Net discount rate (%)	2,56	3,70
Turnover rate to estimate of the probability of retirement (%)	98,64	98,42

Long-term provisions for employee benefits

The basic assumption is that the ceiling for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 10.848,59 effective from 1 January 2021 (1 January 2021: TL 7.638,96) has been taken into consideration in calculating the provision for employment termination benefits.

Movement of employment termination benefit is as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	**15.293.908**	**12.467.379**
Service Costs	1.958.188	1.333.266
Interest Costs	1.665.824	1.273.657
Actuarial loss (Note 18)	5.908.191	1.124.182
Loss Due to Payment/Reduction of Benefits/Dismissal	484.305	49.274
Payments during the period	(2.153.222)	(953.850)
Total	**23.157.194**	**15.293.908**

NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

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

	31 December 2021	31 December 2020
Other prepaid expenses *	4.523.580	3.230.697
Advances given	32.667.578	2.476.493
Total	**37.191.158**	**5.707.190**

* Includes insurance expenses, maintenance and repair expenses and subscription expenses

b) Other current assets from non-related parties

	31 December 2021	31 December 2020
Deferred VAT	342.117	766.004
Goods and services refund	29.791	12.236
Other	300	300
Total	**372.208**	**778.540**

NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS (continued)

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

	31 December 2021	31 December 2020
Advances given for property, plant and equipment and intangible assets	28.190.378	10.812.307
Total	**28.190.378**	**10.812.307**

NOTE 18 - EQUITY

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

As of 31 December 2021 and 2020, the principal shareholders and their respective shareholding rates in Kartonsan are as follows:

	31 December 2021		31 December 2020	
	Amount	Share (%)	Amount	Share (%)
Pak Holding A.Ş.	25.790.930	34,39	25.790.930	34,39
Asil Holding A.Ş.	18.337.579	24,45	18.337.578	24,45
Pak Gıda Üretim ve Pazarlama A.Ş.	14.468.564	19,29	14.468.564	19,29
Oycan İthalat İhracat ve Ticaret A.Ş.	10.654	0,01	10.654	0,01
Other (Listed)	16.392.273	21,86	16.392.274	21,86
Paid-in Share Capital	**75.000.000**	**100,00**	**75.000.000**	**100,00**
Adjustment to Share Capital	21.135.671		21.135.671	
Total	**96.135.671**		**96.135.671**	

In accordance with the decision of the Board of Directors, which was registered on 24.12.2020 within the framework of the registered capital system regulations and published in Official Gazette on 25.12.2020 numbered 10232, the number of outstanding shares representing the Group's paid-in share capital has been determined is as follows:

According to the Company's articles of association

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Number of outstanding shares	7.500.000.000
Nominal amount of shares	0,01
Total nominal amount	**75.000.000,00**

The Company's 5.287 outstanding shares are comprise of Group A (Preferred) shares representing the aforementioned capital. These shares have privileges in dividend distribution. According to Article 25 of the Company's Articles of Association; after deduction of 10 % of the paid-in share capital from the net profit of the first dividend, the dividend is distributed to the Group A (Preferred) Shareholders in 5% of the remaining portion.

NOTE 18 – EQUITY (continued)

b) Restricted Reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.

The aforementioned reserves should be classified in "Restricted Reserves" in accordance with Capital Markets Board Financial Reporting Standards. As of 31 December 2021, and 2020, the breakdown of restricted reserves is as follows:

	31 December 2021	31 December 2020
Legal Reserves	45.523.603	33.010.839
Gains on Disposal of Subsidiaries, Property, Plant and Equipment and Intangible Assets	2.315.343	2.315.343
Total	**47.838.946**	**35.326.182**

c) Dividend distribution

In accordance with the decision of the Capital Markets Board (CMB) dated 27 January 2010 numbered 02/51, 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, According to the Article 19 of the Capital Market Law, numbered 6362 and Dividend Communiqué of CMB, numbered II-19.1, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code numbered 6102, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

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.

