

# 2022 Integrated Annual Report



Impact grows with transformation

# Agenda

## KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. AGENDA FOR THE 2021 ANNUAL GENERAL ASSEMBLY TO BE HELD ON 30 MARCH 2023

1. Opening and election of the presidential committee,
2. Reading and discussing the Annual Report of the Board of Directors for 2022 operations,
3. Reading and discussing the independent auditors' report on 2022 operations,
4. Reading, discussing and approval of the 2022 balance sheet and income statement,
5. Releasing the members of the Board of Directors from their liabilities for 2022 operations,
6. Providing information about donations made in 2022 and setting an upper limit on such donations in 2022,
7. Presentation of the Board of Directors' proposal concerning distribution of 2022 profit, discussion of any changes, approval or rejection of the proposal,
8. Election and approval of the members of the Board of Directors, at least 1/3 of which are independent directors, in accordance with the corporate governance principles of the Capital Markets Board,
9. Determining the remuneration of the members of the Board of Directors,
10. Presentation of the remuneration principles of the members of Board of Directors and senior executives to the General Assembly
11. Presentation of the independent auditors selected by the Board of Directors to audit the company's 2022 financial statements and reports in accordance with the Capital Markets Law (statute 6362) and approval of the auditors pursuant to the Turkish Commercial Code (statute 6102)
12. Presentation of the authorization of shareholders, board of director members, senior executives, their spouses and relatives related by blood or affinity up to the second degree and transactions that may involve conflicts of interest or compete with the company or its subsidiaries pursuant to articles 395 and 396 of the Turkish Commercial Code and to relevant Capital Markets Laws and regulations and obtaining the General Assembly's approval for those individuals' involvement in such dealings,
13. Requests and comments.

### KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.


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

İstanbul Ticaret Sicili

Trade Registry Number: 95860/41270

Central Registry (Mersis) Number: 0526005749100010



For Kartonsan's annual reports   
[www.kartonsan.com.tr](http://www.kartonsan.com.tr)



Kartonsan is a member of KASAD.

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## About the Report

### ATTRIBUTES, PERIOD AND SCOPE

This report is the Integrated Annual Report of Kartonsan Sanayi ve Ticaret A.Ş. ("Kartonsan" or "The Company"). Covering the 12-month operating period between 1 January and 31 December 2022, this report also covers data related to the financial and human resources of Kartonsan's domestic subsidiaries (DÖNKASAN and SELKA). The report will be presented in Kartonsan's 2023 Annual General Meeting as an Annual Report.

### PUBLICATION FORMAT

The report is offered to stakeholders in a PDF format under the Investor Relations tab on the [www.kartonsan.com.tr](http://www.kartonsan.com.tr) website.

### REPORT CONTENT AND REGULATORY FRAMEWORK

The report includes information, indicators, graphs, tables and diagrams pertaining to Kartonsan's integrated business model, risk and opportunity management, future strategies, stakeholder communication, priority issues determined as a result of stakeholder participation, sustainability policy and management and its performance in the financial, environmental and social sphere, and the value which it created for all stakeholders in the short, medium and long term.

The report has been prepared in accordance with GRI and the Integrated Reporting Framework of the Value Report Foundation.

### AUDIT APPROACH

For the specific indicators in the report, limited assurance was provided by Güreli Sworn Financial Advisory and Independent Audit Services Inc., acting as an independent auditor. This assurance is in line with the standards of International Standard on Assurance Engagements 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information). The information related to financial statements in the report was audited by the same independent auditor. Independent auditor statements are covered on pages 74-82 of the report.

#### ABOUT NAVIGATION

These icons used in the report represent SDGs to which Kartonsan contributes.

3 6 7 8 9 12 13 15

# Presentation





A white line-art illustration of a hand holding a starfish. The hand is positioned on the left side of the page, with the fingers slightly curled as if holding something. The starfish is a simple five-pointed shape. The background is a solid blue color.

**Our solutions provide low-carbon alternatives to products that rely on finite natural resources. Our identity as a recycling facility reinforces our contribution to the circular economy.**

Thousands of medium- and large-scale brands in both local and global markets encounter the need to substitute plastic packaging in the consumption channels. These issues and similar developments will facilitate a progression in which non-recyclable materials will gradually phase out of our daily lives in the years to come.

# Corporate Profile

## Kartonsan, Turkey's first private sector coated cardboard producer, started its operations in 1967.

The competitive edge and business strategy of Kartonsan are shaped by its profound market expertise and know-how, technologically advanced production capacity, and qualified human resources. In Turkey, Kartonsan is the first privately-owned producer of coated cardboard. It was founded with an entrepreneurial and courageous mindset at a time when the state governed paper production.

In its 55th year of operation, Kartonsan acted as a responsible corporate citizen and reinforced its pioneering and exemplary corporate identity by balancing the economic interests of its stakeholders with its ESG responsibilities.

As one of the most prominent members of the coated cardboard industry in Turkey and one of the leading producers on the European market in terms of production capacity, Kartonsan stands out with its substantial utilization of waste paper in production, integration of environmentally friendly modern production technologies in the production cycle, and lean management structure, in addition to its contributions to the Turkey's economy.

## On the basis of data from 2022, exports account for 19% of Kartonsan's total sales.

Kartonsan is a prominent participant in the international coated cardboard market, recognized through its superior quality and eco-friendly products, and long-lasting customer relationships. Kartonsan's export share in terms of tonnage accounted for 19% of its total sales in 2022.

Being committed to adding value to the life cycle of tens of millions of consumers on the domestic

and international markets with its environmentally friendly coated cardboard products, Kartonsan also distinguishes itself through its unrivaled quality standards, high customer satisfaction, and robust production, trade, and logistics capabilities.

The coated cardboard produced by Kartonsan is utilized in a variety of purposes, including food, medicine, detergent, matches, perfumes, textile, stationery, glassware and small household appliances packaging, book and notebook cases, and corrugated lamination.

## Sustainability and ESG are the cornerstones of Kartonsan's strategy.

The interests of its stakeholders and sustainable overall performance are Kartonsan's permanent and unwavering goals throughout the economic and commercial cycle.

Besides, Kartonsan considers economic, environmental, and social sustainability as key aspects to long-term, sound, and profitable performance, and designs its corporate strategy accordingly.

Leadership, market experience and knowledge, production capability based on advanced technology and qualified human resources are among the key factors that shape Kartonsan's competitive edge and strategy.

## Environment and environmental protection are the essentials of Kartonsan.

The fundamentals of Kartonsan's economic and commercial operations are environmental protection and respect for the environment. Kartonsan conducts multifaceted studies aimed at minimizing the potential adverse impacts of its business cycle on the natural environment.

Being the role model of its sector, Kartonsan demonstrates its respect for nature by utilizing the highest

Kartonsan produces coated cardboard that satisfies the growing demand for sustainable products derived from renewable resources in the consumption cycle.



## 1967

Kartonsan is the first private sector coated cardboard factory, which started operations in 1967.

Kartonsan used 91% of waste paper in its production cycle in 2022. Kartonsan's utilization of this significant proportion of waste paper in its production process is indicative of the company's direct contribution in addressing critical global issues such as the preservation of forest areas and biodiversity.



possible amount of waste paper during the production process. Kartonsan, which uses 91% waste paper in its production, treats its waste water employing the most advanced techniques and reuses it, generates its own energy and utilizes the turbine exhaust gas in steam production.

Kartonsan operates under the framework of the quadruple integrated management system. The Kartonsan

Integrated Management System, which is a collective reflection of the company's primary focus on product quality, natural resources, the environment, and people, consists of the following modules:

- ISO 9001 Quality Management,
- ISO 14001 Environmental Management,

- ISO 45001 Occupational Health and Safety Management
- ISO 50001 Energy Management

Kartonsan conducts social responsibility projects in many areas, particularly in education, while also making contributions to the Turkish economy through its tax payments, and allocates a certain amount of its production to the widest array of stakeholders.

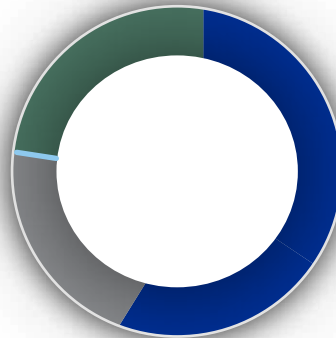


### Robust financial structure and uninterrupted shareholder support

The principal shareholder of Kartonsan is the Pak Group, holding 78.14% of shares.

Kartonsan shares, which went public in 1986, are traded under the ticker "KARTN" on the Borsa Istanbul (BIST) Stars. The last page of this report contains a summary of the performance of Kartonsan stocks in 2022.

### KARTONSAN SHAREHOLDING STRUCTURE



PAK HOLDING	34.39%
ASIL HOLDING	24.45%
PAK GIDA	19.29%
OYCAN	0.01%
OTHER	21.86%



**BORSA  
İSTANBUL**

### CORPORATE MEMBERSHIPS

- ECMA
- CEPI
- PRO CARTON
- AGED
- KASAD

## About Kartonsan

### KARTONSAN IN NUMBERS

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#### KARTONSAN FACTORY

Indoor Site Area: **101,270 m<sup>2</sup>**

Open Site Area: **337,390 m<sup>2</sup>**

Total Site Area: **438,660 m<sup>2</sup>**

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#### PRODUCTION LINES AND ANNUAL PRODUCTION CAPACITY

BM1: **80,000 tons/year**

BM2: **160,000 tons/year**

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#### ELECTRICITY GENERATION

Daily Electricity Generation Capacity  
**528,000 KWh/day**

Annual Electricity Generation Capacity  
**193 million KWh/year**

Sellable Electrical Energy  
**18 million KWh/year**

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#### PRODUCTS

(180-550 gr/m<sup>2</sup>)

Normprint

Normprint-Liner

Exprint

Luxtriplex

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#### WASTE TREATMENT PLANT

Installed Capacity: **10,000 m<sup>3</sup>/day**

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#### GRINDING CAPACITY

**2,650 m<sup>2</sup>/year**



## Kartonsan's Products

### NORMPRINT

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

### NORMPRINT – LINER

The Normprint-Liner used as lamination on the company's corrugated cardboard is manufactured on the BM2 production line in 180, 200, and 225 gr/m<sup>2</sup> weights. Kartonsan-made Normprint-Liner is a high-performance product that is especially useful as packaging for glassware and electronics and as containers for fresh fruits and vegetables. Normprint is a multi-coated cardboard with a blade top coat while the underside has a low Cobb value that makes it suitable for corrugated lamination. This product provides brilliant printability with substantial ink economy and also a high degree of durability.

### EXPRINT

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

### LUXTRIPLEX

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

Kartonsan exports its products to more than 20 countries across three continents. Bulgaria, Russia, Greece, Spain, Portugal, Israel, Romania, and Georgia constitute a significant percentage of Kartonsan's foreign market portfolio.

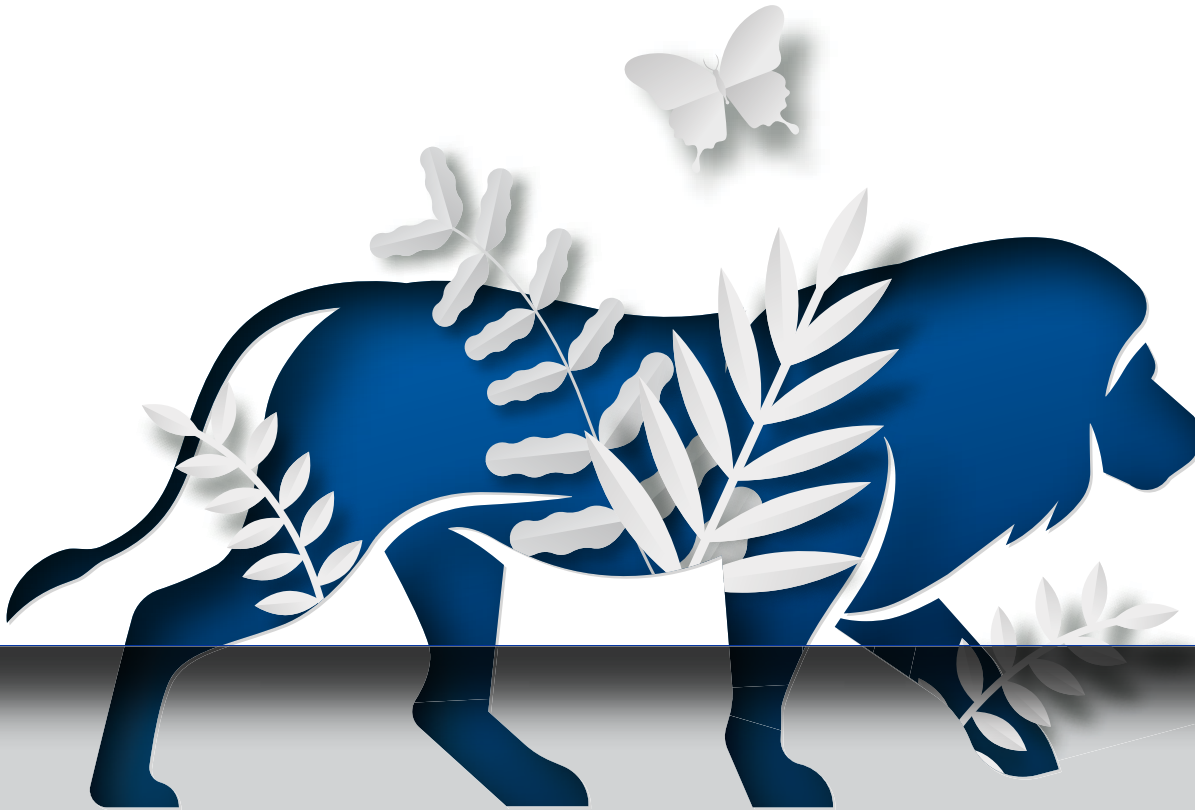
## 2022 Key Performance Indicators

Total production (Gross, ton)

**226,018**

Total sales (ton)

**219,532**



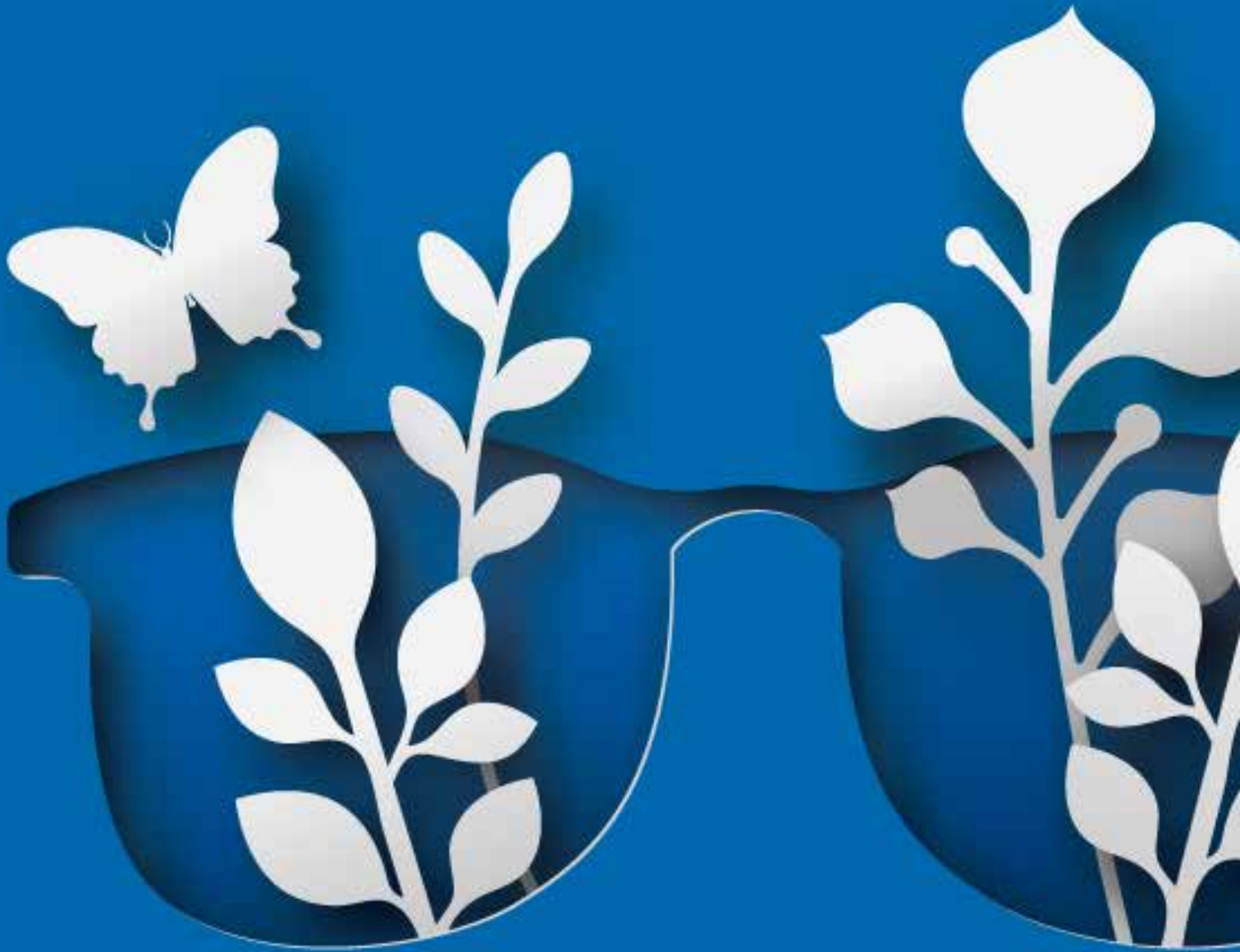



With the support of its diversified customer portfolio and strong financial structure, Kartonsan has maintained its resilience and created value in difficult times.

Net sales TL million	Domestic sales TL million	Exports TL million	EBITDA TL million	Net profit TL million
3,364	2,680	684	865	705
	Total taxes paid TL million		Total payments to suppliers TL million	
	297		2,819	

Number of employees (people)	Trainings per person (hours)	Waste paper used in production (ton)
316	12.66	231,214

## From the Management





**Coated cardboard producers have become associated with “recycling” all over the world, and have evolved to be key stakeholders in global sustainability.**

## Letter from the Chairman of the Board

Dear Stakeholders

### Comprehensive and widespread change

In addition to economic and social issues, the climate crisis, water scarcity, depletion of natural resources, migrations and the rapid increase in the needs of the world population shape the radical change experienced.

The Covid-19 pandemic, which marked the years 2020-2021, signaled a period of accelerated change, which has recently impacted daily life and economy worldwide. During this two-year period, measures to protect human health have become prevalent around the world, and digitalization has had an impact on the economy and daily life. In our new way of life, many digital formats and channels such as e-commerce, remote work, online education and so on have been integrated into our life cycle.

Whereas disruptions and breaks in global supply chains, increases and fluctuations in energy prices, high inflation and imbalances in supply and demand were unavoidable, the geopolitical tension that emerged in the geography neighboring our country in 2022 escalated rapidly into a hot conflict.

Consequently, an additional issue has been included on top of the global economy's ongoing challenges in the post-pandemic period.

The most significant outcomes of these changes, which we have outlined, remain on our agenda as an increase in the energy price, an indispensable component of economic life, and as an increase in inflation.

### A decisive step in the fight against climate change

While It is encouraging to witness a growing global awareness of the climate crisis and its detrimental impacts, the inadequacy and slow progress of measures implemented during this decisive juncture for the future of humanity and civilization constitute a cause for contemplation.

While the annual COP (UN Conference of the Parties) conferences turn into a major focus of attention, the participation of governments and their determination in the fight against the climate crisis are closely followed. COP27 conference, held in Egypt in the autumn of 2022, took place in the shadow of the adverse geopolitical and economic global outlook that we outlined above, and its outcomes remained limited. The most solid outcome of COP27 was the historic resolution of the parties to establish a Loss and Damage Fund for the countries most vulnerable to the climate crisis.

**In our new way of life, many digital formats and channels such as e-commerce, remote work, online education and so on have been integrated into our life cycle.**



## COP27

The most solid outcome of COP27 was the historic resolution of the parties to establish a Loss and Damage Fund for the countries most vulnerable to the climate crisis.

## Letter from the Chairman of the Board

### The importance of collaboration

**Further strong and long-lasting partnerships and collaboration are needed more urgently than ever before.**

It is unrealistic to expect governments or institutions to address global issues on their own and such an expectation would be unjust. Being equipped with the necessary knowledge, competence, skills, and technology for a solution is a source of optimism, despite the fact that humanity faces an extended journey with complex challenges.

### Leading stakeholder of the circular economy

**Our industry is a prominent participant in the effort to fight against the climate crisis and is assuming increasing levels of responsibility.**

The upcoming period will mark a process in which we will witness a gradual phase out of non-recyclable materials from our daily lives, resulting in a systematic increase in demand for coated cardboard. Hundreds of thousands of manufacturers in global markets are currently seeking a solution to the challenge of substituting plastic packaging in consumption channels. The recyclability of waste packaging throughout its entire life cycle is key to the sustainability of the ecosystem. Any packaging made of coated cardboard becomes a part of the solution and contributes to the transition to a carbon neutral economy.

Coated cardboard has the highest recycling rate among all packaging materials. Coated cardboard produced by our company in a rich variety of products, offers low-carbon alternatives to products such as plastics based on finite natural resources.

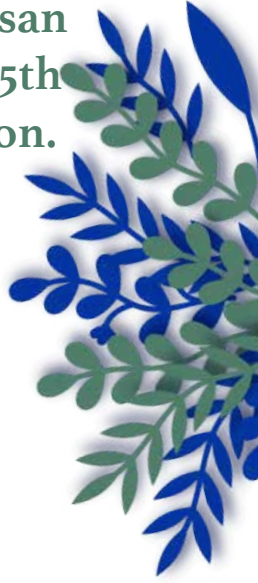
### Our 55th Anniversary

**Kartonsan is an economic actor that duly accomplishes the responsibilities it undertakes.**

In 2022, Kartonsan celebrated its 55th year of operation. Kartonsan has a corporate history spanning over fifty years, which has witnessed numerous major junctures and milestones in both global and the country's history. The institutional foundations we have established during this period have significantly contributed to converting the current global change and transformation into an opportunity, owing to our sound and efficient governance structure.