NOTE 18 – EQUITY (continued)

As of 31 December 2021, the Group's net distributable profit and other available funds (except distributable portion of legal reserves) amounting to TL 743.934.021 (31 December 2020: TL 437.768.294). The total amount of other funds of the Group that may be subject to dividend distribution is limited to the amounts in the Group's legal records. The Group's legal records consist of a net profit of TL 295.953.329 in the current period. As of 31 December 2021, the total amount of other funds which may be subject to dividend distribution amounting to TL 550.800.756 (31 December 2020: TL 325.109.239). In the calculation of the total amount that may be subject to distribution, the capital inflation adjustment differences and the amount of property, plant andequipment and intangible asset sales earnings held as a fund to be included in the capital are not taken into consideration.

d) Other comprehensive income and expenses not to be reclassified to profit or loss

The movement for actuarial losses recognized under "Other Losses" in equity is as follows:

	31 December 2021	31 December 2020
Beginning of the Period - 1 January	**(3.132.045)**	**(2.232.699)**
Actuarial Losses	(5.908.191)	(1.124.182)
Actuarial Losses - Tax Effect (Note 25)	1.238.118	224.836
Total	**(7.802.118)**	**(3.132.045)**

NOTE 19 - REVENUES AND COST OF SALES

	1 January- 31 December 2021	1 January- 31 December 2020
Domestic Sales	1.528.780.054	891.306.894
Foreign Sales	230.077.813	156.968.320
Other Revenue	12.324.939	4.539.978
Sales Returns (-)	(2.496.263)	(8.939.015)
Sales Discounts (-)	(80.447.362)	(69.013.527)
Other Discounts (-)	(99.591.965)	(75.959.335)
Revenue, net	**1.588.647.216**	**898.903.315**

Cost of Sales:	**1 January- 31 December 2021**	**1 January- 31 December 2020**

Changes in raw material and semi-finished inventories	(743.087.961)	(472.121.022)
General production costs	(99.344.001)	(71.828.667)
Depreciation and amortisation charges	(35.698.645)	(28.721.886)
Employee benefits	(51.389.278)	(40.877.492)
Cost of goods goods	(227.067.555)	(80.651.537)
Other cost of sales	(9.808.514)	(4.201.739)
Cost of Sales	**(1.166.395.954)**	**(698.402.343)**
Gross Profit	**422.251.262**	**200.500.972**

NOTE 20 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

a) General Administrative Expenses

	1 January-31 December 2021	**1 January-31 December 2020**
Employee benefits	(12.581.420)	(10.122.533)
Employment termination benefits	(4.108.316)	(2.656.198)
Outsourcing expenses	(3.389.413)	(2.823.104)
Union, chamber and subscription expenses	(590.724)	(506.405)
Taxes, duties and charges	(2.774.048)	(1.142.366)
Depreciation and amortisation charges	(2.012.400)	(1.725.948)
Grants and donations	(80.667)	(468.444)
Other	(858.636)	(668.430)
Total	**(26.395.624)**	**(20.113.428)**

NOTE 20 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES (continued)

b) Marketing Expenses

	1 January-31 December 2021	**1 January-31 December 2020**
Transportation, distribution and storage expense	(26.541.047)	(21.805.168)
Employee benefits	(4.169.947)	(3.221.277)
Export costs	(3.858.053)	(1.757.706)
Compensation and discounts paid	(331.146)	(433.053)
Taxes, duties and charges	(304.353)	(304.407)
Depreciation and amortisation charges	(965.297)	(398.567)
Other	(1.973.523)	(1.625.600)
Total	**(38.143.366)**	**(29.545.778)**