Kartonsan is recognized as a credible producer, prudent and trustworthy trader not only in our country, but also in the European industry of coated cardboard. In addition to playing a role in the daily lives of hundreds of millions of people through its products sold in more than 20 countries, our company provides sustainable contribution to Turkey's economy through exports.

**In 2022, Kartonsan celebrated its 55th year of operation.**





Kartonsan is also a key participant of the circular economy. Considering being an efficient organization and protecting all the natural resources it uses among its primary goals, Kartonsan utilizes the maximum amount of waste paper possible in its production processes. The utilization rate of waste paper, which surpasses the European average, indicates Kartonsan's identity as a recycling company.

Kartonsan used a total of 231,214 tons of waste paper in the production of coated cardboard in 2022, and produced 226,018 tons of coated cardboard. Kartonsan is committed to investing in measures that mitigate its possible adverse impact on the environment and to reducing its ecological footprint.

### 2023 and beyond

Kartonsan is distinguished by its exceptional power of foresight, strong financial structure, ability to embrace change and proficient human resources, and thoroughly fulfills its responsibilities by achieving a robust, sustainable, and healthy performance in line with its primary goals.

In line with our strategic goal of consistently increasing shareholder value, we will reinforce our position in both domestic and international markets with the breakthroughs we will make in the upcoming term, and we will continue to augment our contribution to the Turkish economy.

The energy Kartonsan needs to achieve its goals is derived from the strong and consistent support of its shareholders, particularly the Pak Group, the courtesy of its customers, the dedicated efforts of its employees; in other words, from the strong and long-lasting bond that its stakeholders have established with the Kartonsan brand.

We are confident that our country, which has positively differentiated itself and continued to grow in the challenging global economic landscape of 2022, will deliver a performance worthy of the 100th anniversary of our Republic in 2023. On the other hand, Turkey and its neighboring geography, with their dynamic characteristics, possess a great potential and provide us all with opportunities to manifest our growth scenarios through our performance.

For the upcoming term, when the changes in supply and demand components, particularly in competitive conditions, will persist, we are committed to enhancing our six capitals, as described in detail in our report, through a risk-conscious and opportunity-driven approach, and to creating value by deploying these capitals in the appropriate areas at the right scales.

Personally and on behalf of our Board of Directors, I would like to express our gratitude particularly to our employees in adding value to our brand through their dedicated efforts, and to our local and international customers and other stakeholders, and hope that the year 2023 will bring peace, happiness and good health to our world.

With Regards,

Prof. Dr. Ünal Bozkurt  
Chairman of the Board

## waste paper

**Kartonsan used a total of 231,214 tons of waste paper in the production of coated cardboard in 2022, and produced 226,018 tons of coated cardboard.**

## General Manager's Assessment

Dear Stakeholders,

Proceeding forwards the future in its 55th year with a corporate identity focused on productive and profitable growth on solid corporate foundations, Kartonsan has accomplished a performance that is in line with its goals in the unpredictable market conditions of 2022 with its well-constructed business model.

### As the year 2022 is left behind...

As we entered the year 2022 in an environment where we were striving to clarify our projections and plans by simultaneously addressing the status of the global epidemic and the forecasts for the future of inflationary trends, a long-standing geopolitical risk became reality, and the war between Russia and Ukraine broke out.

This development, which represents a new breaking point in the global economy, has brought along a process that would be hard to project in terms of its results and duration.

The initial and immediate impact of this hot conflict was reflected in the energy and commodity markets, and the embargo and restriction decisions that developed as a reaction of the Western countries to the Russian invasion, caused a surge in the the barrel price of Brent oil, reaching its highest point in the past decade, and ignited the concerns about the supply chain again, and the prices of many commodities to rise rapidly, and resulted in a rapid increase in the prices of several commodities.

### Healthy performance in a challenging year

Kartonsan concluded the year 2022 by acting responsibly as the foremost and long-established company in its sector, and by meticulously balancing the economic interests of its stakeholders with its environmental and social commitments.

Kartonsan, one of the leading suppliers in the European geography, has continued to contribute to Turkey's economy uninterruptedly in terms of total added value, exports and employment..

### Highlights of our results...

In 2022, Kartonsan's consolidated net sales increased by 112% as compared to the previous year amounting TL 3,364 million, our consolidated operating profit for the same period was TL 732 million, and our net profit was TL 705 million. Based on the financial results presented, our return on equity for 2022 was 50%, while our return on assets was 39%, and our consolidated profit per share with a nominal value of TL 1 amounted to TL 9.4.

Our sales turnover and profit, which is an outline of our performance in 2022 under conditions of high inflation, contributed to the optimal balance of Kartonsan's net working capital and available funds, and our liquidity, financial structure, and other financial ratios remained favorable throughout the year.

**Kartonsan concluded the year 2022 by meticulously balancing the economic interests of its stakeholders with its environmental and social commitments.**



## Optimal balance

Our sales turnover and profit, which is an outline of our performance in 2022, contributed to the optimal balance of Kartonsan's net working capital and available funds.

## General Manager's Assessment

Kartonsan maintained its presence in both the domestic and export markets, with exports accounting for 19% of its total sales. Our coated cardboard export earnings have amounted to TL 684 million and our products have been exported to over 20 countries across three continents.

### Fundamentals of our success

The success of our company, which once again demonstrated its corporate sustainability with its 2022 results, is not a coincidence, but rather the result of integrating key components with strategic management. Kartonsan, which is highly resilient, robust, and future-oriented, has expanded its brand into new markets over the years, adopted the latest technology of the industry into its production cycle, and maintained a healthy and stable growth.

### Coated cardboard accompanies us at every moment of our lives

Our Company, which produces coated cardboard from recycled paper, contributes to the circular economy with its high-quality product portfolio that satisfies the demands of cardboard packaging producers and end consumers.

Coated cardboard, which we produce with the responsibility of our identity as a recycling company, accompanies us in our daily lives and adds value in countless products ranging from food, medicine, detergent, matches, perfumery, textile, stationery, glassware and home-appliances packaging to the books and notebooks that accompany our children's school life.

Kartonsan conducts its production operations with an approach that prioritizes the enhancement and expansion of the value proposition provided to customers across every aspect. Kartonsan is committed to the development, production, and provision of healthy and eco-friendly products that enhance the quality of life.

### We will enhance our efforts towards fighting against climate change

We possess the capability to develop our production capabilities and products in accordance with the evolving global trends and demands, which is another significant area of our expertise.

Within this context, Kartonsan places significant emphasis on environmental protection and showing respect for the environment as two key principles that govern its economic and commercial operations. Kartonsan strives to minimize the adverse impact of its business operations on the natural environment and conducts extensive studies in this regard.

Kartonsan, as a role model in its industry, demonstrates its respect for the environment by utilizing the maximum amount of waste paper possible during its production process. Using waste paper at the level of 91% according to the end of 2022 data, Kartonsan employs state-of-the-art techniques to treat its wastewater and reuses it. At the same time, our company is at a much more optimal level compared to its global competitors in terms of the water level it consumes per ton in coated cardboard production.

In addition to the infrastructure and superstructure we have, we are focusing our new investment efforts on boosting our commitment to fighting against climate change and global warming, which are regarded as the most serious threats to humanity.

Kartonsan has expedited its efforts towards transitioning to renewable energy in response to the global energy crisis of 2022 and the subsequent natural gas price surge. As a result of the feasibility studies we have conducted, we have found it appropriate in principle, to establish a biomass power plant.

Our goal is to finalize our efforts in this particular area in 2023 and to commission our biomass power plant in 2024. Upon completion of this project, significant gains will be achieved in reducing Kartonsan's carbon footprint while simultaneously decreasing energy costs associated with production.

### Dear Stakeholders,

As a company that prioritizes human resources and is committed to protecting its stakeholders.

A strike decision was announced at Kartonsan on 22 December 2022.

Selülöz-İş Union, the representative of our blue-collar employees, with whom we have been working with mutual respect, affection and understanding for many years, deemed the wage offers we presented for the new period unsatisfactory and preferred to go on strike, which is their legal right. As a natural consequence of this situation, production at the Kartonsan Factory

were suspended on the same day, and the strike is still ongoing as we prepare our report for publication.

Throughout its corporate history, Kartonsan has consistently strived to be a fair employer that adheres to all legal and regulatory requirements, respects all rights of its employees, focuses on protecting its stakeholders, and operates with a win-win mindset, and has demonstrated outstanding success in this regard as well.

It is a well-established fact that the inflationary environment, which was closely linked to and had an adverse effect on the global and national economy during the period of 2021-2022, had a detrimental impact on the welfare of individuals.

Acting as a responsible employer, we have adopted wage procedure that were above market practices and focused on protecting our employees throughout this period, while also considering the financial sustainability of our Company.

The rejection of the offers submitted during the negotiations is one of the possibilities in the regular course of business life.

It is our sincere and corporate wish that this dispute will be resolved in a way that reflects the interests of the parties with a win-win approach, and that the Kartonsan family can return to its productive days as soon as possible.

### In 2023...

Assessments indicate that the global economy is expected to exhibit a volatile and fluctuating trajectory in 2023 as well. This process will continue to require the prioritization of risk-oriented management, the sustainability of a sound financial structure, and agile governance as key aspects for achieving success.

Kartonsan will focus on sustainable profitability, efficiency and savings, and will strive to leverage optimization opportunities throughout all stages of its operations. Our company aims to enhance its market presence in both the domestic and export markets through a well-balanced strategy.

As we strive to boost customer satisfaction and elevate our level of quality, we remain committed to enhancing the total value proposition for our human resources, who are the architects of our sustainability, and considering occupational safety and health as a key goal.

Kartonsan, being a prominent entity in the coated cardboard industry of Turkey, has set forth the following future objectives

- To enhance and sustain its global and national market position,
- To carry its exemplary identity in the Turkish industry sector to the future by incorporating innovative and contemporary practices, and
- To create and share value by considering the common interests of all its stakeholders.

I would like to express my gratitude and extend my utmost respect to our domestic and international customers, suppliers, investors, our shareholder Pak Group, Board of Directors, and particularly to our employees who have dedicated their efforts towards our growth journey and contributed to our overall performance.

**Haluk İber**

Member of the Board of Directors and General Manager

## 2023

**Our company aims to enhance its market presence in both the domestic and export markets through a well-balanced strategy.**

## Kartonsan Board of Directors

**Ünal BOZKURT**  
Chairman

**Aslı BALKIR**  
Deputy Chairman

**Süleyman KAYA**  
Deputy Chairman

**Babür GÖKÇEK<sup>1</sup>**  
Board Member

**Sinan Ercan GÜLÇUR**  
Board Member

**Mehmet İMREGÜN**  
Board Member

**Hatice Canan PAK İMREGÜN**  
Board Member

**İlker CENGİZ**  
Board Member

**Ahmet Göksel YÜCEL**  
Independent Board Member

**Süleyman Kadri MİRZE**  
Independent Board Member

**Recep BİLDİK**  
Independent Board Member

**Rüya ESER**  
Independent Board Member

**Haluk İBER**  
Board Member and General Manager

· Information on the duties and duration of the members of the Board of Directors is presented at OTHER INFORMATION AND MATTERS REQUIRED TO BE CLARIFIED PURSUANT TO THE LEGISLATION section of this report.

· <sup>1</sup> Mr. Babür Gökçek served on the Board of Directors between 1 January and 31 March 2022.





## Executive Management of Kartonsan and Affiliated Companies



### Süleyman KAYA

#### President of Packaging Group

He received his undergraduate degree from İstanbul Technical University Engineering Faculty, Mechanical Engineering Department. Mr. Kaya received graduate degree from Mechanical Faculty of NRW-Aachen Technical University, Germany. He started his career at Kartonsan in 1983 as a Project Engineer. After serving as Manager, Deputy General Manager and Member of the Board of Directors positions, he was appointed in 2012 as the Head of Packaging Group within the new structure, responsible for the companies in which Kartonsan is included, within the body of Pak Holding.



### Haluk İBER

#### General Manager

He received his undergraduate degree from İstanbul Technical University, Chemical-Metallurgical Faculty, Chemical Engineering Department. He completed Chemical Engineering graduate program at The University of Maine. Joining Kartonsan as an R&D Engineer in 1991, Mr. İber was appointed as the General Manager in 2012.



### Güven ŞANLI

#### Mill Manager

He received his undergraduate degree from İstanbul Technical University, Sakarya Engineering Faculty, Electric-Electronic Engineering Department. Mr. Şanlı, who joined Kartonsan in 1997 as a Measurement and Control Maintenance Engineer, worked in various units at Kartonsan and was appointed as the Mill Manager in 2021.



### Ş. Başak KAYA

#### Chief Manager of Human Resources and Quality Systems

Mrs. Kaya graduated from İstanbul University Faculty of Engineering, Environmental Engineering and completed the Business Administration Graduate Program of Kocaeli University Social Sciences Institute. Joining Kartonsan as a Customer Representative in 1999, Mrs. Kaya served in various departments of Kartonsan and was appointed as the Human Resources and Quality Systems Manager in 2014.



### Atiye S. TUĞTEKİN

#### Chief Manager of Purchasing

Mrs. Tuğtekin graduated from Hacettepe University Faculty of Social and Administrative Sciences, Department of German Language and Literature, and completed Marmara University Foreign Trade Graduate Program. Mrs. Tuğtekin, who joined Kartonsan in 1977 in the Foreign Trade Department, was appointed as the Purchasing Manager in 2002.



### R. Kemal ÖZKIRIM

#### Chief Manager of Marketing

Mr. Özkırım graduated from Boğaziçi University, Department of Civil Engineering and received his MBA from the same university. Mr. Özkırım joined Kartonsan in 2002 as the Marketing Executive and was appointed as the Marketing Manager in 2005.



#### **Bülent KORU**

##### **Chief Manager of Financial Affairs**

Mr. Koru graduated from İstanbul University, Faculty of Economics, Department of Finance and holds the SMMM (Free Accountant and Financial Advisors) certificate. He joined Kartonsan in 2002 as Financial Affairs Manager.



#### **İhsan DOĞAN**

##### **Chief Manager of Technical Division**

He graduated from Kocaeli University Mechatronics Engineering. After joining the Kartonsan Management Trainee program in 2010, Mr. Doğan worked in various units of Kartonsan and was appointed as the Technical Division Manager in 2021.



#### **Ümit DİNÇOL**

##### **Chief Manager of Production Services**

He graduated from Anadolu University, Faculty of Engineering and Architecture, Department of Industrial Engineering. Mr. Dinçol, who joined Kartonsan in 1993 as an Operations Engineer, worked in various units of Kartonsan and was appointed as Production Services Manager in 2014.



#### **Volkan TURK**

##### **Chief Manager of Production**

He received his undergraduate degree from İstanbul Technical University, Chemical-Metallurgical Faculty, Chemical Engineering Department. Mr. Turt completed his master's degree in Chemical Engineering at The University of Maine. Mr. Turt joined Kartonsan in 1998 as a Production Engineer and was appointed as Production Manager in 2016.



#### **Ümit ÖZKAN**

##### **Selka General Manager**

He received his undergraduate degree from İstanbul Technical University, Faculty of Management, Industrial Engineering Department. Joining Kartonsan in 2002 as Production Services Manager, Mr. Özkan worked in various units at Kartonsan and was appointed as Selka General Manager in 2021.



#### **M. Kayhan Ural**

##### **Dönkasan Company Manager**

He graduated from Mimar Sinan University, Faculty of Arts and Sciences, Department of Sociology. Joining Dönkasan in 2010 as Assistant Sales and Marketing Manager, Mr. Ural worked in various units at Dönkasan and was appointed as Dönkasan Company Manager in 2015.

## Strategy and Sustainability Approach



**The year 2022 has passed. As every year, the Collins, Oxford, Merriam-Webster and Cambridge dictionaries have chosen the words of the year.**

Word of the year

- “goblin mode”, which can be summarized as “one’s opposition to social life patterns” from Oxford,
- “permacrisis” from Collins, which refers to conditions of constant crisis,
- “gaslighting”, which we can summarize as psychological manipulation from Merriam-Webster,
- from Cambridge as ‘homer’, a form of running in baseball

## **In summary**

The conditions experienced in 2022, which we look at in the axis of the economy and business world, are summarized by ‘permacrisis’, which is used as “hepkriz” in Turkish.



## Trends: The World, Turkey and the Sector

### THE ENERGY CRISIS

**The year 2022 was marked by the energy crisis that emerged immediately following the Russia-Ukraine conflict.**

Following the escalation of geopolitical tensions between Russia and Ukraine into a hot conflict in February 2022, the European Union and the United States imposed severe sanctions on Russia, a major energy generator and exporter.

This unexpected development resulted in an interruption in energy supplies and an increase in prices. The rise in energy prices had an immediate impact on the global economy. The natural gas supply crisis, as well as the excessive hikes in all kinds of energy prices, increased the inflationary tendencies witnessed following the pandemic.

EU countries endeavored to rapidly reconsider their energy policies and secure alternatives, while living conditions and economic activities were significantly impacted.

In its World Energy Outlook 2022 report, the International Energy Agency (IEA) stated that the global economy is going through a global energy crisis that has resulted in an unprecedented shock.

The crisis has once again revealed the fragility of global supply chains. It has been observed that European countries, which have increased their liquefied natural gas (LNG) imports in response to the curtailment of gas supply from Russia through pipelines, do not have sufficient LNG storage

capacity. According to the IEA, the EU's natural gas supply-demand gap in 2023 is projected to be 27 billion cubic meters. This gap represents approximately 7% of the EU's baseline natural gas demand level.

It is anticipated that the European Union's reliance on energy imports from Russia will persist for a period of time. Based on the statistical data of 2021, it can be observed that the European Union sourced over 40% of its total gas consumption, 27% of its oil consumption, and 46% of its coal consumption from Russia.

The global energy crisis has triggered a chain reaction across the world. Coal exports to India have reached record levels, while economies such as Japan and South Korea have started considering to return to nuclear energy.

Developing and underdeveloped economies whose economic activities rely on imported energy have to compete with developed economies for access to energy at high prices.

**High energy prices are likely to remain on the agenda for a while.**

The supply shortage triggers the fluctuating trajectory of international energy price trend.

As long as geopolitical conditions and global supply and demand do not undergo a radical change, the high trajectory of energy prices and the disruption in energy supply will remain on the agenda.

According to the Oil Market Report released by the International Energy Agency, it is anticipated that there could be a shortfall in crude oil supply during the third quarter of 2023, leading to an eventual rise in prices.

In the World Bank Commodity Markets Outlook Report, it is projected that energy prices will decline by 11% in 2023 and 12% in 2024, but will remain 50% above the average of the last five years throughout 2024. High energy prices will continue to trigger inflationary pressures that will affect businesses and human lives particularly through second-round effects such as higher transport and electricity costs.

According to the 2023 Energy Outlook report by S&P Global Commodity Insights, it has been noted that while the prices of natural gas, coal, and crude oil are expected to decrease on average in 2023, the European gas and electricity markets may continue to face challenging conditions unless structural reforms are undertaken to reduce dependence on natural gas.

High energy costs have led energy-intensive businesses in many European countries to curtail output, shut down or switch their production.

Considering the ongoing geopolitical uncertainties, climate change and volatility in exchange rates, it is anticipated that the uncertainty in the energy markets will continue in 2023. This situation has the potential to extend beyond a state of uncertainty and result in a radical restructuring of the global energy outlook.

**Investing in renewable energy capacity remains a top priority.**

It is projected that high energy prices will encourage the world, and Europe in particular, to accelerate the energy transition and adopt renewable energy resources.

As part of its REPowerEU plan launched in March, the EU announced in May an additional investment



**Turkey is a candidate to become a worldwide distribution hub for natural gas, where benchmark prices will be set by supplying LNG from various countries in addition to gas purchased via pipelines. All of these issues, as well as the establishment of the infrastructure, are expected to be on the agenda in 2023.**

of Euro 210 billion before 2027 towards its green transition, including diversification of energy supplies and an accelerated deployment of renewable energy to replace fossil fuels.

Projections indicate that the total renewable energy capacity growth worldwide will be almost doubled in 2022-2027, and WPP and SPP investments will account for over 90% of the renewable energy capacity to be added to the portfolio during the upcoming five-year period.

Although hikes in energy prices may speed up the transition to renewables to a certain extent, some professionals express concern that the present crisis may cause certain countries to increase their reliance on traditional resources of energy.

#### **Can Turkey seize a historic opportunity?**

While Turkey is affected by the global repercussions of the energy crisis, it has the opportunities to leverage the advantages of its geopolitical position.

Our country's energy supply acquires conjunctural significance as a result of the balancing policies it has adopted. Lines passing through Turkey (TANAP, TurkStream-2, and Blue Stream) make it feasible for natural gas to flow to Europe. Turkey's geopolitics also has huge potential for the development of new supply lines.

Turkey has ensured the security of supply in energy with 7 international natural gas pipelines, 4 LNG power plants, 2 of which are floating, and 2 underground natural gas storage facilities.

Turkey-Azerbaijan-Turkmenistan conduct studies to connect Turkmen gas to the Trans-Anatolian Natural Gas Pipeline (TANAP) after Azerbaijan and to transport the gas first to Turkey and subsequently to Europe. Furthermore, the transportation of natural gas from Russia to Europe through this channel is currently under consideration.

Turkey is a candidate to become a worldwide distribution hub for natural gas, where benchmark prices will be set by supplying LNG from various countries in addition to gas purchased via pipelines. All of these issues, as well as the establishment of the infrastructure, are expected to be on the agenda in 2023.

As part of the efforts to mitigate the impacts of the energy crisis that Europe encounters, there are plans to maximize the utilization of existing energy pipelines in Turkey and to expand their capacity.

The EU Commission and Azerbaijan signed an agreement in July 2022 stipulating that the gas supply to the EU through the Southern Gas Corridor, a significant portion of which is formed by TANAP, will be doubled by 2027. With this agreement, it is anticipated

that the infrastructure works for increasing the gas flow capacity from 16 billion cubic meters to 32 billion cubic meters in the framework of TANAP will be completed in 2023.

#### **Increasing Natural Gas Storage Capacity to 10 Billion Cubic Meters**

Silivri Natural Gas Storage Facility, one of Turkey's giant investments in energy supply security, has been put into operation with its new capacity reaching 4.6 billion cubic meters following the completion of the capacity expansion works. With this capacity expansion, the facility has become the largest offshore natural gas storage facility in Europe.

The expansion of the Tuz Gölü Underground Natural Gas Storage Facility is currently ongoing. The capacity of the facility, which is currently 1.2 billion cubic meters, will reach 52 caverns and 5.4 billion cubic meters, together with the ones to be commissioned. It is anticipated that the works will be completed within 2 years.

Efforts in this field are significant developments for Turkey in terms of ensuring its own natural gas supply security, as well as **major steps toward becoming an energy hub.**

## Trends: The World, Turkey and the Sector

### CLIMATE CRISIS

**According to the IPCC 2022 report, total net anthropogenic greenhouse gas emissions continued to rise during the period 2010–2019.**

Global greenhouse gas (GHG) emissions remain on an upward trend.

The sum of the greenhouse gas reductions committed until 2030 under the Nationally Determined Contributions (NDC1) announced by the participating countries in accordance with the Paris Agreement, remains insufficient to achieve success in limiting global temperature rise to 1.5°C.

The transition to a low-carbon economy depends on a wide variety of interconnected driving forces and restrictions. Alternative development

policies and deep decarbonisation technologies, in which significant progress has been made in the last decade, provide optimism, however limiting the adverse impacts of the climate crisis requires consolidating adopted policies, coordination of efforts, and sectoral as well as cross-national collaboration.

#### **The 7-year timeframe until 2030 is critical.**

The period of seven years leading up to 2030 and the corresponding measures to be implemented hold significant significance in the context of mitigating global warming and achieving climate stabilization.

The Paris Agreement, which was signed in 2015 and attributed importance in terms of addressing the climate crisis, brought along a common language regarding this need. As the fight against the climate crisis gains momentum, companies as well as the countries that are signatories to the agreement have started to disclose their goals to achieving net zero emissions and carbon neutrality.

Studies conducted in the context of addressing the climate crisis are closely debated at the annual COP (UN Conference of the Parties) meetings with the participation of governments, and progress is achieved through new resolutions agreed upon by the parties.


COP27 conference, held in Egypt in the autumn of 2022, took place in the presence of the adverse geopolitical and economic global outlook, and its outcomes remained limited. The most solid outcome of COP27 was the historic resolution of the parties to establish a Loss and Damage Fund for the countries most vulnerable to the climate crisis. The Fund will assist developing countries that are vulnerable to the adverse impacts of climate change in dealing with loss and damage.

An additional achievement of COP27 was the launch of a package of 25 new cooperation activities by participating countries. One of them is the action to stop forest loss and land degradation by 2030, which aims to unite action by governments, businesses and community leaders.

It is thought that important steps will be taken in forest protection with the launch of Forest and Climate Leaders' Partnership.

The short, medium, and long-term physical and transition risks associated with climate change, as well as their proper management, are critical. These risks closely concern all private sector enterprises and industries as well as governments.

#### **Who is IPCC ?**

The UN-affiliated IPCC is engaged in activities aimed at providing policymakers with regular scientific assessments of climate change, its impacts and possible future risks, and developing adaptation and improvement options. You can access the evaluation reports published by the IPCC at the link below. 

<https://www.ipcc.ch/report/sixth-assessment-report-cycle/>



<sup>1</sup> A nationally determined contribution or an intended nationally determined contribution is a non-binding national plan that emphasizes climate change mitigation, including climate-related targets for reducing greenhouse gas emissions.

**The ‘green transformation’ of the EU is anticipated to have an impact on Turkey, which makes almost half of its exports to the EU. The implementation of a carbon border adjustment, which entails a tax equivalent mechanism, is expected to result in a significant cost to Turkey’s GDP.**

**An overarching goal, the EU Green Deal envisions Europe to be the first carbon neutral continent by 2050.**

The European Union has set a goal to attain a cleaner environment, affordable energy, smarter transportation, new opportunities for employment, and an improved standard of living by the year 2050. The European Green Deal, announced in 2019, aims to facilitate a green transformation across various industries including agriculture, industry, energy, and transportation, in order to achieve its specified goals.

The European Union is currently pursuing a zero-carbon trajectory and is considering the employment of a Carbon Border Adjustment Mechanism to mitigate any adverse impacts on its economy.

This mechanism enables the imposition of a fee or tax on exports to the EU from countries that do not implement carbon pricing. The primary objective of the Carbon Border Adjustment is to safeguard the competitiveness of companies that will incur expenses in implementing measures to mitigate the impact of climate change within the European Union.

The ‘green transformation’ of the EU is anticipated to have an impact on Turkey, which makes almost half of its exports to the EU. The implementation of a carbon border adjustment, which entails a tax equivalent mechanism, is expected to result in a significant cost to Turkey’s GDP. In industries such as cement, electricity generation, fertilizer, iron and steel, and aluminum, there will be a substantial rise in costs. However, the primary concern for Turkish companies will be access to financing if they fail to adopt persistent climate change policies and practices.

It is essential to plan for the sectoral implications of the Green Deal and ensure a smooth transition towards compliance. An Action Plan,

comprising of 32 objectives and 81 actions under nine categories, with the collaboration of both public and private sectors under the leadership of the Ministry of Commerce has also been introduced. The plan serves as a roadmap with the objective of enhancing Turkey’s competitiveness in exports, reinforcing its position in the international arena, promoting green investments within the country and establishing Turkey as a center of attraction for green investments.

Although Carbon Border Adjustment poses a burden to Turkey’s exporters, it is of the utmost importance for our country to consider this development as an opportunity for a transition to a circular economy.

## The European Green Deal

The European Green Deal, announced in 2019, aims to facilitate a green transformation across various industries including agriculture, industry, energy, and transportation.

## Trends: The World, Turkey and the Sector

### COATED CARDBOARD INDUSTRY CONTRIBUTES TO COMBATING CLIMATE CHANGE AS A STAKEHOLDER OF THE CIRCULAR ECONOMY

#### A year under the shadow of the energy crisis and inflation

The coated cardboard industry's agenda for 2022 has been determined by factors such as inflation and the energy crisis.

As discussed in detail in the ENERGY CRISIS section of our report, the Russian invasion of Ukraine resulted in the emergence of an abrupt energy crisis that impacted markets throughout the year.

As one of the primary inputs of the coated cardboard industry, which is a heavy industry, natural gas has played a significant role in determining the dynamics of the game.

The abrupt surge in energy prices has imposed significant financial strain on coated cardboard producers operating in Turkey, as well as in worldwide markets. In the first month of the year, the interruption in the natural gas supply from Iran due to technical reasons affected the coated cardboard industry and caused a temporary halt in production.

#### Cost hikes in waste paper, cellulose, and wood pulp

Waste paper, cellulose, and wood pulp make up another significant input category for the coated cardboard industry. The prices of cellulose-based

high-grade pulp group waste paper have increased due to the rapid increase in energy costs in northern European countries. The prices of cellulose and wood pulp have also increased throughout the same time frame.

In the last two months of the year, the trend reversed, and a significant decline was observed in waste paper prices in the European market. The main reason for this situation was that many coated cardboard producers in the European market halted their production in September-October due to the increased energy and other input costs, resulting in a significant reduction in their procurement from the waste paper market.

Leaving the pandemic period behind and gradually returning to normal life in 2022 prompted a gradual change in market competition dynamics and a reconsideration of the pricing strategies. The first quarter of 2022 in the coated cardboard industry was experienced as a continuation of 2021, and the ongoing disruptions in the supply chains led to the market players' sustained stocking habits, resulting in strong demand for coated cardboard.

The domestic market, which started to stagnate in the second quarter of 2022, exhibited a horizontal trend in the rest of the year and even entered a period of shrinkage.

While the inflationary pressure caused a decline in demand, particularly during the summer months, a decline in consumption was started to be observed in Turkey as well as the rest of the world.

Following the resolution of supply chain disruptions to a significant degree, the issue of coated cardboard availability was decreased, resulting in a surplus of inventory for the majority of producers during the latter half of the year.

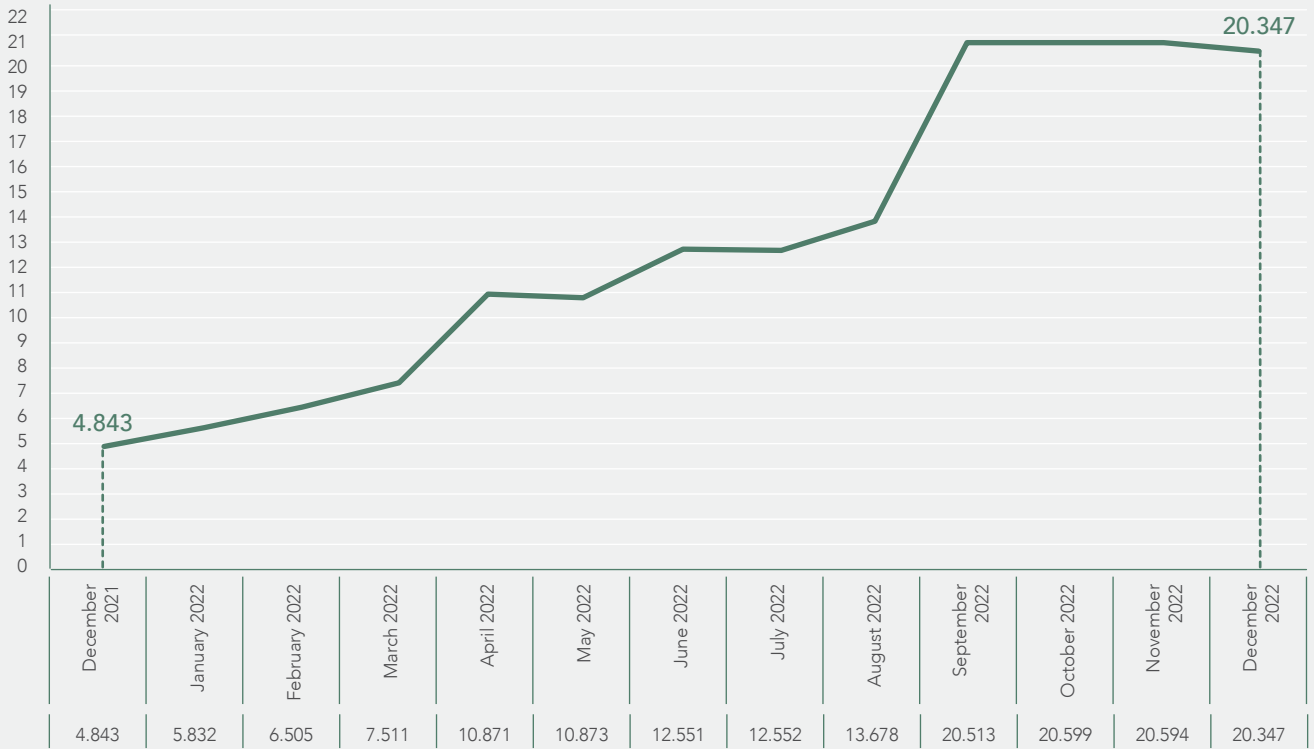
During this period of time, a decline in container costs facilitated an increase in the quantity of coated cardboard that was imported from the Far East to both the Turkish and European markets. Based on the data provided by TUIK and SKSV for the year 2022, the total value of imported cardboard amounted to USD 1.2 billion. Imports have experienced a 28% increase in tonnage as compared to the previous year. During the same time frame, exports amounting to 144,000 tons were accomplished, generating a foreign exchange inflow of USD 175 million into the Turkish economy. Exports increased by 43% on tonnage basis and 60% on value basis.

In the market conditions, where the increase in costs persisted throughout the year, particularly in the second quarter, when demand decreased and supply increased, prices remained under pressure, conditions where they were diligently managed by the producers and the increases in costs could not be fully reflected in the prices.

In 2022, market players have demonstrated a tendency to achieve production and sales balance by rescheduling their maintenance shutdowns and/or prolonging their periodic shutdowns.

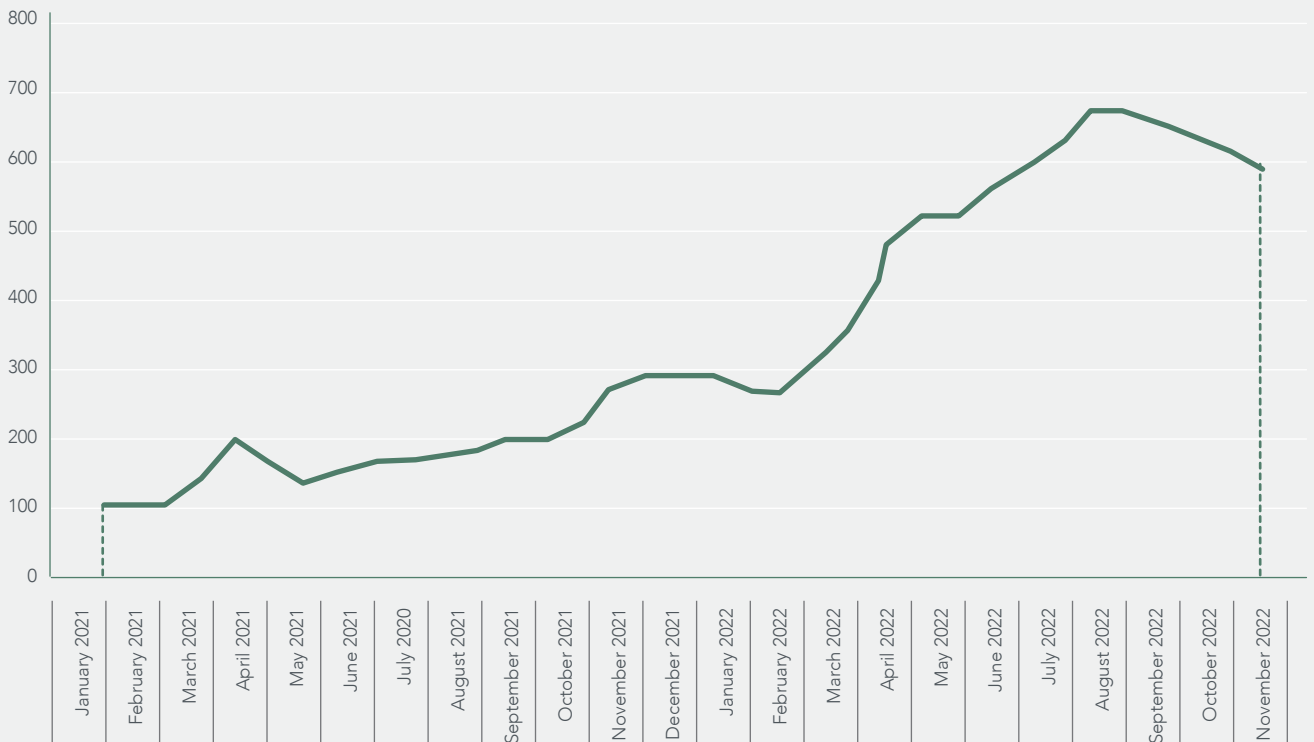
The fact that the expectations for the increase in demand for the fall were not achieved, caused the sector to spend during the last quarter of the year in a stagnant outlook, and the year was completed as a period in which stocks were attempted to be depleted.

Natural Gas Unit Price (TL/1000 M<sup>3</sup>)



Source: Market prices in Kartonsan database as a basis for the purchase

Waste Paper Price Index



Source: Market prices in Kartonsan database as a basis for the purchase

## Trends: The World, Turkey and the Sector

Year-end data of CEPI indicate that the total coated cardboard market in Turkey has contracted by 15%. However, considering the contribution of non-CEPI producers, which is not reflected in the statistics, it is worth noting that the contraction is around 5%.

### Increase in production capacity

Another factor affecting the market conditions in 2022 was that the producer, which entered the market in 2021, started production in April. With the contribution of the new producer, our country's total coated cardboard production capacity has approached 900,000 tons per year.

### Concerning 2023...

The trajectory of global conditions will remain dependent on input costs, particularly those related to energy and waste paper. Given the prevailing conditions, it is projected that the domestic market for coated cardboard will exhibit similar patterns with ones at the end of 2022, particularly during the first quarter of the year. Producers are expected to consider export options to a relatively greater extent.

The general elections that will take place in the first half of 2023 in our country will have a significant impact on market conditions during the first half of the year. However, the post-election period is likely to provide an opportunity for relief and a recovery in market conditions.

It is observed that the coated cardboard industry in our country has the potential for sustained growth and development in the medium and long term.

### Sectoral consolidation continues in Europe.

As per the data presented in the ECMA 360° Industry Update, the projected average annual volume growth of coated cardboard production in Europe for the period of 2020-2025 is 3.8%. According to the calculations of the Association, the total coated cardboard production is expected to reach 8.2 million tons and the market size to reach a volume of EUR 14-15 billion during the same period.

Inflationary pressures and the energy crisis were among the most influential factors in determining the trajectory of the European coated cardboard market in 2022. While demand for coated cardboard remained strong, the consolidation process triggered by increasing costs and competitive environment continued on the production side. Similarly, cardboard box demand remained strong in the first half of the year, but experienced a decline in the second half of the year, primarily due to the relative slowdown in e-commerce.

Based on the details outlined in the ECMA presentation, Europe did not witness any plant closures in 2022, and the acquisitions of Mayr-Melnhof and Van de Velde were among the important mergers. In the same period, a producer concluded its investment in capacity expansion while another one completed the establishment of a new factory.

The economic sustainability of small-scale producers operating in the European market will remain a topic of concern due to the global and local conditions that are expected to arise in the upcoming period, and the merger and acquisition market is expected to remain active.

A greater quantity of cardboard from India and China entered the European market in 2022 due to the decline in freight costs, and the embargoes against Russia.

### Growing impacts of environmental trends

The recent growth in sustainability and environmental trends has contributed to the rapid increase in demand for recyclable packaging, such as coated cardboard, as opposed to non-recyclable alternatives like plastic.

With the current climate of increased awareness about the environment, companies and governing bodies are taking concrete steps and setting certain goals. The benefits of packaging that is well designed, produced efficiently, used appropriately and recycled responsibly will greatly contribute to the circular economy and support resource optimization.

On the other hand, the legislation introduced by the European Union pertaining to single-use plastic (and single-use packaging) has resulted in ambiguity regarding the



**Kartonsan's Scope 1 greenhouse gas emissions, which it calculates and reports to the authority on an annual basis, have been satisfactorily verified in the ISAE 3410 International Assurance Audit Standard in 2022. Kartonsan's goal is to reduce greenhouse gas emissions resulting from operational activities.**

categorization of plastic packaging, and a considerable amount of time will be required to clarify this matter.

Many industries operating in the EU are going through a legislative tsunami within the scope of the Green Deal. This situation also closely impacts and concerns the coated cardboard

industry. On the other hand, the process of substituting plastic with cardboard will take time and require further R&D investment.

Ensuring the sustainability of waste packaging throughout its life cycle is critical for the overall sustainability of the ecosystem. Coated cardboard

packaging is a viable solution and is considered the most recyclable among all packaging materials.

**The utilization of sustainably sourced coated cardboard for packaging complies with the United Nations Sustainable Development Goals.**

## HOW DO WE MANAGE?

The management of sustainability related risks and opportunities at Kartonsan is coordinated by the Sustainability Committee, under the leadership of the General Manager.

The Company treats climate-related risks and opportunities as physical and transition-related risks.

Extraordinary weather events, extreme temperatures, drought, increased stress in water resources, national and international new regulations linked to climate change, stakeholder expectations, changes in market expectations with the transition to a low carbon economy and new technologies which improve the environmental footprint of the coated cardboard production cycle are treated as risks and opportunities associated with climate. On the other hand, transitional risks include the climate policies and legislation in place in the countries where production activities are carried out, regulatory changes in countries in which commercial activity is carried out, technological changes, fluctuations in raw material

and input prices, changes in consumer preferences and volatility in the financial markets.

The impact of risks and opportunities in these two categories on Kartonsan's operating cycle and performance are discussed within the scope of the joint work carried out by different departments and necessary action plans are developed and implemented by Kartonsan's senior management.

Basic approaches to climate-related risks are defined in the Kartonsan Sustainability Policy. Physical damages and costs due to possible extraordinary weather events, operational greenhouse gas emissions, water and energy consumption are considered and monitored as climate-related issues in Kartonsan.

Kartonsan has been satisfactorily verified in the ISAE 3410 International Assurance Audit Standard in 2022 for Scope 1 greenhouse gas emissions, which it calculates and reports to the authority on an annual basis. The relevant statement is included in the appendix section of this report. Kartonsan's goal is to reduce

greenhouse gas emissions caused by its operational activities. The Company continues to work in this direction and will share its annual goals with the public in the coming period.

The process which Kartonsan is closely following within the scope of transition risks is the European Green Deal. The risks and opportunities which The European Green Deal may present in the medium term are evaluated and necessary action plans are being drawn up.

On the other hand, the Company handles movements in energy prices with a proactive procurement policy and a short-medium-term planning approach, as well as the changes in prices of waste paper, wood pulp and cellulose, which constitute its most important inputs.

1 A nationally determined contribution or intended nationally determined contribution is a non-binding national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions.

## Stakeholder Communication

Kartonsan places importance on its stakeholders and priorities, as they are the key components within the framework of company's strategy for creating inclusive and sustainable value.

Kartonsan carries out continuous and effective communication and interaction with its stakeholders. This process mainly takes place in the employment, production and trade cycles and on different platforms.

Kartonsan leverages feedback, suggestions, and data obtained through stakeholder communication as valuable and guiding inputs across various topics, including

- determining strategic priorities,
- establishing corporate policies,
- developing social responsibility projects
- managing risks and opportunities

### KARTONSAN'S STAKEHOLDERS

- Investors (including shareholders)
- Customers
- Suppliers
- Employees
- NGOs
- Regulatory authorities

### Collaboration with industrial associations and organizations

Kartonsan maintains close communication with industrial associations and organizations regarding sustainability and ESG matters within the context of stakeholder dialogue. Among these are ECMA, CEPI, and PRO CARTON ECMA, CEPI and PRO CARTON abroad and AGED, KASAD and SKSV in Turkey. Kartonsan has conveyed its viewpoints and recommendations to TOBB via SKSV with respect to the modifications in legislation and legal framework for the year 2022, as it has done in previous years. The company has engaged with ECMA, CEPI, and PRO CARTON, prominent organizations within the overseas coated cardboard industry, and has participated in their meetings.