NOTE 21 - EXPENSES BY NATURE

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	1 January-31 December 2021	1 January-31 December 2020
Changes in raw material and semi-finished inventories	(743.087.961)	(472.121.022)
Cost of goods sold	(227.067.555)	(80.651.537)
Outsourcing expenses	(102.733.414)	(74.651.771)
Employee benefits	(68.140.645)	(54.221.302)
Depreciation and amortization charges	(38.676.342)	(30.846.401)
Transportation, distribution and storage expense	(26.541.047)	(21.805.168)
Other cost of sales	(9.808.514)	(4.201.739)
Employment termination benefits	(4.108.316)	(2.656.198)
Export costs	(3.858.053)	(1.757.706)
Union, chamber and subscription expenses	(590.724)	(506.405)
Compensation and discounts paid	(331.146)	(433.053)
Taxes, duties and charges	(3.078.401)	(1.446.773)
Grants and donations	(80.667)	(468.444)
Other	(2.832.159)	(2.294.030)
Total	**(1.230.934.944)**	**(748.061.549)**

NOTE 22 – OTHER OPERATING INCOME/EXPENSES

Other operating income	**1 January-31 December 2021**	**1 January-31 December 2020**
Foreign exchange gains (Trade receivables and payables)	74.302.280	22.704.445
Interest eliminated from sales	10.552.561	7.383.624
Scrap sales revenues	2.454.712	1.036.352
Reversal of Income arising from provisions no longer required	251.561	55.615
Interest income arising from late payment	17.393	51.776
Other	2.913.853	1.062.842
Total	**90.492.360**	**32.294.654**

Other operating expenses	**1 January-December 2021**	**1 January-31 December 2020**
Foreign exchange loses (Trade receivables and payables)	(53.013.508)	(17.334.865)
Interest eliminated from purchases	(7.792.013)	(3.036.705)
Provision for doubtful receivables	(2.456.876)	(859.171)
Taxation arising from revaluation surplus (*)	(2.324.562)	-
Other	(983.740)	(821.252)
Total	**(66.570.699)**	**(22.051.993)**

(*) In accordance with the Tax Procedure Law provisional article numbered 31, Kartonsan revalued its property, plant and equpment and intangible assets during the period and paid the relevant tax arising from revaluation surplus.

NOTE 23 – GAINS/LOSSES FROM INVESTMENT ACTIVITIES

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

Gains from investment activities	**1 January-December 2021**	**1 January-December 2020**
Foreign exchange gains (Trade receivables and payables Excluded)	100.510.613	27.502.644
Interest income	20.808.635	8.626.470
Gain on disposal of non-current assets	457.785	239.797
Total	**121.777.033**	**36.368.911**

Losses from investment activities	**1 January-December 2021**	**1 January-December 2020**
Foreign exchange losses (Trade receivables and payables excluded)	(8.846.263)	(13.651.789)
Total	**(8.846.263)**	**(13.651.789)**

NOTE 24 - FINANCIAL EXPENSES

	1 January-December 2021	**1 January-December 2020**
Credit card fees and commissions	(21.437.473)	(9.134.668)
Interest expenses in scope of TFRS 16 Leases	(1.407.811)	(872.303)
Bank deposit risk expenses under TFRS 9	(300.101)	(156.778)
Interest expenses	(228)	(240)
Other	(558.902)	(732.427)
Total	**(23.704.515)**	**(10.896.416)**

NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED)

As of 31 December 2021 and 2020, current income tax liabilities position on balance sheets is as follows:

	31 December 2021	**31 December 2020**
Current income tax liabilities	91.617.001	34.816.011
Less: Prepaid income tax and funds	(45.868.895)	(27.121.425)
Current income tax liabilities	**45.748.106**	**7.694.586**

As of 31 December 2021 and 2020, income tax expenses in the consolidated income statements and other comprehensive income are summarized as follows:

	1 January-31 December 2021	**1 January-31 December 2020**
Current period tax expense (-)	(91.617.001)	(34.816.011)
Deferred tax (expense)/income	137550	(736.389)
Total tax (expense)/income	**(91.479.451)**	**(35.552.400)**

a) Corporation tax

The Corporate Tax Law was amended as of 13 June 2006 with law numbered 5520. The majority of the clauses of Law No 5520 are effective as of 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20%. (Corporation tax rate for 2018-2019 and 2020 will be applied as 22%.) (31 December 2020: 22%).