### STAKEHOLDER ANALYSIS STUDY

Kartonsan carried out stakeholder analysis studies on a regular basis in order to identify its strategy and priority issues in line with the opinions of its stakeholders and in order to share information regarding stakeholder priorities within the scope of its periodic reporting. The Company aims to carry out stakeholder analysis studies every two years in principle, taking into account its established strategy and business model based on a long-term perspective.

In light of this objective, the senior management at Kartonsan did not conduct any new stakeholder analysis or updates in 2022, under the assumption that the outcomes of the extensive stakeholder analysis study conducted in 2021 are still relevant.

The content that served as the foundation for Kartonsan's 2021 Integrated Annual Report has been retained in this report and utilized as a reference for identifying the topics.

### Methodological information on stakeholder analysis

Kartonsan stakeholder analysis, which is used in this report, is based on qualitative research methods in addition to quantitative analysis methods. In accordance with the AA1000 Stakeholder Participation Standard, sample groups were identified and surveys, e-meetings and telephone conversations were carried out on electronic platforms with these groups.

In the interviews, open-ended questions were asked to collect information on the perceptions and attitudes of stakeholders regarding Kartonsan, as well as their personal motivations and priorities. The quantitative research section of the stakeholder analysis was conducted through a survey with questions which analyzed stakeholder perceptions towards Kartonsan and their views on sustainability priorities. In the same context, interviews were held with Kartonsan's senior management in an e-meeting format.

**Identifying the material issues in accordance with the expectations of the stakeholders is important for Kartonsan, which reflects the integrated management perspective to its business strategy and business processes.**

### Gap Analysis

Building upon the results of the comprehensive gap analysis conducted in 2021, Kartonsan has proceeded with its ESG efforts in 2022.

As a result of the studies which were conducted, the priority issues of stakeholders and the Company management were reviewed simultaneously with the outcomes of gap analysis and ranked within the scope of the priorities matrix.

### THE MATERIALITY MATRIX OF KARTONSAN AND ITS STAKEHOLDERS.

The stakeholder analysis, which was carried out for both Kartonsan and its stakeholders and taken as a reference for the 2021-2022 operating period, found six environmental-themed issues to be high priority, along with a topic on social and administrative matters which was also considered to be of high priority for Kartonsan and its stakeholders.

In addition, career development and training opportunities, along with OHS, as two issues which internal stakeholders considered to be of high priority, were also considered to be of high priority category for Kartonsan, as they are of primary interest to Kartonsan's human resources and are closely related to the success of the company.

These results are in line with Kartonsan's mission, as well as its core objectives and strategies. Kartonsan's identity as a recycling company, contributing to Turkey's economic development, as well as its mission and activities shaped around this identity are evidently included in company's priorities.

Career development and opportunities for education, along with OHS, have

been among the high priority issues for internal stakeholders. Viewing human resources as the basis of its successful and sustainable performance, Kartonsan’s management confirmed the priority and strategic importance of these issues during its online meetings, where it was stated that increasing employee development and satisfaction through investment in human resources was a key factor in the overall success of the company.

Contributing to society, considered to be one of the most important areas of sustainability, has been one of the medium priority issues. Both internal

and external stakeholders attach importance to Kartonsan’s approach to sharing its value with society on a wide-scale. After all, Kartonsan is a member of society. Data security, human rights, high work standards in the supply chain, transparency and business ethics within the scope of corporate social responsibility and sustainability strategies are issues of moderate importance for internal stakeholders. On the other hand, both internal and external stakeholders prioritize diversity and inclusion on the social context equally with responsible marketing and product transparency under the topic of governance.

**THE CONNECTION BETWEEN HIGH-PRIORITY ISSUES AND ESG MATTERS**

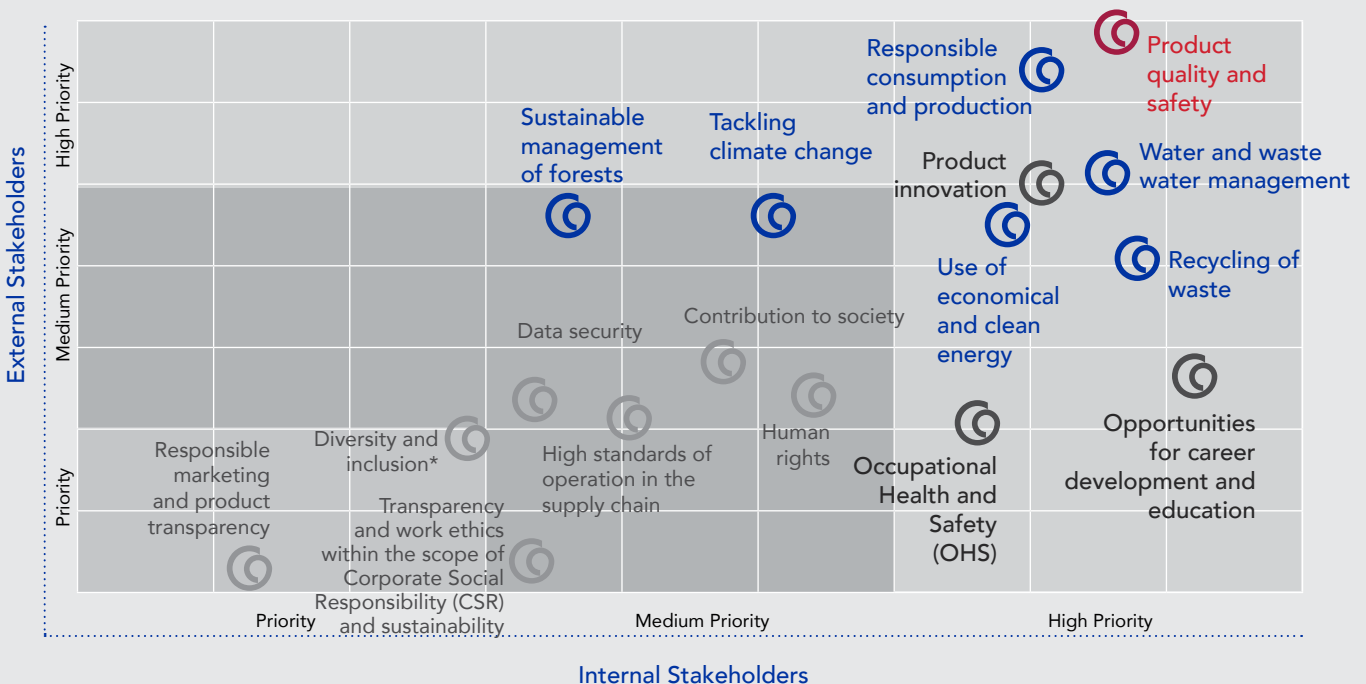
The table outlines the high-priority issues identified through the stakeholder analysis study. It includes information on the stakeholders affected by these issues, the relationship between the material issues and Kartonsan’s strategies, the SDGs that the company’s performance serves, and the section of the report that details the activities related to each priority issue.

**ESG LINK TO HIGH PRIORITY ISSUES**

<p><b>ENVIRONMENTAL</b> </p>	<ul style="list-style-type: none"> <li>• Economic and clean energy use</li> <li>• Water and wastewater management</li> <li>• Waste recycling</li> <li>• Responsible consumption and production</li> <li>• Tackling climate change</li> <li>• Sustainable management of forests</li> </ul>
<p><b>SOCIAL</b> </p>	<ul style="list-style-type: none"> <li>• Product Innovation</li> <li>• OHS</li> <li>• Career development and employment opportunities</li> </ul>
<p><b>ADMINISTRATIVE</b> </p>	<ul style="list-style-type: none"> <li>• Product quality and safety</li> </ul>

**Kartonsan maintains close communication with industrial associations and organizations regarding sustainability and ESG matters within the context of stakeholder dialogue.**







**MATERIALITY MATRIX FOR KARTONSAN AND ITS STAKEHOLDERS**



# Stakeholder Communication

## KARTONSAN'S PERSPECTIVE ON HIGH PRIORITY ISSUES, AND STAKEHOLDER, SDG CLASSIFICATION

High Priority Issue	Relevant Stakeholders (Internal/ External)	Prioritization Strategy	SDG	The Relevant Section of the Report
Product quality and safety	Internal and external stakeholders	Kartonsan's constant goal is product quality and safety. At the other end of the production-trade cycle, product quality and safety, which ensures continuity in customer and end-user satisfaction, are among the determinants of operational and financial performance.		OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS
Economical and clean energy use	Internal and external stakeholders	The utilization of economical and clean energy in the production process is crucial in terms of combating climate change. Kartonsan took steps towards transitioning to renewable energy resources in 2022 and put the biomass power plant investment on its agenda. The project is scheduled to be implemented in 2023 and commissioned in 2024. Kartonsan carries out energy management to ISO50001 standards. The Company aims to improve energy efficiency in the production process and optimize energy use in production.		OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Water and waste water management	Internal and external stakeholders	Management of wastewater, one of the main inputs in the process of coated cardboard manufacturing, is among the high-priority issues. Kartonsan has performed successfully in this field with its projects carried out under the support of R&D and engineering activities. Kartonsan's strategic goal is to reduce the use of water within the scope of natural resource consumption to the lowest possible level and to further improve wastewater acquisition with new investments. The company continues to work on Process Water Improvement and Waste Dewatering projects.		OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Waste recycling	Internal and external stakeholders	Kartonsan documented its waste management with the zero waste certificate and considers itself as a recycling company. The company contributes significantly to the circular economy by using waste paper for 91% of its production. Kartonsan's waste management approach initially involves reducing waste at the source and then disposing of wastes where are not suitable for recycling, and then recycling at a later stage.	 	OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS KARTONSAN AND THE ENVIRONMENT
Responsible consumption and production	Internal and external stakeholders	To serve a sustainable world both in terms of its production cycle and its raw materials, and therefore support and enhance responsible and conscious consumption, is a strategic goal for Kartonsan.		OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS

<p>Tackling climate change</p>	<p>External stakeholders</p>	<p>Kartonsan carries out activities aimed at keeping the possible negative impact of the production cycle on the natural environment to a minimum. With this systematic approach and relevant investments, the company continuously improves its environmental performance and embodies its contribution to combat climate change on a global scale.</p>		<p>OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS</p>
<p>Sustainable management of forests</p>	<p>External Stakeholders</p>	<p>Kartonsan contributes significantly to protecting the world's forests by limiting its use of cellulose and wood pulp. Kartonsan procures cellulose raw material used in production from FSC certified sustainable sources. The Company's goal is to evaluate alternative raw materials which will reduce the use of forestry products for each ton of production in the coming period.</p>		<p>KARTONSAN AND THE ENVIRONMENT</p>
<p>Product innovation</p>	<p>Internal and external stakeholders</p>	<p>Kartonsan defines product innovation as another important component of its sustainable performance. When the company's brand value and long-term value generation strength are taken into consideration, also in terms of human health, product innovation aims to develop and produce coated cardboard types which fully meet the requirements of changing global and local regulations.</p>		<p>OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS</p>
<p>OHS</p>	<p>Internal Stakeholders</p>	<p>OHS is an essential priority and one of Kartonsan's basic commitments to its employees. Kartonsan carries out all of its activities under the ISO45001 standard and carries out its multi-faceted studies towards the target of zero accidents.</p>		<p>OCCUPATIONAL HEALTH AND SAFETY AT KARTONSAN</p>
<p>Career development and employment opportunities</p>	<p>Internal Stakeholders</p>	<p>The actual state of technical and professional competencies of its employees is a priority issue for Kartonsan. The Company implements in-house training and training programs to increase the competencies and skills of its employees.</p>		<p>KARTONSAN AND HUMAN RESOURCES</p>
<p>In addition to its high-priority issues, Kartonsan produces and shares direct and indirect economic value for the Turkish economy, shareholders and investors, employees and other stakeholders with its economic performance. This value is also reflected in Kartonsan's contribution to eight SDGs.</p>				<p>OVERALL REVIEW OF THE YEAR 2022 AND ACHIEVEMENTS CORPORATE SOCIAL RESPONSIBILITY</p>

**OTHER MATERIAL AREAS**

Progress in areas noted within the materiality matrix, excluded from the high priority areas, include:

- Contribution to society,
- Human rights,
- Data security,
- Providing a high standard of work in the supply chain,
- Transparency and business ethics within the scope of corporate social responsibility and the sustainability strategy,
- Diversity and inclusion (a structure that embraces people of different ages, genders and backgrounds),
- Responsible marketing and product transparency.
- These topics are included within the relevant sections of the report.



## Sustainable Development Goals

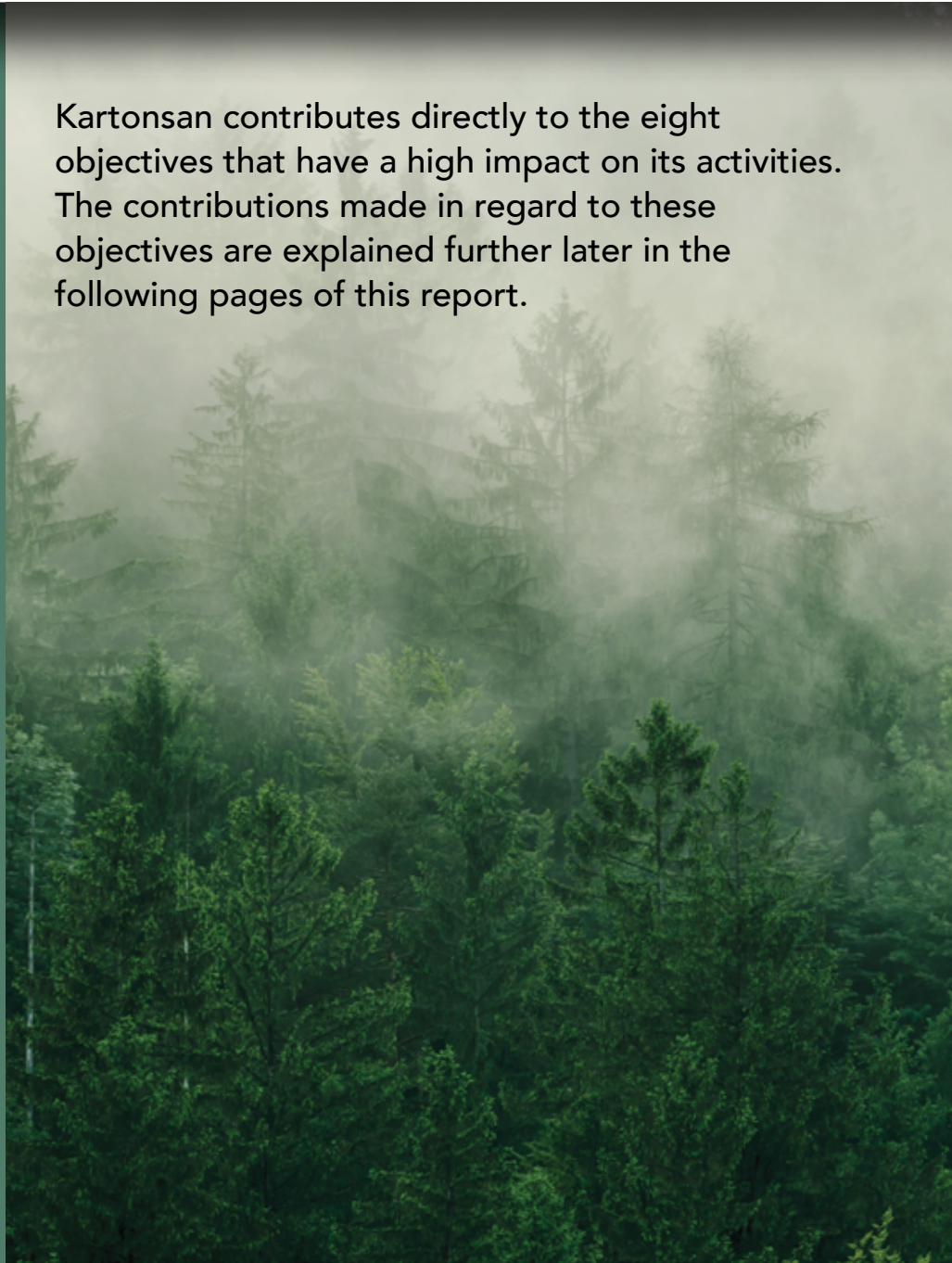
The agreement, entitled “Transforming Our World: 2030 Agenda for Sustainable Development”, adopted by 193 member states of the United Nations on 25 September 2015, consists of 17 Sustainable Development Goals (SDGs) and 169 sub-titles.

The 17 Sustainable Development Goals have gone beyond the Millennium Development Goals by delivering a broad sustainability agenda.

SDGs aim to find solutions to the main causes of poverty and ensure development as a universal need for all. The global consensus around SDGs marks an important milestone in driving our world towards a more inclusive and sustainable growth path.

Today, tens of thousands of companies and non-governmental organizations globally are experiencing new and exciting processes in line with the objectives defined within the scope of the SDGs. Classical ways of doing things are being reviewed in the light of the universal criteria for sustainability.

**Kartonsan contributes directly to the eight objectives that have a high impact on its activities. The contributions made in regard to these objectives are explained further later in the following pages of this report.**







# Corporate Governance in Kartonsan

The corporate governance process holds significant importance in the success of Kartonsan. The corporate governance cycle, involving the contribution of all employees, is a disciplined process to ensure full compliance with the laws, and encompasses all practices of the Company.

## THE IMPORTANCE AND REQUIREMENT OF CORPORATE GOVERNANCE

Good corporate governance ensures that the board of directors of a company holds regular meetings, maintains control over the business cycle, and has clearly defined responsibilities. A strong risk management system is supported by corporate governance.

Corporate governance facilitates sound and effective decision-making through processes, practices and policies.

In a nutshell, corporate governance serves as a cornerstone for all corporate activities.

## STRUCTURING OF CORPORATE GOVERNANCE AT KARTONSAN

**Kartonsan carries out its activities with the highest adherence to the standards of transparency, accountability, fairness and responsibility.**

Kartonsan believes that sustainable success is built as a result of trust-based cooperation between stakeholders. Corporate governance, on the other hand, encourages active cooperation between stakeholders and involves teamwork, which is the main element of competitiveness.

Corporate governance at Kartonsan is structured according to the Corporate Governance Principles determined by the Capital Markets Board (CMB). Kartonsan's unwavering goal is to ensure full compliance with these principles, to maintain them and to continuously improve the relevant practices.

The Board of Directors at Kartonsan and its senior management team lead and guide the company in corporate governance.

The Board of Directors consists of a total of 12 members, four of whom fully meet the independence criteria set out by the CMB. The other eleven members of the Board of Directors are members who do not take part in the implementation, in accordance with the definitions published by the CMB.

The duties of Chairman of the Board of Directors and General Manager are performed by different persons.

The General Manager, who serves as the head of the execution, is also a member of the Board of Directors.

Three women were members of the Board of Directors during the reporting period. In 2022, there has been a 25% increase in the representation of women on the Board of Directors.

Within the scope of its commitment to generate value for shareholders, investors and other stakeholders, Kartonsan has developed and implemented corporate governance policies, principles and practices. Corporate governance activities carried out in the Company under the direction of the Board of Directors are aimed at:



## Board of Directors

**The Board of Directors at Kartonsan and its senior management team lead and guide the company in corporate governance.**

## 4 Independent Members

**The Board of Directors consists of a total of 12 members, four of whom fully meet the independence criteria set out by the CMB.**

**In line with the changing legal framework and developing market conditions, the Board of Directors at Kartonsan regularly reviews and updates corporate governance practices, focusing on the best ways to protect and represent the interests of its shareholders and stakeholders.**

- the development of risk,
- compliance and ethical cultures,
- the establishment and approval of strategies,
- setting targets,
- ensuring their implementation, and identifying and eliminating risks that may affect the business..

Corporate governance is the assurance of corporate success in fluctuating economic conditions. In line with the changing legal framework and developing market conditions, the Board of Directors at Kartonsan regularly reviews and updates corporate governance practices, focusing on the best ways to protect and represent the interests of its shareholders and stakeholders.

In accordance with the provisions of both the Turkish Commercial Code and the Declarations on the Determination and Implementation of the Corporate Governance Principles

of the CMB, an Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee and Sustainability Committee were established to enable the company's Board of Directors to fully fulfill their duties and responsibilities. The Corporate Governance Committee, Nomination Committee and the Remuneration Committee also perform duties in accordance with the CMB declarations.

All members of the Audit Committee are elected from among independent members. The chairing duties of the Corporate Governance and Early Detection of Risk Committees are also performed by independent members.

Detailed information on the committees can be found under the section of ADDITIONAL INFORMATION AND CONSIDERATIONS THAT SHOULD BE DISCLOSED IN LINE WITH LEGISLATION section of the report.

## COMPLIANCE WITH THE LAW AND ETHICAL RULES

### Kartonsan places utmost importance on complying with the laws and ethical standards

Kartonsan considers adhering to the rules of law and ethical values in production, trade and employment cycles; a work culture based on trust; producing high-quality, accurate and reliable results; and respecting nature and the environment as essential elements of its corporate culture.

During the reporting period, no reports were made to the Company through the relevant channels regarding codes of conduct, human rights violations or cases of corruption. No lawsuits were filed against Kartonsan in these matters during the reporting period.

## Corporate Governance in Kartonsan

### SUSTAINABILITY MANAGEMENT AT KARTONSAN

Decisions at Kartonsan regarding sustainability, based on principles, are taken by the Board of Directors. In its daily practice, sustainability-related issues and projects are carried out by the Sustainability Committee which consists of nine members within the scope of company's structure.

The environmental, social and governance issues related to the impact of Kartonsan's activities on sustainability and the expectations of stakeholders in these areas are identified periodically by evaluating them with a risk and opportunity-oriented approach. The findings

identified during the evaluation process and the projects approved by the company management are implemented by teams established with the active participation of the relevant departments. The competencies required by the relevant projects are acquired in the teams created and the company receives consultancy and similar services from external providers when necessary.

### HIGHLIGHTS FROM KARTONSAN SUSTAINABILITY COMMITTEE 2022 AGENDA

The annual meeting of the Kartonsan Sustainability Committee was held in January 2023.

The following are the agenda items that were discussed during the meeting.

- Kartonsan's ESG goals
- Change in GRI index
- Energy crisis
- Options for transitioning to renewable energy - Biomass power plant establishment study
- Financial sustainability
- Achievements and latest status in the Zero Waste Project
- Advantages of inclusion in Borsa Istanbul and global ESG indices, and discussion on participation.

## KARTONSAN'S SUSTAINABILITY COMMITTEE

### Duties

Identifying and developing Kartonsan's corporate sustainability strategies, evaluating the alignment between the SDGs and Kartonsan's strategies and ensuring the determination of important variables and follow-up parameters within the scope of sustainability are among the main tasks of the Committee. The Committee also carries out and concludes the preparation of the annual Integrated Annual Report, thus fulfilling the requirements of CMB regulations.

### Structure

The Sustainability Committee consists of at least one board member (the Chairman), departmental managers and factory managers. Kartonsan's Human Resources and Quality Systems Manager provides coordination with the internal organization and manages the process of working with a consultant.

The Committee may set up sub-committees to support the work if needed. At the same time, consultancy and support services may be sought from competent third parties in areas such as technical reporting, calculations, consultancy and verification.

### Regular meeting times

The committee convenes at least once a year to evaluate and review the current situation.



The environmental, social and governance issues related to the impact of Kartonsan's activities on sustainability and the expectations of stakeholders in these areas are identified periodically by evaluating them with a risk and opportunity oriented approach. The findings identified during the evaluation process and the projects approved by the company management are implemented by teams established with the active participation of the relevant departments.

The committee was also briefed by the sustainability consultant on the COP27 conference that took place in Egypt during the autumn of 2022. The official report concerning the activities of Kartonsan Sustainability Committee is shared with the members of the Board of Directors.

The Board of Directors at Kartonsan makes the leading decisions and determines investment operations pertaining to sustainability. In daily execution, issues and projects related to sustainability are carried out by the Sustainability Committee, comprised of 9 people, within the framework of the company's organizational structure.

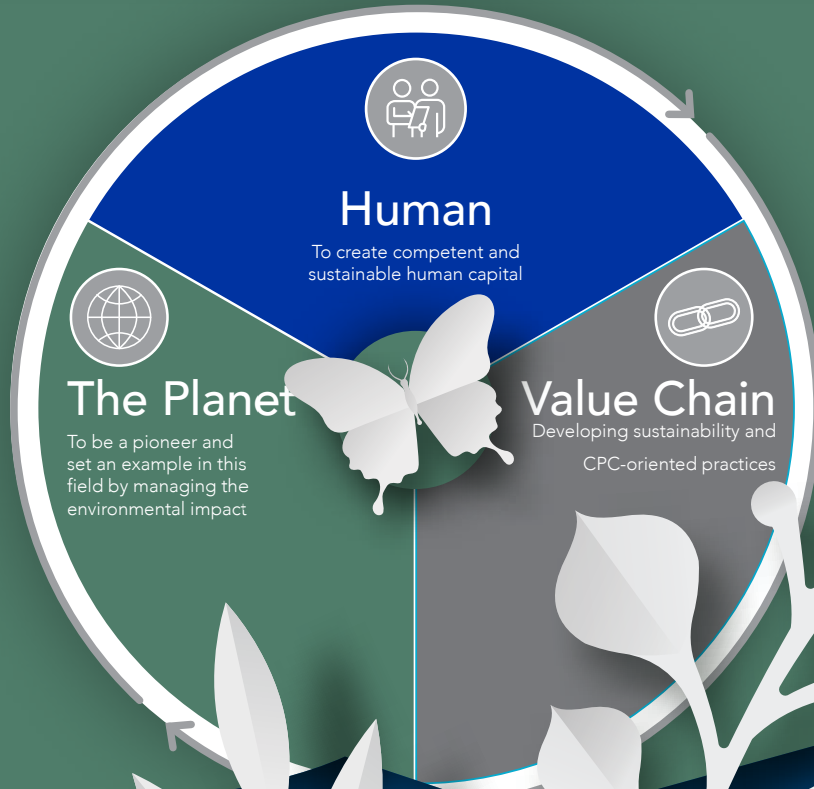


#### Highlights from Kartonsan's 2022 Management Performance

Number of members in Board of Directors	12
Independent Board Members and their ratio	4, 33%
Number of female members in the Board of Directors	3, 25%
Chairman of the Board and General Manager	They are not the same person.
Number of meetings held by the Board of Directors	24
Approximate participation rate to the Board Meetings	93.18%
Number of committees affiliated to the Board of Directors	3 (Audit Committee, Corporate Governance Committee, Early Detection of Risk Committee). The activities of the Nomination Committee and Remuneration Committee are carried out by the Corporate Governance Committee.
Total number of decisions taken by the Board of Directors	24
The rate of participation by shareholders in the Annual General Meeting*	79.07%

\* Information gathered during the Annual General Meeting held on 31 March 2022.

# Kartonsan's Sustainability Strategy





Kartonsan is focused to strengthen the ability to produce and share value in the short, medium and long term by accepting sustainability as a mission.

**Kartonsan's Sustainability Strategy** is the tool that guides it towards achieving its Sustainability Goal by transforming its objectives into action.

The strategy is based on our sustainability framework and is in line with our corporate objectives.

In addition, Kartonsan's activities of acting as a responsible corporate citizen are related to and associated with the UN's Sustainable Development Goals.

Within the scope of our operating cycle, we analyze global and local sustainability trends and identify potential risks and opportunities arising from these trends.

We then explore issues that are likely to impact our Sustainability Strategy and plans and update our risk management actions accordingly.

Through Kartonsan's sustainability plan, we have identified three strategic foundations to strengthen our long-term competencies and performance.

- Developing sustainable and skilled human capital,
- Implementing sustainable and ESG-oriented value chain management practices,
- To manage the environmental impact and to lead in the field of environmental protection whilst serving an example.

**The facilitating actions of our strategic foundations are;**

- Strengthening proper corporate governance and a conscious business culture
- Integrating and developing the best sustainability practices in Kartonsan's operating cycle.

## Kartonsan's Sustainability Policy

### Sustainability forms the basis of Kartonsan's organizational strategy.

In addition to the responsibility of being the pioneer and leading company in the market, Kartonsan places sustainability at the heart of its operations and its business strategy, in line with the requirements of its product line and range.

Kartonsan continuously and abundantly contributes towards building a more sustainable and livable world with its activities, within the context of recycling. Kartonsan is committed to further developing and increasing this contribution.

In addition to improving its sustainability performance and carrying it to the future, Kartonsan has taken on the corporate responsibility of achieving new breakthroughs which will inspire and set an example for other economic players.

#### Aim

The aim of the Sustainability Policy is to determine the main framework, basic principles and priorities of sustainability management at Kartonsan.

Within the scope of this policy, Kartonsan undertakes to comply with all applicable sustainability-based legal requirements. As with all the

policies adopted and announced by the Company, especially Kartonsan's ethical Principles, this policy is in line with the United Nations Universal Declaration of Human Rights, the principles set out by the International Labor Organization (ILO), the UN Global Compact (UNGC) and the Sustainable Development Goals (SDGs).

#### Scope

All of Kartonsan's work in the field of sustainability maintains and supports the balance between social, environmental and institutional governance and economic goals.

Kartonsan ensures that it maintains this balance by:

- planning its work whilst considering the life cycle of its products and services,
- continuously focusing on improving and developing operations.

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#### Economic Objectives

On the economic axis...

Kartonsan's shares are traded on the Borsa İstanbul under the KARTN ticker and the company aims to operate with a strong financial structure with its belief in the essential power of economic sustainability.

The Company contributes to the Turkish economy through the employment it creates, the tax it pays, the volume of its domestic trade and its exports.

The expenditures it carries out throughout the supply chain, the financial opportunities which it provides to its employees, the dividends which it distributes to its

shareholders and investors and the donations and support it provides within the scope of social responsibility define the economic value generated and shared by Kartonsan.

#### Social Objectives

On the social axis...

The Company avoids any conduct which could lead to human rights violations. Kartonsan's primary goal is to develop a culture which meticulously observes human rights, and to promote and act in a way which respects people.

It promotes the development of a social sustainability perception throughout the value and supply chain. In this context, the Company expects its suppliers to comply with the legal

requirements in force which regulate working life.

It provides career development and training opportunities to contribute to the career paths of its employees in order to keep their competencies up to date at all times.

It values employee loyalty, diversity, inclusion and equal opportunity.

The Company has a target of zero accidents, by working to the highest OHS standards.

It attaches importance to product innovation. It aims to develop environmentally friendly products and meet consumer expectations by acting in proactive cooperation with its customers.

### Environmental Objectives

On the environmental axis...

With the responsibility it takes on as a recycling company, Kartonsan is focused on continuously improving the environmental performance of raw material supply, production and commercial activities and reducing its environmental footprint. It promotes a sustainability perception throughout the value and supply chain as well as improving waste management, recycling and resource and energy efficiency.

It respects the boundaries our planet draws on humanity and acts as a responsible producer. In this context, it is aware of the problems related to the climate crisis, the depletion of limited natural resources, deforestation, drought and pollution. The company aims to enhance its contribution to overcoming these global problems in cooperation with stakeholders, NGOs and regulatory authorities.

### Governance Objectives

On the axis of corporate governance, Kartonsan;

Complies with all applicable legal requirements, regulations and international commitments,

Considers the rights and interests of shareholders and places importance on public disclosure and transparency,

Carries out effective risk management on all aspects of sustainability,

Considers ensuring and improving high product quality and safety as a constant goal,

Considers data security as a fundamental responsibility for the sustainability of the business and keeps the necessary infrastructure up to date.

### Organization and Responsibilities

The Sustainability Committee is responsible for determining Kartonsan's sustainability objectives and ensuring their compliance with the Company's commitments throughout its value and supply chain.

Investments related to annual sustainability objectives and key long-term sustainability goals are planned and implemented by Kartonsan's Senior Management. Activities in line with sustainability principles are carried out and monitored by business departments.

All Company employees are expected to internalize the framework described above and contribute to its proper functioning. Kartonsan provides its employees with the opportunity to share their views through defined channels in the process of implementing these commitments. Kartonsan expects all of its stakeholders to adopt the same principles and converge their activities in accordance with the principles of sustainability.

### Reporting

Key performance indicators and objectives regarding sustainability are reported on a regular basis to the Senior Management at Kartonsan. The Company's performance and improvements in the area of sustainability summarized within the framework outlined above are published in annual reports and on Kartonsan's website. The information is also presented to stakeholders.

### Policy Review, Update and Approval

The Sustainability Committee is responsible for updating the policy.

Kartonsan Senior Management reviews and approves possible updates to the policy.

## OUR INTEGRATED POLICIES



Policy on Protection and Extermination of Personal Data



Kartonsan's Ethical Principles on Preventing Corruption and Policy on Human Rights



Policy on Quality, the Environment, Energy; Policy on Health and Safety at Work

The policies can also be accessed at <https://www.kartonsan.com.tr>.

## Value Generation Model

With its production power, healthy financial structure and high-quality standards, Kartonsan's Value Generation Model serves the focus of producing and sharing benefits as a reputable corporate citizen with a strong industrial facility, which sets an example with its operations.

Kartonsan supports its growth through its sustainability performance within the scope of its sustainability approach and focuses on achieving a stronger position in all fields of activity whilst generating value for all its stakeholders.

The Value Generation Model has been structured in line with Kartonsan's strategy, using its capital elements, competencies and production power on an optimal scale, and managing the business cycle with an approach focused on efficiency.

Kartonsan's value generation model revolves around an endless cycle with multiple stakeholders. Within the scope of the same model, the company internalizes change in the global and national business environment as well as mega trends whilst implementing the necessary breakthroughs in order to be at the forefront of the competition.

The outputs of the Value Generation Model are delivered to all of Kartonsan's stakeholders, working to the key goal of ensuring optimal use of natural resources at every possible aspect.

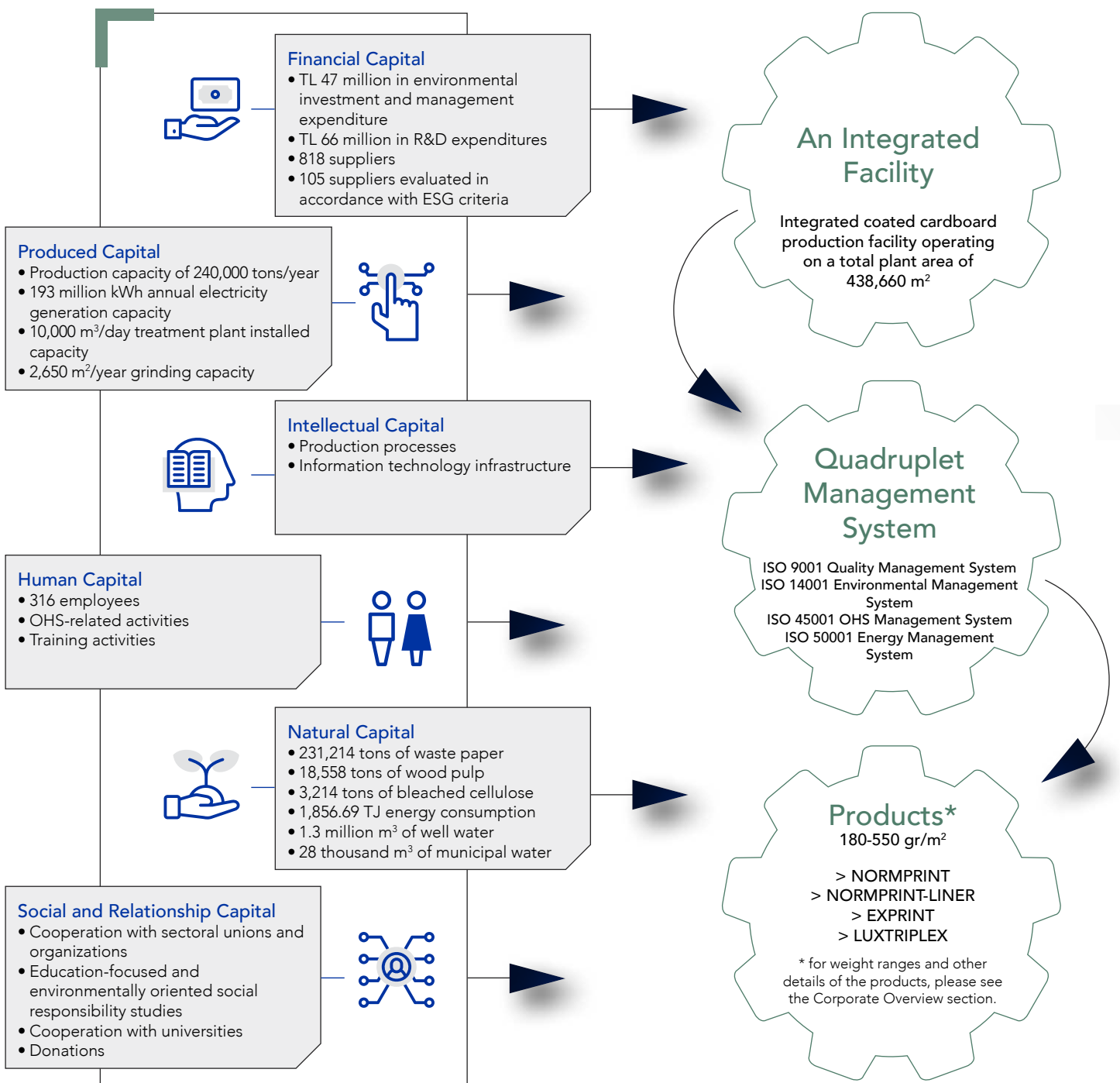


**Kartonsan's value generation model refers to an endless cycle with multiple stakeholders. The Value Generation Model also sets out Kartonsan's contribution to the universally accepted SDGs.**



## Kartonsan's Business Model

Waste paper comprises 91% of coated cardboards in their production at Kartonsan, placing Kartonsan in the position of being a recycling company. It provides low carbon-containing alternatives to products based on natural resources limited to the coated cardboard it produces.



Kartonsan describes how the Value Generation Foundation generates value using different forms of capital in accordance with the Integrated Reporting Framework in the above diagram.



Kartonsan is a manufacturer which carries out its business responsively on all fronts of sustainability, and unwaveringly maintains its identity as a pioneering and guiding company.



Export to more than 25 countries



Strong position at home market

## OUTPUTS

- 12.66 hours of training per employee
- 219,532 tons of consolidated coated cardboard sales
- 6,284 tons of waste paper sales
- 41,426 tons of coated cardboard exports
- 91% waste paper usage rate
- 4.65 m<sup>3</sup> water use per ton
- 401,841 m<sup>3</sup> of recycled water
- 197,564.11 MWh/year of steam produced from waste heat
- 69 tons of recycled hazardous waste
- 14,809 tons of recycled hazardous waste
- 0.1119414 Coated Cardboard Production Scope 1 Gross Greenhouse Gas Emission Unit (million tons of CO<sub>2</sub>/year)
- 105 suppliers evaluated in accordance with ESG criteria



For additional information :  
<http://www.kartonsan.com.tr>

## OUR CONTRIBUTION TO SDGs



## Outcomes

### Financial Capital

- Net sales of TL 3,364 million
- TL 2,819 million in supply chain expenditure
- TL 297 million in tax payments
- TL 155 million in dividends paid to shareholders
- TL 865 million in EBITDA

### Produced Capital

- 226,018 tons of coated cardboard produced
- Projects and investments initiated to enhance efficiency within the production cycle
- Investments undertaken in IT

### Intellectual Capital

- Projects implemented in cooperation with universities
- Research and Development efforts
- Product development initiatives
- Cooperation with the public and private sector

### Human Capital

- TL 51 million in salary payments paid to employees
- A capable and experienced organization

### Natural Capital

- Net climate impact caused by greenhouse gas emissions
- Contribution provided by recovery of waste
- Climate impact throughout the value chain

### Social and Relationship Capital

- Kartonsan was involved in people's lives with its products in 22 different countries
- Cooperation with ECMA, CEPI, PRO CARTON abroad; cooperation with AGED, KASAD and Foundation of Cellulose and Paper Industry in Turkey

\*For product specifications please go to page 7.

## Performance





**Despite the adverse impacts posed by the global energy crisis and high inflation in the market, Kartonsan managed to utilize its production capacity at a high level throughout 2022.**

In two periods of 2022 with different market conditions, Kartonsan has managed its costs and price balances with a win-win logic, with an agile yet risk-sensitive management approach, and exhibited an approach that considers customer satisfaction.

## Overall Review of the Year 2022 and Achievements

### IN SUMMARY

Despite the adverse impacts posed by the global energy crisis and high inflation in the market, Kartonsan managed to utilize its production capacity at a high level throughout 2022.

Throughout the year, the company consistently demonstrated prompt and high-quality responsiveness to its customers' demand for coated cardboard, thereby fostering long-lasting and mutually-reliable relationships, both in the domestic and international markets.

Kartonsan, which has successfully completed its 55th year as a company that prioritizes maintaining a healthy and sustainable financial structure, is committed to enhancing shareholder value and generating value for its stakeholders.

With an agile yet risk-sensitive management approach, Kartonsan has managed the cost-price balance with a win-win perspective in two periods of 2022, which presented diverse market conditions, and has exhibited an approach that considers customer satisfaction.

Kartonsan's corporate goals include,

- enhancing logistics and supply chain operations to ensure timely and high-quality service delivery to customers,
- optimizing production processes to improve efficiency,
- expanding capacity through a regional supplier approach,
- becoming one of the major suppliers in Turkey's surrounding export markets,
- achieving sustainable profitability at the highest level.

### KARTONSAN ALLOCATES ITS FINANCIAL CAPITAL IN ACCURATE AND PRODUCTIVE AREAS.

**The first half of 2022 was characterized by conditions similar to those of the previous year.**

The year 2021 was characterized by dynamic market conditions, which were facilitated by the prevalence of remote access shopping. Converging market conditions and high demand were also observed in the first half of 2022. During this period, Kartonsan prioritized addressing domestic demand and providing products to its customers with whom it has been in contact for many years. The slowdown observed in the second half of the year was also reflected in Kartonsan's strategies, and an approach that took

into account the production-stock-sales balances was adopted.

Kartonsan has meticulously managed the supply of raw materials and logistics throughout the year, and has handled the raw material supply and product logistics needs with a prudent and planned approach that will not interrupt the production and trade cycles.

Another development that had a significant impact on the year 2022 was the energy crisis. The presence of geopolitical risks has resulted in a situation where the price of natural gas, a key input for Kartonsan, has recorded a significant increase. The natural gas supply cost of the company reached TL 715 million in 2022 (in 2021: TL 135 million).



### 55. Years

**Kartonsan, has successfully completed its 55th year as a company that prioritizes maintaining a healthy and sustainable financial structure, and generating value for its stakeholders.**

In addition to the surge in energy costs, increases were also observed in the prices of waste paper, cellulose and wood pulp used in production.

The demand for waste paper was also fulfilled through sourcing it from both domestic market and importing from international markets.

**Sound financial performance, sustainable financial structure**

In 2022, Kartonsan achieved a gross production of 226,018 tons of coated cardboard. Of this production, 41,407 tons were exported, while 178,125 tons were supplied to the domestic market.

Kartonsan has solidified its position as a strong producer and a well-established industrial company, with consolidated sales revenue totaling TL 3,364 million.

Throughout the year, Kartonsan has followed a rational pricing strategy that manages competitive market conditions, protects its customers through a win-win approach, and supports the sustainability of domestic

production. This strategy, which contributes to customer satisfaction, enabled Kartonsan to meet the domestic market demand in a timely manner throughout the year.

Kartonsan’s performance in 2022 confirmed its resilience, agility and strategic superiority, and bolstered its financial capital.

**Sustainable export performance**

In the conduct of its export operations, Kartonsan’s strategic goal is to be a supplier with an enduring market presence who enters into long-term relationships with customers.

Kartonsan’s total exports amounted to TL 684 million (US\$ 40.9 million) in 2022, and the Company delivered its products to customers in 25 countries.

Exporting its products to more than 20 countries in three continents, the countries where Kartonsan had highest share in 2022 were Greece, Russia, Bulgaria, , Spain, Romania and Portugal.