In accordance with the amendment on Corporate Tax Law numbered 31462, published in Official Gazette on 22 April 2021, corporate tax rate for the year 2021 has set for 25%, 2022 for 23%. This change will be effective for corporate tax calculation for the periods starting from 1 July 2021. Therefore, deferred tax assets and liabilities as of 31 December 2021 are calculated with 25% tax rate for the temporary differences which will be realized within 12 months period.

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 operating profit of the entities, 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.

NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED) (continued)

a) Corporation tax (continued)

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 dividens paid to the companies who are resident in Turkey are not subject to withholding. Dividends paid to people and companies other than these are subject to withholding tax at the rate of 15%. Adding profit to the capital is not considered as profit distubition.

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.

In accordance with the Law No. 7352, it is stated that taxpayers already have revaluation opportunities and there have been suggestions made by taxpayers that there will be problems in the application of inflation accounting, which has not been used for a long time. These demands were taken into account by the legislator and the application of the inflation adjustment was postponed until the end of 2023.In this respect, taxpayers can use the “Inflation adjustment, revaluation rate and tax rates” of the TPL in the 2021 and 2022 accounting periods (for taxpayers using special accounting periods, taking into account the accounting periods ending in 2022 and 2023) and in the advance tax periods of the 2023 accounting period. They will not subject their financial statements to inflation adjustments, regardless of whether the conditions for inflation adjustment within the scope of the reiterated Article 298 titled "revaluation" have been met or not.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

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 corporate tax rate for the year 2021 has set for 25%, 2022 for 23%) 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.

NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED) (continued)

a) Corporation tax (continued)

The expected and actual tax expense agreement for the periods January 1- December 31, 2021 and 2020 is as follows:

	1 January-31 December 2021	1 January-31 December 2020
Profit before tax	470.860.188	172.905.133
Tax expense calculated on current domestic tax rates (-)	(117.715.047)	(38.039.129)
Effect of change in corporation tax investment discount	20.197.578	2.662.595
Effect of non deductible expenses	(2.088.277)	(331.679)
Other	8.126.295	155.813
Tax income/(expense)	**(91.479.451)**	**(35.552.400)**

b) Deferred Tax

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the consolidated 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 31 December 2021 and 2020 is as follows:

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Corporation tax investment incentive discount	(223.142.107)	190.137.120	33.471.316	28.520.568
Property, plant and equipment and intangible assets	85.173.950	64.557.623	(15.580.045)	(11.058.546)
Provisions for employee benefits	(23.157.194)	15.293.908	4.880.674	3.058.781
Inventories	(3.311.473)	918.940	761.639	183.788
Non-accrued financial income	(109.320)	53.500	25.144	10.700
Provision for doubtful trade receivables	(415.414)	271.274	95.545	54.255
Other, net	3.448.061	3.578.073	(793.445)	715.614
Deferred tax assets, net			**22.860.828**	**21.485.160**
Tax assets			25.617.415	24.272.551
Tax liabilities			2.756.587	2.787.39)
Tax assets/liabilities, net			**22.860.828**	**21.485.160**

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

	1 January-31 December 2021	**1 January - 31 December 2020**
Beginning of the Period - 1 January	**21.485.160**	**21.996.713**
Charge to the income statement	137.550	(736.389)
Actuarial losses classified under equity, tax effect (Note 18)	1.238.118	224.836
Total deferred tax assets, net	**22.860.828**	**21.485.160**

NOTE 26 - EARNINGS PER SHARE

	1 January-31 December 2021	**1 January - 31 December 2020**
Profit attributable to equity holders of the parent	379.019.989	137.264.514
Weighted average number of shares with nominal value	75.000.000	75.000.000
Earnings per share	**5,05359985**	**1,8319352**

NOTE 27 - FINANCIAL INSTRUMENTS

a) Classification of financial instruments

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	31 December 2021	31 December 2020
Cash and cash equivalents	420.621.833	184.978.244
Trade receivables	174.155.921	92.438.904
Total	**594.777.754**	**277.417.148**

Financial liabilities measured by effective interest method

	31 December 2021	31 December 2020
Trade payables	188.157.125	80.459.983
Borrowings	6.273.563	5.761.047
Total	**194.430.688**	**86.221.030**

b) Fair value of financial instruments

As of 31 December 2021 and 2020, the Group has no financial assets and liabilities measured at fair value.