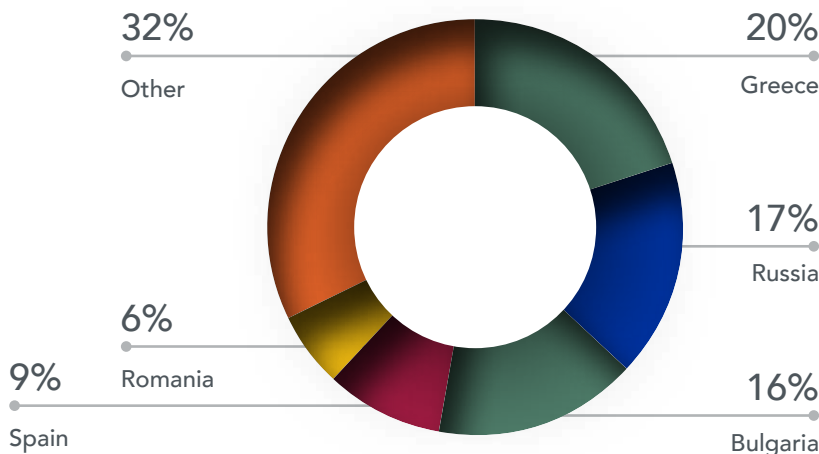
**WE CONTINUED OUR OPERATIONS THAT CONTRIBUTED TO OUR SOCIAL AND RELATIONSHIP CAPITAL**

**Long-term partnerships approach**

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

In 2022, Kartonsan was focused on making the greatest possible benefit from the anticipated economic recovery in the post-pandemic period. In this respect, the Company will continue down the road being prudent, cautious, resilient against fluctuations in the market and with a strong competitive edge, following its export strategy.

**Geographical Distribution of Exports**



## Overall Review of the Year 2022 and Achievements

### Contribution to Customer Satisfaction with Sales Facilitation

One of Kartonsan's priorities is to meet domestic and international customer requests who are regular users of its products, on a timely basis. Caring about satisfaction of customers which constitute one of the main stakeholder groups, Kartonsan protects and develops these relationships under all circumstances and is focused on building long-term and sustainable business relations.

With practices implemented recently, Kartonsan offers less production time to customers enabling them to make shorter term planning. Advantageous terms in delivery and payments were provided for customers in the volatile market conditions of 2022, additional facilities were offered and no concessions were made for customer satisfaction. Kartonsan continued to offer delivery at the door including freight and provided installment options for credit card sales in 2022.

### The Effective Management and Resolution of Customer Complaints is Critical

For several years, Kartonsan has employed a systematic approach and process documentation for handling and resolving customer complaints. The objective is to conduct an analysis of customer feedback gathered from visits and meetings, and regular surveys conducted by the Company, with an analytical approach, to generate solutions and provide feedback.

Kartonsan's goals regarding quality include increasing customer satisfaction and minimizing the number of complaints.

### Wide Area of Use and Influence of Our Products

Kartonsan meets the packaging needs of many different industries with its wide product portfolio made of recycled paper, which is called "duplex (GD)" and "triplex (GT)" in the industry. Developed in line with market demands and customer expectations, Kartonsan products are widely used in various areas of daily life.

The suitability of Kartonsan coated cardboard for packaging foodstuffs has been approved by the Ministry of Food, Agriculture and Livestock. On the other hand, the compliance of the coated cardboard produced by Kartonsan with the BfR (German Risk Assessment Institute) norms in packaging that comes into direct contact with dry foods has been documented by the reports of independent international analysis institutions.

With a focus on sustainability, Kartonsan closely monitors the new legislation on products. In the EU, it will become a legal requirement that the mineral oil transfer of packaging cartons in contact with food be within certain limits. Kartonsan continues its work in this direction.

Putting customer satisfaction at the center of all its activities, Kartonsan attaches importance to establishing long-term and sustainable business relationships with its customers. Kartonsan will continue to respond to customer demands and diversify its product portfolio in the light of current needs and expectations.

### E-Sales Channel

In parallel with the increasing digitalization, remote shopping has become increasingly important in B2B commerce. Kartonsan continued to update and develop its electronic service infrastructure in 2022 in order to provide better and faster service to its customers. Accessed via the Kartonsan website, the "E-Sales" application offers customers the opportunity to make secure transactions with a credit card and to send their orders over the Internet with the password sent to their mobile phones. As of the end of 2022, Kartonsan has received more than 6,098 tons of coated cardboard orders from the E-Sales channel opened to all domestic market customers. Kartonsan expects an increase in the use of its E-Sales channel in the upcoming period, when digitalization will increase even more.

**Kartonsan will continue to respond to customer demands and diversify its product portfolio in the light of current needs and expectations.**



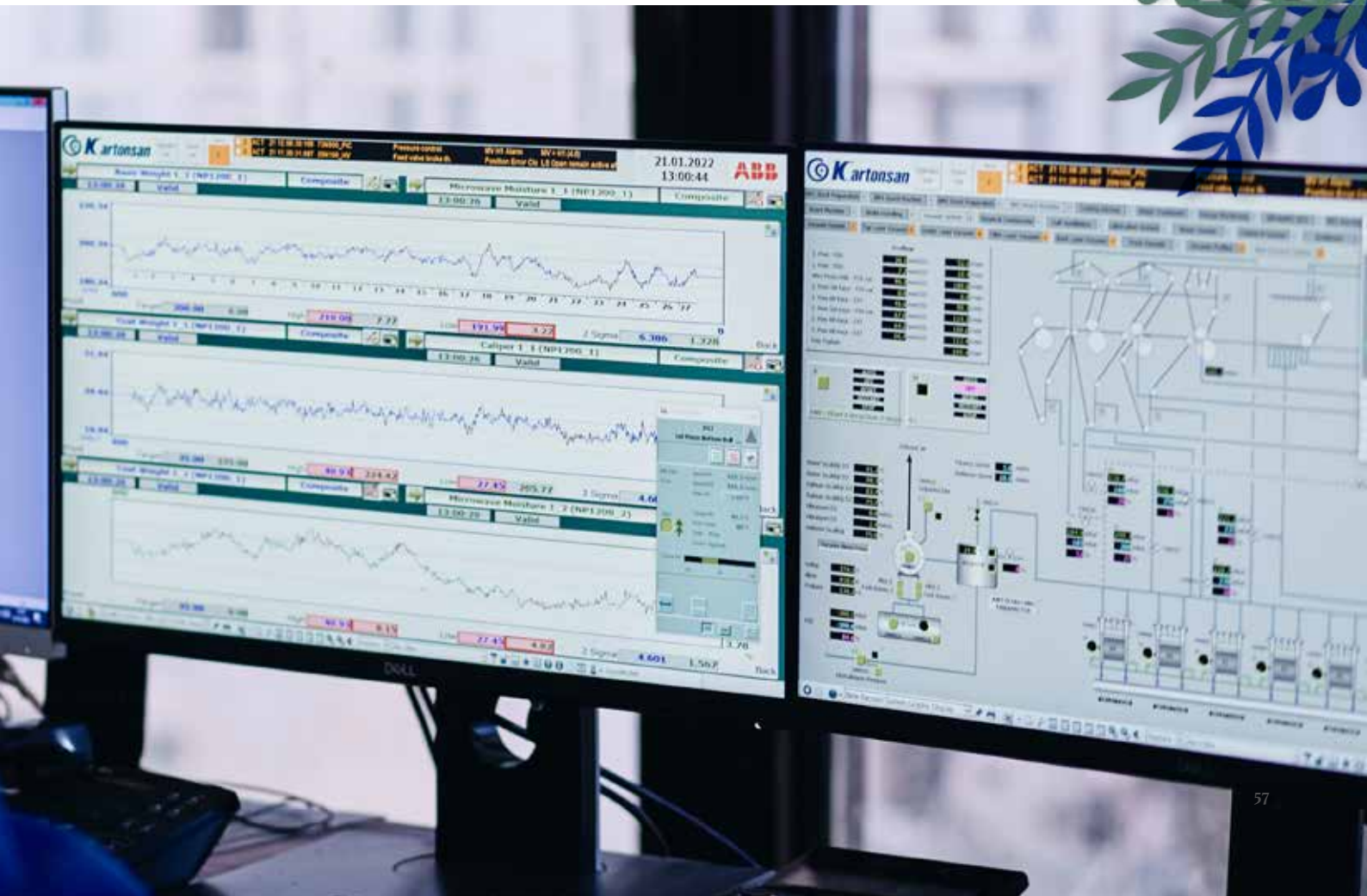
**The Star Product of Kartonsan: Normprint.**

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

The Company regards R&D as a way to achieve its constant goal of offering sustainable and innovative products and carries out all projects with a mindfulness for efficiency, effectiveness, customer satisfaction, and profitability. Among Kartonsan

products, Normprint, once again, was the most preferred coated cardboard in 2022 while Exprint and Luxtriplex were the runners up. Kartonsan's products are mainly used in the packaging of food products. In addition, pharmaceuticals, detergents, perfumery, textiles, corrugated lamination, book and notebook cases, glassware and small electrical goods packaging are other areas where Kartonsan products are used. Kartonsan will continue to develop its product range in the coming period in light of the developments in market demand conditions.

**The Company regards R&D as a way to achieve its constant goal of offering sustainable and innovative products and carries out all projects with a mindfulness for efficiency, effectiveness, customer satisfaction, and profitability.**



## Overall Review of the Year 2022 and Achievements

### WE DEVELOP OUR RELATIONS WITH OUR SUPPLIERS WITHIN THE SCOPE OF MUTUAL RESPECT AND ETHICAL VALUES.

Kartonsan has an extensive supply chain. Kartonsan’s suppliers, which form an important part of its value chain, have a commercial relationship with the Company in a range of products and services ranging from raw materials to chemicals and daily consumables needed by office spaces.

Thanks to its strong and well-established supplier relationships, Kartonsan has made all of its basic input purchases on time and under the best possible conditions. This supported the optimal management of raw material stocks and the uninterrupted operation of the production cycle.

The Company conducts evaluation studies in order to minimize supply risks. In 2022, 105 suppliers were evaluated according to the ESG criteria.

In accordance with its procurement policies, Kartonsan did not make any purchases from a disputed region in 2022.

On the other hand, Kartonsan has not received any official information that any of its suppliers are party to a legal sanction on ESG issues in 2022.

### WE BOLSTERED OUR CAPITAL GENERATED IN 2022 WITH NEW BREAKTHROUGHS AND INVESTMENTS

#### Productivity at Kartonsan

Capacity utilization rates of Kartonsan’s KM1 and KM2 production lines were realized as 93.7% and 91.7%, respectively.

#### Investments constitute the key driving force of Kartonsan’s sustainability strategy.

Kartonsan continued to create value in 2022 with its investments focused on overall efficiency, product quality, improving environmental footprint,

industry 4.0, improving waste quality, energy efficiency and OHS.

The company has realized a total investment expenditure of TL 78 million, contributing to its capital generated in line with the investment program.

### PROJECTS COMPLETED IN 2022

#### Procurement of KB2400 Shear

It is an important investment in terms of meeting the increasing size demand in export products within a limited timeframe, depending on the competitive landscape in the domestic market. At Kartonsan, the assembly of the new shear was finalized by the end of 2022, and the commissioning and functional testing commenced in 2023.

#### Treatment Facility Grid Installation

To enhance the durability and efficacy of the MBR system’s membranes utilized for water recovery, a grid was procured and installed at the inlet of the wastewater treatment facility. The installation of the grid was finalized by the end of 2022, and the work for commissioning commenced in 2023.

## 105

The Company conducts evaluation studies in order to minimize supply risks. In 2022, 105 suppliers were evaluated according to the ESG criteria.

### Highlights from Kartonsan Supply Chain

Number of suppliers worked in 2022	818
General purchase amount for 2022	TL 2,818,661,438

### Highlights from the investment works targeted to be completed in 2023

#### Supply and Installation of Biomass Power Plant

In 2023, Kartonsan is set to take a major step towards the generation of renewable energy.

In this context, an investment in

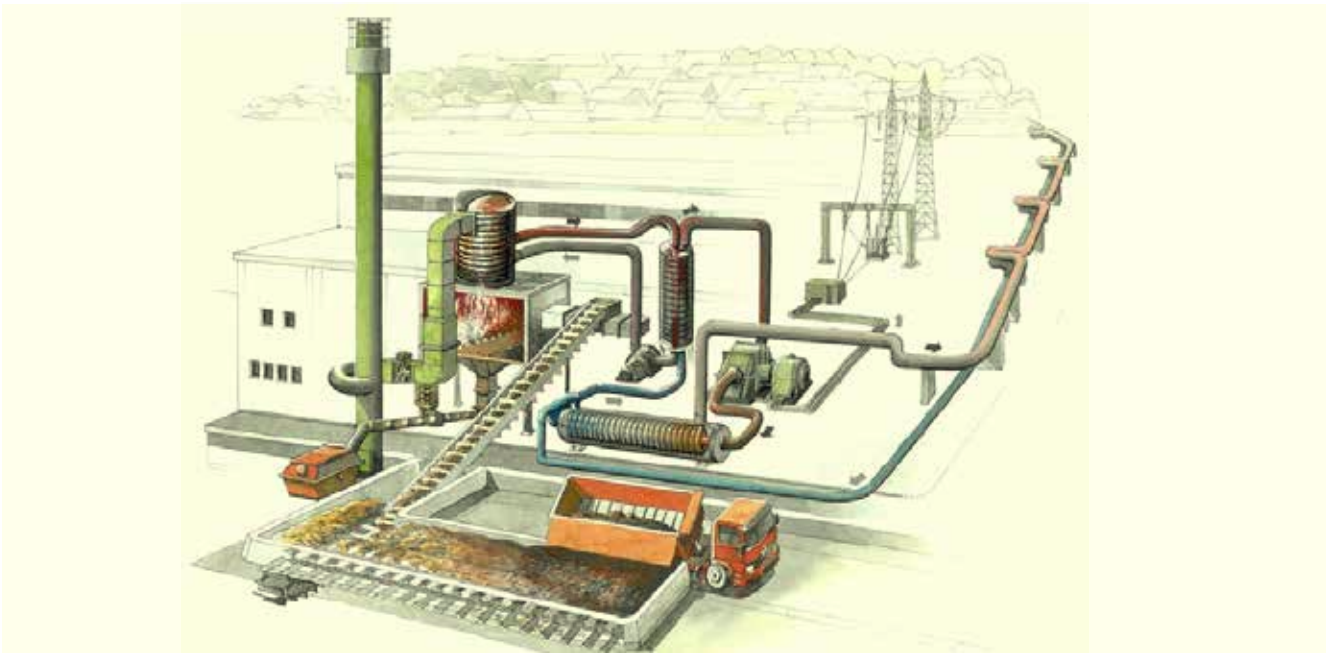
a biomass power plant, which is recognized as an alternative energy source, will be made, and renewable energy resources will be used.

Kartonsan's overall emission values will be decreased, as will the Company's energy expenses, following the completion of the Biomass Power Plant Supply and Installation Project.

The project's procurement procedures will be completed in 2023, and commissioning will commence in 2024.

#### Investment and Repair of the Building

The construction and repair works of the Kartonsan Factory building are scheduled to be completed in 2023.



#### What is Biomass Energy?

As per the provisions of Law No. 5346, biomass is categorized as follows: municipal waste (including landfill gas), vegetable oil wastes, non-food and non-feed agricultural wastes, forestry products other than industrial wood, and resources obtained from by-products emerging from the processing of waste tires and industrial waste sludge and sewage sludge, provided that they are not imported.

Biomass energy refers to the energy obtained from natural substances of vegetable or animal origin, whose primary components are carbohydrate compounds. Biomass energy finds its primary applications in three areas, namely electricity generation, heat generation, and biofuel production, with the latter primarily catering to the transportation sector. Biomass can be utilized to generate heat and electricity through various means such as traditional and industrial combustion methods, as well as indirect combustion methods.

According to estimates, Turkey has a biomass waste potential of approximately 8.6 million tons of oil equivalent (MTEP) and a potential biogas production capacity of 1.5-2 MTEP.

Biomass energy is used in three main areas; electricity, heat and biofuel production, which is mainly used for transportation. Heat and electricity are obtained from biomass by combustion (traditional and industrial methods) and indirect combustion methods.



## Overall Review of the Year 2022 and Achievements

### Highlights from the Investment Activities Targeted to be Completed in 2023

#### BM1 - BM2 Hall Ventilation System Procurement

Preliminary studies will be carried out to improve the working conditions of the environment by removing the hot air and odor in the halls where the BM1 and BM2 lines are located.

#### Raw Water MBR System Improvement Project

A general improvement work will be carried out to eliminate the negativities in the system they feed by bringing the water systems used at different points of the Kartonsan Factory to the desired values.

#### Procurement of BM2 WEB Inspection & Monitoring System

Work will be started on the commissioning of a camera system, which monitors the manufactured products on-line, warns the operators against possible production errors, can mark and displays the live production status. With the investment, it is also aimed to identify products with potential for complaints before they are sent to the customer.

#### BM2 Curtain Coater Coating Station Procurement

With the station montage that will increase the coating quality, works on customer satisfaction will be carried out, and a serious improvement will be achieved in the costs of poor quality products.

#### Solid Waste System Improvement Project

Efforts will be made to reduce the total amount of the solid wastes sent to disposal through dewatering and drying processes. Thus, the disposal cost, which is one of our serious cost items, will be saved.

#### BM1 & BM2 Low Vacuum System Improvement Project

Instead of low vacuum systems that have completed their economic life, system improvement works will be carried out in terms of energy efficiency and which we believe will reduce the frequency of maintenance.



### Kartonsan’s Integrated Management System



Kartonsan is committed to addressing the diverse needs of its customers and employees, enhancing the quality of the products and services it provides, and boosting productivity through ongoing efforts.

The Company’s ecological footprint will be reduced through the modernization of the Kartonsan Factory and the upgrading of its technological capabilities.

#### Improvements and Developments in Production Services

Production services, which are the intersection points of all functions at Kartonsan, are an important area where customer expectations are

met and reflected in production. The Company recently restructured itself in order to increase the efficiency of its production services and added many new software to its processes.

Thus, a valuable gain has been added to the produced capital in order to manage the entire cycle from input to output much more effectively.

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

#### FSC-CoC Certification

The protection and development of global and national forest areas is a prioritized goal within the framework of the climate crisis.

Having the qualifications of a recycling company, in 2022, Kartonsan has successfully undergone an audit and has been granted a new term accreditation for its compliance with the legislation pertaining to the FSC-CoC certification it obtained in 2011.

The company sources FSC certified, sustainable cellulose raw material, which it employs in limited amounts in the production process.

## Kartonsan and Environment

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# Protecting our World and Forests

In 2022, the total quantity of waste paper used in coated cardboard production of Kartonsan was 231,214 tons.





In 2022, the total quantity of waste paper used in coated cardboard production of Kartonsan was 231,214 tons.

**The global cardboard and paper industry carries out various studies aimed at increasing the use of waste paper instead of cellulose and reducing greenhouse gas emissions arising from production.**

#### **Kartonsan's environmental goal**

Kartonsan is a producer respectful and sensitive for the environment. When addressing environmental-impact issues, Kartonsan's basic principle is to ensure the sustainability of natural resources by consuming them responsibly, by not causing environmental pollution, and by complying fully and continuously with current environmental laws and regulations.

**Kartonsan believes that the only way to achieve sustainability is the rational and efficient use of natural capital.**

Shaping its infrastructure and superstructure with an approach that envisages rational and efficient use of natural capital, Kartonsan differentiates itself with its prudent approach to raw materials and energy usage in its production activities.

As a responsible producer and corporate citizen, Kartonsan demonstrates its responsibility towards nature;

- by using the highest possible amount of waste paper during the production phase,
- by producing its own energy and steam,
- by minimizing the amount of raw water through treating and reusing waste water with the most modern techniques,
- by carrying out studies in order to control greenhouse gas emissions.

**In 2021, the total quantity of waste paper used in coated cardboard production of Kartonsan was 231,214 tons.**

As a respectful to nature and environmentally friendly company, Kartonsan works to keep its environmental impacts at a minimum level, operates without creating environmental pollution and complies with legal regulations.

The amount of raw materials used at Kartonsan may vary depending on the planned downtimes and revisions throughout the year.

Kartonsan utilizes a limited quantity of cellulose in the production process of its products, namely Exprint and Luxtriplex. Wood pulp is being considered as a viable alternative raw material as a result of the recent decrease in the supply of recycled newsprint in the market.

Kartonsan, which utilizes up to 91% recycled paper in its production cycle, utilized 231,214 tons of waste paper in 2022.

The utilization of these inputs remained limited in 2022 as well, with a procurement and utilization of 3.214 tons of cellulose and 18,558 tons of wood pulp.

**An exemplary producer that differentiates itself with its recycling facility identity and the high rate of waste paper utilization in production**

Kartonsan engages in a collaborative effort with its subsidiary, DÖNKASAN, to manage waste paper and its supply. DÖNKASAN offers services that include the collection and sorting of waste paper by type, as well as its preparation for recycling to produce paper and cardboard.

Kartonsan holds an Environmental Permit and License issued by the Ministry of Environment, Urbanization and Climate Change.

**The global cardboard and paper industry is actively working on climate change and environmental issues.**

The issue of climate change is a significant global threat that increasingly impacts the future of humanity. The worldwide cardboard and paper industry engages in extensive studies and participates in global collaborative initiatives for the increased utilization of waste paper instead of cellulose as a raw material in production, as well as for the mitigation of greenhouse gas emissions associated with production processes.

Coated cardboard manufacturers, which have carried out many works from the use of waste paper to the preference of renewable energy sources and sustainable forest management, set an example for other industries with the projects they have developed within this framework.

**KARTONSAN GENERATES ITS OWN ELECTRIC AND STEAM ENERGY.**

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

**Kartonsan, which utilizes up to 91% recycled paper in its production cycle, utilized 231,214 tons of waste paper in 2022.**



## Kartonsan and Environment

In 2022, the specific electrical energy consumption in the cardboard production processes was 463 kWh/ton, the steam consumption was 1.46 tons/ton and the clean water (well water) consumption was 4.65 m<sup>3</sup>/ton.

These ratings put Kartonsan in the energy-efficient plant category.

Besides, in 2022, Kartonsan's conventional energy consumption was 1,856.69 TJ, and its specific heat consumption per ton of coated cardboard was 3,516.28 MJ.

### About Kartonsan Cogeneration Plant

Kartonsan Cogeneration Plant has 4 generators, each with a power of 5.5 MW; the system generates heat and electrical energy. With a generation capacity of 193 million kW of electrical energy with four turbines which can be operated with natural gas, Kartonsan sells the excess electrical energy through the interconnected network.