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

28.1 Financial Risk Factors

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

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

a) Market Risk

aa) Currency Risk

The difference between the foreign currency denominated and foreign currency indexed assets and liabilities for USD and EURO of the Group are defined as the "Net foreign currency position" and it is the basis of the currency risk. Foreign currency exchange rate risk arises from registered assets and liabilities. This currency risk is monitored by analyzing the foreign currency position.

As of 31 December 2021 and 2020, the foreign exchange position table is as follows:

31 December 2021

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	79.827.120	197.016	5.003.236	95.665
2a. Monetary Financial Assets	328.365.656	12.413.285	10.549.917	208.479
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	**408.192.776**	**12.610.301**	**15.553.153**	**304.144**
5. Trade Receivables				
6a. Monetary Financial Assets	28.043.842	536.452	1.384.894	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	**28.043.842**	**536.452**	**1.384.894**	**-**
9. Total Assets (4+8)	**436.236.618**	**13.146.753**	**16.938.047**	**304.144**
10. Trade Payables	79.842.841	263.043	5.046.074	11.585
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Current Liabilities (10+11+12)	**79.842.841**	**263.043**	**5.046.074**	**11.585**
14. Trade Payables				
15. Financial Liabilities				
16a. Other Monetary Liabilities				
16b. Other Non-Monetary Liabilities				
17. Total Non-Current Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**79.842.841**	**263.043**	**5.046.074**	**11.585**
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)	**356.393.777**	**12.883.710**	**11.891.973**	**292.559**
21. Monetary Items Net Foreign Exchange Asset/ (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**356.393.777**	**12.883.710**	**11.891.973**	**292.559**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Denominated Assets				
24. The Amount of Hedged part of Foreign Exchange Denominated Liabilities				
25. Export	260.777.736	40.043.804	216.891.707	3.842.225
26. Import	388.429.239	72.905.346	315.523.893	-

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

31 December 2020

	TL Equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	33.304.719	372.556	3.311.644	74.319
2a. Monetary Financial Assets	111.067.263	6.703.263	6.634.107	211.454
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	**144.371.982**	**7.075.819**	**9.945.751**	**285.773**
5. Trade Receivables				
6a. Monetary Financial Assets	10.583.176	423.617	829.674	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	**10.583.176**	**423.617**	**829.674**	**-**
9. Total Assets (4+8)	**154.955.158**	**7.499.436**	**10.775.425**	**285.773**
10. Trade Payables	39.694.984	673.171	3.847.370	9.739
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Current Liabilities (10+11+12)	**39.694.984**	**673.171**	**3.847.370**	**9.739**
14. Trade Payables				
15. Financial Liabilities				
16a. Other Monetary Liabilities				
16b. Other Non-Monetary Liabilities				
17. Total Non-Current Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**39.694.984**	**673.171**	**3.847.370**	**9.739**
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)	**115.260.174**	**6.826.265**	**6.928.055**	**276.034**
21. Monetary Items Net Foreign Exchange Asset/ (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	**115.260.174**	**6.826.265**	**6.928.055**	**276.034**
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge				
23. The Amount of Hedged part of Foreign Exchange Denominated Assets				
24. The Amount of Hedged part of Foreign Exchange Denominated Liabilities				
25. Export	106.031.136	3.162.049	10.809.414	318.359
26. Import	206.855.257	4.145.228	21.842.095	-

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2021 and 2020, the exchange rate sensitivity analysis tables are as follows:

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

	31 December 2021			
	Profit / (loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign curency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	17.172.696	(17.172.696)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	**17.172.696**	**(17.172.696)**	-	-
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	17.941.052	(17.941.052)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	**17.941.052**	**(17.941.052)**	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	525.630	(525.630)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9. Other currency assets net effects (7+8)	**525.630**	**(525.630)**	-	-
Total (3+6+9)	**35.639.378**	**(35.639.378)**	-	-

	31 December 2020			
	Profit / (loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign curency
If the USD exchange rate changes by an average of 10%:				
1. USD net asset/(liability)	5.010.820	(5.010.820)	-	-
2. USD hedged portion (-)	-	-	-	-
3. USD net effect (1+2)	**5.010.820**	**(5.010.820)**	-	-
If the EURO exchange rate changes by an average of 10%:				
4. EURO net asset/(liability)	6.240.716	(6.240.716)	-	-
5. EURO hedged portion (-)	-	-	-	-
6. EURO net effect (4+5)	**6.240.716**	**(6.240.716)**	-	-
If the other currency exchange rate changes by an average of 10%:				
7. Other currency net asset/(liability)	274.482	(274.482)	-	-
8. Other currency hedged portion (-)	-	-	-	-
9. Other currency assets net effects (7+8)	**274.482**	**(274.482)**	-	-
Total (3+6+9)	**11.526.018**	**(11.526.018)**	-	-

a) Interest Rate Risk

The Group has no financial loans subject to fixed and floating interest rate.

b) Credit Risk

Ownership of financial assets involves the risk that the counterparty may be unable to meet the contract. The Group's credit risk arises mainly from trade receivables. The Group manages this risk by following the credit limits set for customers. The use of credit limits is continuously monitored by the Group 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 Group management and accordingly, net of provision for doubtful receivables is presented in the balance sheet.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

Credit risk details

The exposure of consolidated financial assets to credit risk is as follows:

	Trade Receivables		Other Receivables		Bank	
31 December 2021	**Related Party**	**Other**	**Related Party**	**Other**	**deposits**	**Total**
Maximum exposure to credit risk as of reporting date (A+B+C+D) (*)	**10.754.792**	**163.401.129**	**-**	**1.176.477**	**420.353.544**	**595.685.942**
- Secured with guarantees, etc.	**-**	***44.902.578***	**-**	**-**	**-**	***44.902.578***
A. Book value of neither past due nor impaired financial assets	10.754.792	117.387.520	-	1.176.477	420.353.544	549.672.333
B. Book value of past due but not impaired financial assets	-	46.013.609	-	-	-	46.013.609
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	*6.602.100*				*6.602.100*
- Impairment (-)	-	*(6.602.100)*	-	-	-	*(6.602.100)*
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)						
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

	Trade Receivables		Other Receivables		Bank	
31 December 2020	**Related Party**	**Other**	**Related Party**	**Other**	**deposits**	**Total**
Maximum exposure to credit risk as of reporting date (A+B+C+D) (*)	**4.436.821**	**88.002.083**	**-**	**854.389**	**184.696.105**	**277.989.398**
- Secured with guarantees, etc.	**-**	***29.472.476***	**-**	**-**	**-**	***29.472.476***
A. Book value of neither past due nor impaired financial assets	4.436.821	48.550.484	-	854.389	184.696.105	238.537.799
B. Book value of past due but not impaired financial assets	-	39.451.599	-	-	-	39.451.599
C. Net book value of impaired assets	-	-	-	-	-	-
- Pastdue (gross amount)	-	*4.396.785*				*4.396.785*
- Impairment (-)	-	*(4.396.785)*	-	-	-	*(4.396.785)*
- Secured with guarantees, etc.	-	-	-	-	-	-
- Not past due (gross amount)						
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees, etc.	-	-	-	-	-	-
D. Off-balance sheet expected credit losses	-	-	-	-	-	-

(*) Factors that increase credit reliability, such as guarantees received, are not taken into consideration when determining the amount.