The electrical energy produced at the plant is transmitted to the production process through alternators, and steam is obtained from the turbine exhaust gases in the waste heat boilers.

Since the system is operated according to the steam requirement, which is a key factor in coated cardboard production, Kartonsan generates more electrical energy than it needs. The excess electricity produced is sold to the grid.

The Cogeneration Plant is one of the most important units of the Kartonsan Factory and is the basis of efficient production. The energy produced in the Cogeneration Plant is different from the grid energy, and its stable structure ensures that the production process is not affected by problems such as voltage fluctuations and sags.

### An important issue for Kartonsan: Waste water recovery

Kartonsan engages in a never-ending effort to develop and improve the performance of its Wastewater Treatment Plant in order both to protect groundwater resources and to increase the Company's water-use efficiency.

Kartonsan saves 24% of clean water by reusing the water it has treated with the advanced treatment technologies used in the Wastewater Treatment Plant in the production processes.

### Water consumption/tons manufactured output in 2021: 5.72 m<sup>3</sup>

In terms of the amount of water that Kartonsan uses per ton of manufactured output, the company is in a much better place than are either its Far Eastern or its European rivals.

In 2018 Kartonsan initiated a series of improvement and efficiency projects by means of which it had reduced the average amount of clean water used in all of its operations to produce one ton of cardboard from 8.95 m<sup>3</sup> (2007-2017 average) to 5.72 m<sup>3</sup> as of 2022. The Company followed up these projects with another project to improve the performance of its membrane bioreactor (MBR) processes.

The addition of a grid system for 2022 has been included in the investment plans within the scope of more efficient operation of the MBR facility and extension of membrane lifetime.

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

Kartonsan used a total of 1.3 million cubic meters of clean water and 401 thousand cubic meters of recycled water in 2022.

### Greenhouse gas emissions

In 2022, Kartonsan completed the measurement and verification studies regarding greenhouse gas emissions within the scope of the environmental legislation in force, and continued to make the required legal notifications.

Kartonsan measures and reports its Scope 1 emissions.

Emission values are presented in the Environmental Performance table.

**As an environmentally conscious company, Kartonsan's basic principle is to continue its production activities within the framework of legal regulations and globally accepted best practices, and to manage its possible impacts on the environment at the lowest possible level.**

### Waste management at Kartonsan

By the nature of its operations, Kartonsan is an industrial plant which recycles wastes.

The Company contributes to national-scale studies in the field of waste paper recycling and waste treatment. At the periodic environmental trainings organized for employees, information on waste types, waste treatment processes, legal requirements and importance of separating waste are shared.

Certifying its waste management with the Zero Waste Certificate, Kartonsan maintains waste containers specifically allocated for different types of waste in its working areas for the separation and collection of waste at source. Hazardous waste, non-hazardous waste and scrap waste are temporarily stored separately at areas designated for them. Wastes are sent to licensed firms for recycling or disposal within the process. Kartonsan's waste management approach is primarily to reduce waste at its source, and then to recycle and dispose of wastes that are not suitable for recycling.

**Supporting packaging waste recovery and recycling**

Qualified as a packaging waste recycling company within the framework of current regulations governing packaging waste control in Turkey, Kartonsan collects and sends to licensed recovery & recycling firms any waste that is generated in the course of Kartonsan's operations and which cannot be reused. The amount of packaging waste given to recycling in 2022 was 236 tons.

**Zero Waste Project**

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

The Zero Waste Project is expected to be launched gradually all across Turkey until 2023. The implementation areas of the project are public institutions,

shopping malls, hospitals, educational institutions, social and hospitality facilities and large working places at the first phase.

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

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

Zero Waste is a set of principles focused on making the most efficient use of resources, on preventing or minimizing the creation of waste, and, if waste is created, on collecting, sorting, and reusing it where it is created. Another aspect of the Zero Waste approach is that all waste arising in the course of everyday life as well as in the conduct of economic activity should be managed appropriately in the process of achieving cultural, economic and social development and progress.

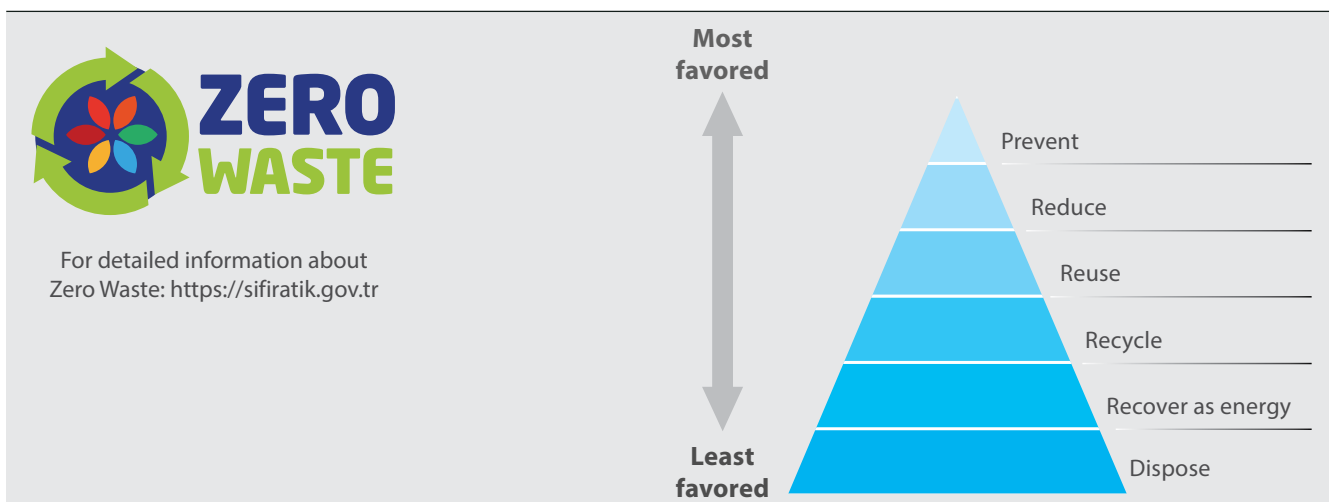
**WHAT IS THE ZERO WASTE APPROACH?**

The Zero Waste approach calls for:

- reusing products
- extending products' useful lifetimes
- avoiding or reducing the use of hazardous materials in product manufacturing processes
- making products that can be recycled.

The waste hierarchy provides the basis for the Zero Waste approach. The most-preferred methods in waste management are preventing waste-generation, reducing waste-generation, and reusing any waste that is generated in that order. The least-preferred method consists of disposing waste that cannot be reduced, reused, or recycled as landfill or through such methods as incineration etc.

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





# Kartonsan and Human Resources

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We are committed to consistently enhancing  
**the value proposition**  
that we provide to our  
**employees,**  
while also contributing to their well-being.



### The architects of Kartonsan's success are its employees.

Believing that the way to quality products is through a qualified workforce, Kartonsan has a human resource that is reliable, trustworthy, researching, following, and compatible with teamwork. Kartonsan regards human capital, which it considers as its most valuable asset, a key stakeholder in its success.

Kartonsan's human resources, which are distinguished by their competencies and qualifications, consist of individuals who are committed to the corporate culture, whose sense of belonging is at the forefront, and who are success-oriented with their knowledge and experience.

### A corporate culture that cares about the technical and professional competencies of its employees

Training activities developed for the personal development and career goals of employees are also determined in line with Kartonsan's needs and operations. These studies also aim to differentiate human resources in the sector and increase their knowledge.

Besides professional development trainings, occupational health and safety, lean management, energy and environmental trainings are also offered to employees.

In 2022, during the post-pandemic period, face-to-face training sessions were initiated. A total of 6,418 person-hours of training was provided in 2022.

Training time per employee, including contractor employees, reached 12.66 hours by the end of 2022.

### Kartonsan offers internship opportunities to students and new graduates.

In order to contribute to the professional development of students and new graduates and to facilitate their adaptation to business life, Kartonsan offers internship opportunities.

In 2022, 38 students from vocational high schools, technical high schools, vocational schools, and universities at the undergraduate level completed their internships and received skills training. 13 woman interns participated in the programs.

Within the scope of cooperation with universities, a Vocational Training agreement covering Kartonsan and affiliated companies was signed and 4 university students were provided with internship opportunities for long years in 2022.

### Respect for the union rights of employees

Kartonsan is an employer that respects the union rights of its employees and adopts an approach that allows and supports the free exercise of these rights.

A collective bargaining agreement between Kartonsan and the Selüloz-İş Union, effective for the period 2020-2022, was signed in March 2021.

Kartonsan has an exemplary track record of union relations within the Turkish industry. The company has implemented a systematic approach to signing Collective Bargaining Agreements and has provided support to its employees to become members of unions that operate within the legal framework.

The Selüloz-İş Union is organized at Kartonsan. Kartonsan has a designated number of workplace representatives who are members of the union as required by legal regulations. Kartonsan holds the expectation that its suppliers and business partners will adhere to its rigorous approach regarding the safeguarding of trade union rights.

62% of Kartonsan employees were unionized during the reporting period.

### A strike took place at Kartonsan on 22 December 2022.

The negotiations with the Turkish Pulp Paper, Wood and Products Workers' Union (Selüloz İş), which represents the unionized personnel employed by the company, were unable to reach a resolution regarding the agreement for the upcoming period. As a result, the Union has decided to initiate a strike at the Kartonsan Factory on 22 December 2022, at 08:00.

Concurrently with the implementation of the decision to strike, production

operations at the Kartonsan Factory were suspended.

During this process, the personnel designated in accordance with the applicable legislation continued to carry out their duties.

The strike continues while the report is being prepared for publication. Please click here to access the announcement made on KAP on the subject matter. The same information can also be accessed via the following link: <https://www.kap.org.tr/Bildirim/1089123>

### Individual Suggestion System

The Individual Suggestion System, which has been implemented at Kartonsan since 2017, is an application that encourages employees to be more participatory. Within the scope of the said application, employees are given the opportunity to submit their own suggestions regarding the areas they work in or the machinery under their responsibility.

Training documents prepared by employees in the Individual Suggestion System, which also includes a rewarding system, were integrated into the system and opened to joint sharing. In 2022, the number of suggestions reaching the Individual Suggestion System was 46. 39 of these suggestions were processed and deemed worthy of reward.

During 2022, Lean Management practices continued and a total of 15 projects were carried out by Kartonsan employees. The Company's usual efforts to deal with customer complaints, OHS, environment, quality, costs, lockdowns, and similar issues were continued, albeit on a much reduced basis; successful results were achieved nonetheless. Plans and related organizations have been made and teams have been formed for field studies in the 5S leg of Lean Management to be activated in 2022.

### Key Demographic Indicators of Kartonsan and Its Affiliated Companies Dönkasan and Selka

	2021	2022
<b>Total Workforce (number)</b>	320	316
Female	35	35
Male	285	281
<b>Total Workforce by Category (number)</b>	312	316
Blue Collar	191	195
White Collar	121	121
<b>Total Workforce by Age (number)</b>	320	316
Under 30	30	26
Between 30-50	237	241
Over 50	53	49
<b>Employees Under Collective Labor Agreement (number)</b>	171	170



# Occupational Health and Safety at Kartonsan

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**We are committed,**  
to ensuring that our employees return home to  
their families safe and sound at the end of  
**each workday.**



## It is Kartonsan's indispensable goal to entirely and completely meet occupational health and safety criteria under all circumstances.

Occupational health and safety operations at Kartonsan are carried out under the responsibility and coordination of the Human Resources and Quality Systems Department. The company strives to comply with the Occupational Health and Safety Law No. 6331 and legal regulations regarding OHS, and it implements the necessary practices.

### OHS Target

Kartonsan's primary objective is to ensure full compliance with occupational health and safety standards across all its operational domains.

The Kartonsan Occupational Health and Safety Board has maintained its systematic and effective efforts throughout 2022. In this particular context, measures such as corrective and preventive studies, including employee training, process improvement, and health screenings, were implemented to minimize the occurrence of occupational accidents. Furthermore, the organization has

closely adhered to the regulations outlined in global standards and has prioritized the enhancement of workplace safety on a continual basis.

Moreover, in accordance with occupational health and safety studies, periodic checks are conducted on the physical conditions and technical infrastructure of the Kartonsan Factory.

Efforts were made to enhance the factory's information and warning systems, as well as to identify and resolve any problematic elements throughout the year.

Kartonsan's primary objective regarding occupational health and safety is to ensure full compliance with all relevant legislation and meet all necessary criteria.

### TRAINING PROGRAMS DESIGNED TO REINFORCE OHS AWARENESS

Kartonsan provides its employees with practical and theoretical training programs to increase their awareness of occupational health and safety.

In the post-pandemic period, face-to-face training activities aimed at increasing the knowledge level of Kartonsan employees on OHS continued in 2022. In 2022, a total of 2,046 hours of OHS training activities were carried out for Company employees and subcontractors.

Workplace doctors at the Kartonsan Factory continued their efforts on employee health and well-being in 2022, providing the appropriate support to employees with health issues and guidance as needed.

### OHS Board

At Kartonsan, OHS issues are handled by the 15-member OHS Board, which includes 2 employee representatives. The Board meets every month under the chairmanship of the Factory Manager, and carries out the activities of determining the suggestions, near-miss notifications, opinions and determinations conveyed by the representatives and the occupational safety expert, and the work accident evaluations, if any, and the studies to be carried out to prevent the recurrence of these accidents.

The OHS training indicators that Kartonsan offered to its employees in 2022 are presented in the table below.

**In 2022, a total of 2,046 hours of OHS training activities were carried out for Company employees and subcontractors.**

OHS Trainings Offered to Employees	2021	2022
Total Number of Participants	190	201
Blue collar	45	74
White collar	102	46
Other employees	43	81
Female	24	16
Male	166	185
OHS Trainings Offered to Employees		
Total training hours	1,081	2,046
Blue collar	288	632
White collar	525	370
Other employees	268	1,044
Female	116	134
Male	965	1,912

# Corporate Social Responsibility

SDG 3 6 7 8 9 12 13 15



**Kartonsan’s efforts in terms of social responsibility illustrate its contribution to both social and relational capital.**

Kartonsan designs and implements its social responsibility activities with a long term approach aiming to create permanent value for the society. In this context, the company focuses on education and environmental issues and contributes to social development.

Kartonsan shares the value it produces with the society, which is its largest stakeholder group. Education and the environment form the basis of the areas where the Company adds value to society.

**Highlights**

Kartonsan took part in the Kocaeli Metropolitan Municipality’s Environment Day on 5 June 2022.

On 2 November 2022, Kartonsan organized an Environment and Energy Training session at Kartonsan Primary School, which was attended by 110 people.

Kartonsan contributes to social development with its social responsibility activities in education and environment areas and supports our country to reach the level of modern civilizations.

The donations made by Kartonsan in 2022 are summarized in the table below.



Donations to	Amount (TL)
Associations and foundations (Educational, sports-related, sectoral and social)	233,283
Other institutions and organizations	119,676
<b>Total</b>	<b>352,959</b>

## Affiliated Companies

### Selka İç ve Dış Ticaret A.Ş.

#### Superior and high quality service to the printing, packaging and cardboard industry

Selka İç ve Dış Ticaret A.Ş. (Selka) was founded in 1991.

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

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

The Company, which also imports chrome cardboard, has also started importing and domestically selling Bristol cardboard, which is not produced in Turkey, since 2017. Selka provides logistic services to Kartonsan in its premises in İstanbul- Sefaköy where it handles its marketing and sales activities.

Selka's coated cardboard sales, which was 48,326 tons by the end of 2021, reached 36,050 tons by the end of 2022.

In the same period, the Company's total turnover, according to the income statement prepared in accordance with TAS, increased by 76.17% and was recorded as TL 558.6 million.

The company's pre-tax profit for the period x increased by .21,58% compared to the previous year and reached TL 90.8 million.

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

#### Selka's comparative net sales quantities and amounts for 2021 and 2022 are presented below:

	January-December 2021	January-December 2021	January-December 2022	January-December 2022
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (ton)	Sales Amount (TL)
K1-K2 cardboard	9,943	68,455,030	7,664	121,900,401
K3 cardboard	12,571	62,919,649	11,730	143,828,058
Imported cardboard	25,812	190,205,108	16,656	302,072,541
<b>Total</b>	<b>48,326</b>	<b>321,579,787</b>	<b>36,050</b>	<b>567,801,000</b>

For Selka website, please visit <https://www.selkaticaret.com/tr/>

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

#### An efficient company that contributes to the circular economy

Dönkasan Dönüştürülen Atık Kağıt Sanayi ve Ticaret A.Ş. (DÖNKASAN) is a recycled waste paper manufacturing and trading company that was founded as a result of a demerger of its predecessor (Dönkasan Dönüşen Kağıt Hammaddeleri Sanayi ve Ticaret A.Ş.) in 2015. The company is a wholly-owned subsidiary of Kartonsan. DÖNKASAN is involved in the collection of wastepaper, sorting them according to their types and preparing them for the production of paper and cardboard.

At DÖNKASAN, which has increased its capacity with through infrastructure investments, facility maintenance has been conducted in 2022. DÖNKASAN continues its operations in its facility located in Esenyurt, İstanbul.

Including intra-group sales, the company sold 52,571 thousand tons of waste paper in 2022, generating a net revenue of TL 224 million. The company's pre-tax profit for the period reached TL 6.5 million with 15.56% increase compared to previous year.

DÖNKASAN's corporate goal is to grow in parallel with market conditions and to further develop the synergistic collaboration it has established with Kartonsan.

DÖNKASAN is a member of the Turkish Association of Recyclable Waste Materials Industry (TÜDAM).

#### DÖNKASAN'ın 2021 ve 2022 yılları karşılaştırmalı net satış miktarları ve tutarları


	January-December 2021	January-December 2021	January-December 2022	January-December 2022
	Sales Quantity (tons)	Sales Amount (TL)	Sales Quantity (ton)	Sales Amount (TL)
Waste paper	45,118	97,620,438	52,571	224,343,726

For DÖNKASAN website, please visit <https://www.donkasan.com.tr/tr/>

# Corporate Governance, Risk Management and Financial Information







Corporate  
governance  
facilitates sound  
and effective  
decision-making  
through processes,  
practices and  
policies.

In a nutshell, corporate governance serves as a cornerstone for all corporate activities.

Convenience Translation into English of Independent Auditor's  
Report on the Board of Directors' Annual Report Originally Issued in Turkish  
**Independent Auditor's Report on the Annual Report of the Board  
of Directors**

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

**Opinion**

We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi ("the Company") for the period of 1 January 2022 – 31 December 2022.

In our opinion, the financial information provided in the annual report of the Board of Directors and the discussions made by the Board of Directors on the situation of the Company are presented fairly and consistent, in all material respects, with the audited complete set of financial statements and the information we obtained during the audit.

**Basis for Opinion**

We conducted our audit in accordance with Independent Auditing Standards ("InAS") which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Report section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors ("Code of Ethics") as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Our Auditor's Opinion on the Complete Set of Financial Statements**

We have expressed an unqualified opinion in our auditor's report dated March 1, 2023 on the complete set financial statements of the Company for the period of 1 January - 31 December 2022.

The Responsibility of the Board of Directors on the Annual Report

In accordance with Articles 514 and 516 of the Turkish Commercial Code 6102 ("TCC"), the management of the Company is responsible for the following items:

- a) Preparation of the annual report within the first three months following the balance sheet date and submission of the annual report to the general assembly.
- b) Preparation and fair presentation of the annual report; reflecting the operations of the Company for the year, along with its financial position in a correct, complete, straightforward, true and honest manner. In this report, the financial position is assessed according to the financial statements. The development of the Company and the potential risks to be encountered are also noted in the report. The evaluation of the board of directors is also included in this report.
- c) The annual report also includes the matters below:
  - Subsequent events occurred after the end of the fiscal year which have significance,
  - The research and development activities of the Company,
  - Financial benefits such as salaries and bonuses paid to the board members and to those charged governance, allowances, travel, accommodation and representation expenses, financial aids and aids in kind, insurances and similar deposits.

When preparing the annual report, the board of directors takes into account the secondary legislative arrangements published by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our aim is to express an opinion, based on the independent audit we have performed on the annual report in accordance with provisions of the Turkish Commercial Code on whether the financial information provided in this annual report and the discussions of the Board of Directors are presented fairly and consistent with the Company's audited financial statements and to prepare a report including our opinion.

The independent audit we have performed is conducted in accordance with InAS. These standards require compliance with ethical provisions and the independent audit to be planned and performed to obtain reasonable assurance on whether the financial information provided in the annual report and the discussions of the Board of Directors are free from material misstatement and consistent with the financial statements.

The name of the engagement partner who supervised and concluded this audit is Metin ETKİN.

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

An Independent Member of BAKER TILLY INTERNATIONAL



Metin ETKİN  
Partner

İstanbul, March 8, 2023



## Auditor's Limited Assurance Report on Kartonsan's Sustainability Report

# Limited Assurance Report

(Convenience Translation of Limited Assurance Report Originally Issued in Turkish)

To the General Assembly of Kartonsan Karton Sanayi ve Ticaret A.Ş.

We have been engaged by Kartonsan Karton Sanayi ve Ticaret A.Ş. ("Kartonsan" or the "Company") to perform a limited assurance engagement by General Assembly in respect of the Selected Sustainability Information ("Selected Information") stated in the Integrated Report 2022 ("the Integrated Report 2022") under section of "Kartonsan Performance Indicators" for the year ended 31 December 2022 and listed below.

### Selected Information

The scope of the Selected Information for the year ended 31 December 2022, which is subject to our limited assurance work, of the Integrated Report 2022 is summarised below:

- Total number of employees
- Breakdown of employees by categories and gender
- Labor force in accordance with the collective bargaining agreement and unionization ratio
- Amount of recycled paper (wastepaper)
- Amount of recoverable waste heat
- Amount of non-hazardous waste in accordance with the disposal methods
- Total water consumption
- Number of employees in "Occupational Health and Safety" training and number of training hours
- Number of suppliers evaluated in accordance with the "Environmental, Social and Governance" performance criteria

Our independent limited assurance report (the "Report") was with respect to the year ended 31 December 2022 information only and we have not performed any procedures with respect to earlier periods or any other elements including subsidiaries (Dönkasan and Selka), other than Selected Information included in the Integrated Report 2022 and, therefore, do not express any conclusion thereon.