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

As of 31 December 2021, trade receivables amounting to TL 46.013.609 (31 December 2020: TL 39.451.599) are past due but not impaired. The aforementioned trade receivables includes independent customers who pay their past debts without delay. In addition, trade receivables amounting to TL 18.801.335 (31 December 2020: TL 14.250.527) is secured by guarantees. The analysis aging of past due but not impaired trade receivables is as follows:

	31 December 2021	31 December 2020
Past due up to 1 month	45.993.509	38.868.598
Past due 1-3 months	-	473.826
Past due 3-12 months	20.100	109.175
Past due 1-5 years	-	-
Past due more than 5 years	-	-
Total	**46.013.609**	**39.451.599**

c) Liquidty 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.

Undiscounted contractual cash flows of the non-derivative consolidated financial liabilities as of 31 December 2021 and 2020 are as follows:

31 December 2021	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities:						
Lease Liabilities	6.273.386	10.984.835	547.385	1.611.315	5.087.760	3.738.375
Bank Borrowings	177	177	177	-	-	-
Trade Payables	188.157.125	189.037.392	189.037.392	-	-	-
Employee Benefits	4.247.696	4.247.696	4.247.696	-	-	-
Other Payables	17.260.121	17.260.121	17.260.121	-	-	-
Total	**215.938.505**	**221.530.221**	**211.092.771**	**1.611.315**	**5.087.760**	**3.738.375**

31 December 2020	Carrying value	Total Contractual Cash Outflows (I+II+III+IV)	Demand or up to 3 months (I)	3-12 months (II)	1-5 years (III)	5 years and over (IV)
Non-derivative financial liabilities:						
Lease Liabilities	5.761.047	10.826.267	461.521	1.197.171	4.722.502	4.445.073
Bank Borrowings	-	-	-	-	-	-
Trade Payables	80.459.983	80.838.994	80.838.994	-	-	-
Employee Benefits	3.286.264	3.286.264	3.286.264	-	-	-
Other Payables	4.967.114	4.967.114	4.967.114	-	-	-
Total	**94.474.408**	**99.918.639**	**89.553.893**	**1.197.171**	**4.722.502**	**4.445.073**

(Amounts are expressed in Turkish Lira unless otherwise indicated.)

NOTE 28 -NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)

28.2 Capital Risk Management

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

In order to maintain or adjust the capital structure, the Group may decide on the amount of dividends paid to shareholders, issue of new shares or sell assets to decrease net financial debt.

The Group monitors capital on the basis of the net financial debt/invested capital ratio. Net financial debt is calculated as total financial liabilities less cash and cash equivalents (including borrowings and trade payables on balance sheet) and invested capital is calculated as net financial debt plus total equity. Consolidated net financial debt/invested capital ratios as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Total borrowings	295.694.135	124.780.531
Less: Cash and cash equivalents (Note 4)	(420.621.833)	(184.978.244)
Net financial debt	**(124.927.698)**	**(60.197.713)**
Equity	888.136.561	573.810.790
Invested Capital	**763.208.863**	**513.613.077**
Net financial debt/invested capital ratio	-	-

NOTE 29 - FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR/INDEPENDENT AUDIT FIRMS

As of 31 December 2021, total auditors fees received for the reporting period is amounting to TL 513.007.

The Group's disclosure regarding the fees for the services received from the independent audit firms, which is based on the letter of POA dated August 19, 2021, the preparation principles which are based on the Board Decision published in the Official Gazette on March 30, 2021, are as follows:

	31.12.2021	31.12.2020
Audit fee for the reporting period	206.000	182.300
Tax consulting fee	207.007	183.680
Other service fee apart from audit	100.000	-
Total	**513.007**	**365.980**

(*) The fees above have been determined through including the legal audit and other related service fees of all subsidiaries and joint ventures, and the foreign currency fees of foreign subisidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

(*)The fees above comprise of VAT excluded amounts.

NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

None.

NOTE 31 - THE OTHER MATTERS WHICH SUBSTANTIALLY AFFECT THE CONSOLIDATED FINANCIAL STATEMENTS OR ARE REQUIRED TO BE DESCRIBED IN TERMS OF MAKING THE CONSOLIDATED FINANCIAL STATEMENTS CLEAR, INTERPRETABLE AND UNDERSTANDABLE

None.