### Criteria

The criteria used by Kartonsan to prepare the Selected Information is set out in Kartonsan Integrated Report 2022 - Reporting Guidance' (the "Reporting Guidance") determined by "Sustainability Committee".

### Inherent Limitations

Non-financial performance information is subject to more inherent limitations than financial information, given the characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measures and measurement techniques and can affect comparability between entities. The precision of different measurement techniques may also vary. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time. It is important to read the Selected Information in the context of the Reporting Guidance.

Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of the Selected Information and Integrated Report 2022, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

In particular, the calculations related to carbon emissions is based upon, inter alia, laboratory analysis, information, gas flow measurement parameters and factors generated internally and/or derived by independent third parties as explained in the Reporting Guidance. Our assurance work has not included examination of the derivation of those factors and other third-party information.

### The Management's Responsibility

Kartonsan is responsible for the content of the Integrated Report 2022 and the preparation of the Selected Information in accordance with the Reporting Guidance. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of Selected Information that is free from material misstatement, whether due to fraud or error.

**AUDITOR'S LIMITED ASSURANCE REPORT ON KARTONSAN'S SUSTAINABILITY REPORT**  
**LIMITED ASSURANCE REPORT**  
**(CONVENIENCE TRANSLATION OF LIMITED ASSURANCE REPORT ORIGINALLY ISSUED IN TURKISH)**

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Our Responsibility

Our responsibility is to form a conclusion, based on limited assurance procedures, on whether anything has come to our attention that causes us to believe that the Selected Information has not been properly prepared in all material respects in accordance with the Reporting Guidance. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 ("Revised"), Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the Public Oversight, Accounting and Auditing Standards Authority ("POA"). A limited assurance engagement is substantially less in scope than a reasonable assurance engagement under ISAE 3000 in accordance with the Reporting Criteria of Selected Information. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement. The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Making inquiries of the persons responsible and the Kartonsan's management for the Selected Information;
- Understanding the process for collecting and reporting the Selected Information. This included analyzing the key processes and controls for managing and reporting the Selected Information;
- Evaluating the source data used to prepare the Selected Information and re-performing selected examples of calculation;
- Performing limited substantive testing on a selective basis of the preparation and collation of the Selected Information prepared by Kartonsan; and
- Undertaking analytical procedures over the reported data

### Limited Assurance Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Kartonsan's Selected Information for the year ended 31 December 2022, is not properly prepared, in all material respects, in accordance with the Reporting Guidance.

This report, including the conclusion, has been prepared for the Board of Directors of the Kartonsan as a body, to assist the Board of Directors in reporting Kartonsan's performance and activities related to the Selected Information. We permit the disclosure of this report within the Integrated Report for the year ended 31 December 2022, to enable the Board of Directors to demonstrate they have discharged their governance responsibilities by commissioning a limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors as a body and Kartonsan Karton Sanayi ve Ticaret A.Ş. for our work or this report save where terms are expressly agreed and with our prior consent in writing.

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



METİN ETKİN  
Partner  
İstanbul, March 8, 2023

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Consolidated Financial Statements as at and for the Year Ended 31 December 2022

Together with the Independent Auditors' Report

(Convenience Translation into English of the Independent Auditors' Report and Consolidated Financial Statements  
Originally Issued in Turkish)

## Independent Auditor's Report

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

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

We have audited the 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 financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Accounting Standards ("TASs").

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the consolidated financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming the auditor's 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 the matter was addressed in our audit
<p>Inventories are valued at the lower of cost or net realisable value in the consolidated financial statements.</p> <p>The cost of inventories is determined by the weighted average method.</p> <p>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.</p>	<p>We performed the following procedures for testing the provision for inventory impairment and net realisable value:</p> <p>As a part of our audit procedures;</p> <ul style="list-style-type: none"> <li>- 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,</li> <li>- 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,</li> <li>- 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,</li> <li>- Comparing the inventory turnover ratio, statement of cost of sales and selling costs to sales ratio with the prior period,</li> <li>- Recalculating the inventory cards selected as a sample for the cost calculation of the Group,</li> <li>- Evaluating inventory impairment study of the Group,</li> <li>- Testing the disclosures in the consolidated financial statements in relation to the inventories and evaluating the adequacy of such disclosures for TFRS requirements,</li> </ul> <p>We had no material findings related to the accounting for inventories as a result of these procedures.</p>



## Independent Auditor's Report

### Property, Plant and Equipment

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

#### Key audit matters

The consolidated financial statements as of 31 December 2022 include property, plant and equipment with carrying values of TL 419.739.507. 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.

#### How the matter was addressed in our audit

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

Revenue is recognized when the control of the products sold is transferred to the customers, therefore when the performance obligation is satisfied and it is probable that any future economic benefit associated with the item of revenue will flow to the entity, or the amount of revenue can be measured reliably and accounted for an accrual basis.

Relevant revenue items are material to the consolidated financial statements. Based on the aforementioned disclosure, it has been determined as a key audit matter whether the revenue is recognized to the correct period in accordance with the periodicity and matching principle of sales.

The consolidated financial statements as of 31 December 2022 include revenue with the carrying value of TL 3.364.356.706 which is recognised in "revenue" item under consolidated statement of profit or loss and other comprehensive income.

#### How the matter was addressed in our audit

We performed the following procedures for testing the revenue recognition:

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 revenue recognition 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 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 ISAs 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 ISAs, 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.

## Independent Auditor's Report

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 Legal and 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 01 March 2023.
- 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 2022 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 Metin Etkin..

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

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



Metin ETKİN  
Sorumlu Ortak Başdenetçi  
İstanbul, 1 Mart 2023

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## KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

**Consolidated Balance Sheets****As at 31 December 2022 and 2021**

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

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

	Notes	Audited current period 31 December 2022	Audited prior period 31 December 2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	379.452.742	420.621.833
Trade Receivables	5-6	204.725.341	174.155.921
- Related Parties	5	18.944.915	10.754.792
- Third Parties	6	185.780.426	163.401.129
Other Receivables	8	22.992.754	1.151.294
- Third Parties	8	22.992.754	1.151.294
Inventories	9	567.758.084	171.495.394
Prepaid Expenses	5-17	52.739.425	51.178.701
- Related Parties	5	12.604.023	13.987.543
- Third Parties	17	40.135.402	37.191.158
Other Current Assets	17	43.430.960	372.208
- Third Parties	17	43.430.960	372.208
<b>Total Current Assets</b>		<b>1.271.099.306</b>	<b>818.975.351</b>
<b>Non-Current Assets</b>			
Other Receivables	8	33.550	25.183
- Third Parties	8	33.550	25.183
Investment Properties	10	229.270	229.270
Property, Plant and Equipment	11	419.739.507	300.334.864
- Land		24.059.097	24.059.097
- Land improvements		9.762.182	6.725.351
- Buildings		51.951.240	40.939.968
- Plant, machinery and equipment		312.173.165	214.719.438
- Motor vehicles		1.026.117	1.230.912
- Furniture and fixtures		16.805.902	11.200.915
- Leasehold improvements		63.512	82.497
- Constructions in progress		1.692.288	670.815
- Other property, plant and equipment		2.206.004	705.871
Right of Use Assets	12	3.978.805	5.480.627
Intangible Assets	12	5.686.501	5.100.683
- Other Intangible Assets		5.686.501	5.100.683
Prepaid Expenses	17	38.448.181	28.190.378
- Third Parties		38.448.181	28.190.378
Deferred Tax Assets	25	60.527.033	25.617.415
<b>Total Non-Current Assets</b>		<b>528.642.847</b>	<b>364.978.420</b>
<b>TOTAL ASSETS</b>		<b>1.799.742.153</b>	<b>1.183.953.771</b>



KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

**Consolidated Balance Sheets****As at 31 December 2022 and 2021**

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

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

	Notes	Audited current period 31 December 2022	Audited prior period 31 December 2021
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-term borrowings	5-7	1.235.916	1.127.709
- Related parties	5-7	203.763	233.819
- Lease liabilities	5-7	203.763	233.819
- Third parties	7	1.032.153	893.890
- Bank borrowings	7	0	177
- Lease liabilities	7	1.032.153	893.713
Trade payables	5-6	283.530.042	188.157.125
- Related parties	5	83.024	60.079
- Third parties	6	283.447.018	188.097.046
Employee benefits	16	8.805.921	4.247.696
Other payables	5-8	27.746.913	17.260.121
- Related parties	5	89.852	56.381
- Third parties	8	27.657.061	17.203.740
Current income tax liabilities	25	1.884.316	45.748.106
Short-term provisions	14-16	14.357.299	8.216.818
- Short-Term Provisions for Employee Benefits	16	6.196.139	1.821.769
- Other Short Term Provisions	14	8.161.160	6.395.049
<b>Total Current Liabilities</b>		<b>337.560.407</b>	<b>264.757.575</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings	5-7	3.803.958	5.145.854
- Related parties	5-7	3.491.078	4.147.419
- Lease liabilities	5-7	3.491.078	4.147.419
- Third parties	7	312.880	998.435
- Lease liabilities	7	312.880	998.435
Long-Term Provisions	16	47.563.745	23.157.194
- Long-Term Provisions for Employee Benefits	16	47.563.745	23.157.194
Deferred tax liabilities	25	2.460.768	2.756.587
<b>Total Non-Current Liabilities</b>		<b>53.828.471</b>	<b>31.059.635</b>

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

**Consolidated Balance Sheets****As at 31 December 2022 and 2021**

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

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

	Notes	Audited current period 31 December 2022	Audited prior period 31 December 2021
<b>EQUITY</b>			
Equity Holders of the Parent		1.407.405.497	887.585.636
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	(21.375.965)	(7.802.118)
- Gains/(losses) on remeasurements of defined benefit plans	18	(21.375.965)	(7.802.118)
Restricted Reserves	18	71.561.347	47.838.946
- Gains on Disposal of Subsidiaries or Property, Plant and Equipment and Intangible Assets	18	2.315.343	2.315.343
- Legal Reserves	18	69.246.004	45.523.603
Retained Earnings		556.057.718	372.385.619
Profit of the Period		705.019.197	379.019.989
Non-Controlling Interests		947.778	550.925
<b>Total Equity</b>		<b>1.408.353.275</b>	<b>888.136.561</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1.799.742.153</b>	<b>1.183.953.771</b>

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Consolidated Statements of Income and Other Comprehensive Income For the Years Ended 31 December 2022 and 2021

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

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

	Notes	Audited current period 1 January - 31 December 2022	Audited prior period 1 January - 31 December 2021
Revenue	19	3.364.356.706	1.588.647.216
Cost of Sales (-)	19	(2.573.297.432)	(1.166.395.954)
Gross profit from non-finance sector operations		791.059.274	422.251.262
Gross Profit		791.059.274	422.251.262
General Administrative Expenses (-)	20	(45.061.551)	(26.395.624)
Marketing Expenses (-)	20	(63.790.118)	(38.143.366)
Other Operating Income	22	121.649.159	90.492.360
Other Operating Expenses (-)	22	(71.572.036)	(66.570.699)
OPERATING PROFIT		732.284.728	381.633.933
Gains from Investment Activities	23	145.965.667	121.777.033
Losses from Investment Activities (-)	23	(13.551.182)	(8.846.263)
OPERATING PROFIT BEFORE FINANCIAL INCOME/EXPENSE		864.699.213	494.564.703
Financial Expenses (-)	24	(42.711.447)	(23.704.515)
PROFIT BEFORE TAX		821.987.766	470.860.188
Tax income/(expense)	25	(116.521.025)	(91.479.451)
- Current period tax expense	25	(148.333.001)	(91.617.001)
- Deferred tax income/expense	25	31.811.976	137.550
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		705.466.741	379.380.737
PROFIT FOR THE PERIOD		705.466.741	379.380.737
Attributable to:		705.466.741	379.380.737
- Non-Controlling Interests		447.544	360.748
- Equity Holders of the Parent		705.019.197	379.019.989
Earnings Per Share	26		
- Earnings Per Share from Continuing Operations	26	9.40025596	5.05359985
Other Comprehensive Income:			
Items not to be reclassified to profit/loss	18	(13.573.847)	(4.670.073)
- Gains/(losses) on remeasurements of defined benefit plans	18	(13.573.847)	(4.670.073)
Other Comprehensive Income		(13.573.847)	(4.670.073)
Total Comprehensive Income		691.892.894	374.710.664
Attributable to:		691.892.894	374.710.664
- Non-Controlling Interests		447.544	360.748
- Equity Holders of the Parent		691.445.350	374.349.916

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Consolidated Statements of Changes in Equity For the Years Ended 31 December 2022 and 2021

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

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

### Prior period - 31 December 2021 (Audited)

	Paid-in share capital	Adjustment to share capital	Share premium	Items not to be reclassified to profit or loss	Restricted reserves
				Gains/(losses) on remeasurement of defined benefit plans	
Balances at 1 January 2021 (Beginning of the period)	75.000.000	21.135.671	7.529	(3.132.045)	35.326.182
Transfers	-	-	-	-	12.512.764
Total comprehensive income	-	-	-	(4.670.073)	-
Dividends paid					-
<b>Balances at 31 December 2021 (End of the period)</b>	<b>75.000.000</b>	<b>21.135.671</b>	<b>7.529</b>	<b>(7.802.118)</b>	<b>47.838.946</b>

### Current period - 31 December 2022 (Audited)

	Paid-in share capital	Adjustment to share capital	Share premium	Items not to be reclassified to profit or loss	Restricted reserves
				Gains/(losses) on remeasurement of defined benefit plans	
Balances at 1 January 2022 (Beginning of the period)	75.000.000	21.135.671	7.529	(7.802.118)	47.838.946
Transfers	-	-	-	-	23.722.401
Total comprehensive income	-	-	-	(13.573.847)	-
Dividends paid					-
<b>Balances at 31 December 2022 (End of the period)</b>	<b>75.000.000</b>	<b>21.135.671</b>	<b>7.529</b>	<b>(21.375.965)</b>	<b>71.561.347</b>

## Retained earnings

Prior years income	Profit for the Period	Equity holders of the parent	Non-controlling interests	Total Equity
307.975.367	137.264.514	573.577.218	233.572	573.810.790
124.751.750	(137.264.514)	-	-	-
-	379.019.989	374.349.916	360.748	374.710.664
(60.341.498)	-	(60.341.498)	(43.395)	(60.384.893)
<b>372.385.619</b>	<b>379.019.989</b>	<b>887.585.636</b>	<b>550.925</b>	<b>888.136.561</b>

## Retained earnings

Prior years income	Profit for the Period	Equity holders of the parent	Non-controlling interests	Total Equity
372.385.619	379.019.989	887.585.636	550.925	888.136.561
355.297.588	(379.019.989)	-	-	-
-	705.019.197	691.445.350	447.544	691.892.894
(171.625.489)	-	(171.625.489)	(50.691)	(171.676.180)
<b>556.057.718</b>	<b>705.019.197</b>	<b>1.407.405.497</b>	<b>947.778</b>	<b>1.408.353.275</b>



## KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Consolidated Statements of Cash Flows

## For the Years Ended 31 December 2022 and 2021

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

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

	Notes	Audited Current period 31 December 2022	Audited Prior period 31 December 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>270.473.456</b>	<b>399.219.813</b>
Profit for the period		705.466.741	379.380.737
Profit for the period from continuing operations		705.466.741	379.380.737
<b>Adjustments to reconcile profit for the period to cash generated from operating activities:</b>		<b>209.341.862</b>	<b>125.982.471</b>
Depreciation and amortisation	11,12,21	52.266.578	38.676.342
<b>Adjustments for Impairment (Reversal)</b>		<b>3.168.824</b>	<b>2.270.631</b>
Adjustments for Receivables Impairment (Reversal)		(5.371.502)	2.205.317
Adjustments for Inventory Impairment (Reversal)		8.552.922	65.314
Adjustments for Provisions		39.371.691	(6.104.107)
<b>Adjustments for Provision for Employee Benefits (Reversal)</b>		<b>37.605.580</b>	<b>(9.808.635)</b>
Adjustment for free provisions for potential risks (Reversal)		-	-
Adjustments for Other Provisions (Reversal)		1.766.111	3.704.528
<b>Adjustments for interest income and expenses</b>		<b>(1.682.293)</b>	<b>117.939</b>
Adjustments for Interest Income		(41.963.783)	(20.826.028)
Adjustments for Interest Expenses	24	42.711.447	23.704.515
Deferred financial expense arising from term purchases	22	19.384.905	7.792.013
Unearned finance income from term sales	22	(21.814.862)	(10.552.561)
<b>Adjustments for tax income/expense</b>	<b>25</b>	<b>116.521.025</b>	<b>91.479.451</b>
<b>Adjustments for losses/(gains) on disposal of non-current assets</b>		<b>(316.559)</b>	<b>(457.785)</b>
Adjustments for losses/(gains) on disposal of property, plant and equipment		(316.559)	(457.785)
Changes in working capital		(410.845.547)	(31.745.002)
<b>Adjustments for Gains/Losses on Trade Receivables</b>		<b>(25.048.980)</b>	<b>(84.515.250)</b>
<b>Related parties</b>		<b>(8.190.123)</b>	<b>(6.317.971)</b>
Third parties		(16.858.857)	(78.197.279)
<b>Adjustments for Gains/Losses on Other Receivables Related to Operations</b>		<b>(21.849.827)</b>	<b>(322.088)</b>
Third parties		(21.849.827)	(322.088)
<b>Adjustments for Gains/Losses on Inventories</b>		<b>(404.815.612)</b>	<b>(42.654.478)</b>
<b>Adjustments for gains (losses) in prepaid expenses</b>		<b>(1.560.724)</b>	<b>(37.858.137)</b>
<b>Adjustments for Gains/Losses on Trade Payables</b>		<b>96.235.298</b>	<b>108.198.398</b>
Related parties		22.945	227
Third parties		96.212.353	108.198.171
<b>Adjustments for gains (losses) in payables due to employee benefits</b>		<b>4.558.225</b>	<b>961.432</b>
<b>Adjustments for Gains/Losses In Other Payables Related to Operations</b>		<b>10.486.792</b>	<b>12.293.007</b>
Related parties		33.471	17.930
Third parties		10.453.321	12.275.077
<b>Adjustments for other changes in working capital</b>		<b>(68.850.719)</b>	<b>12.152.114</b>
Changes in other assets related to operations		(68.850.719)	12.152.114
<b>Total Cash Flows from Operating Activities</b>		<b>503.963.056</b>	<b>473.618.206</b>
Interest paid		(62.958.733)	(31.997.784)
Interest received		21.665.924	11.162.872
Income taxes refund/(paid)	25	(192.196.791)	(53.563.481)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(137.337.881)</b>	<b>(102.096.160)</b>
<b>Cash Inflows from Sale of Property, Plant and Equipment and Intangible Assets</b>		<b>339.163</b>	<b>807.140</b>
Cash Inflows from Sale of Property, Plant and Equipment		339.163	807.140
<b>Cash Outflows from Purchase of Property, Plant and Equipment and Intangible Assets</b>		<b>(170.947.550)</b>	<b>(106.456.743)</b>
Cash Outflows from Purchase of Property, Plant and Equipment	11	(169.582.726)	(103.535.759)
Cash Outflows from Purchase of Intangible Assets	12	(1.364.824)	(2.920.984)
<b>Repayments of cash advance and debts given</b>		<b>(10.257.803)</b>	<b>(17.378.071)</b>
Repayments from other cash advance and debts given		(10.257.803)	(17.378.071)
Interest received		43.528.309	20.931.514
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(172.740.140)</b>	<b>(61.357.185)</b>
Cash inflows from borrowings		-	177
<b>Cash outflows from repayments of borrowings</b>		<b>(177)</b>	<b>-</b>
Cash outflows from repayments of loans		(177)	-
Cash outflows from payments of lease liabilities		(1.063.783)	(972.469)
Dividends paid		(171.676.180)	(60.384.893)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(39.604.565)</b>	<b>235.766.468</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(39.604.565)</b>	<b>235.766.468</b>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	4	420.268.070	184.501.602
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	380.663.505	420.268.070

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2022

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

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

### NOTE 1 - GROUP'S ORGANISATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret AS (the "Company" or "Kartonsan") was established in 1967 in Turkey. Kartonsan'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 2022 and 2021, the subsidiaries included in the consolidation scope of Kartonsan, their nature of business and effective interests are as follows:

Subsidiaries	Nature of business	Effective Ownership Interest	
		31 December 2022	31 December 2021
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 Kartonsan except for subcontractors is 301 (31 December 2021: 299).

These consolidated financial statements as of and for the year ended 31 December 2022 have been approved for issue by the Board of Directors ("BOD") on 01 March 2023 numbered YK/2023-05 and on behalf of the Board of Directors which was signed by Member of the Board of Directors and General Manager Haluk Iber and Chairman of the Board Ünal Bozkurt.

### 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 ("TASs") 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 accordance with the statement made by the Public Oversight, Accounting and Auditing Standards Authority on January 20, 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index ("CPI") is 74.41%, it has been stated that there is no need to make any adjustments within the scope of TAS 29 "Financial Reporting in Hyperinflationary Economies". As of the preparation date of these financial statements, no new announcement has been made by the Public Oversight Authority in 2022. In this respect, while preparing the financial statements as of 31 December 2022, no inflation adjustment was made according to TAS 29.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Notes to the Consolidated Financial Statements

### As at and for the Year Ended 31 December 2022

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

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

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

##### 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.

###### 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.

Subsidiaries are consolidated from the date on which the control is transferred to the Group and are no longer consolidated from the date that the control ceases. Non-controlling shares in the net assets and operating results of Subsidiaries are separately classified in the consolidated balance sheet and income statement as "non-controlling interests".

As of 31 December 2022 and 2021, the subsidiaries included in the consolidation scope of Kartonsan is as follows:

Subsidiaries	Effective Ownership Interest held by Kartonsan							
	31 December 2022				31 December 2021			
	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%

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

## Notes to the Consolidated Financial Statements As at and for the Year Ended 31 December 2022

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

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

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

#### 2.1.5 Significant Accounting, Judgements, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make estimates and assumptions that are reflected in the measurement of income and expense in the statement of profit or loss and in the carrying value of assets and liabilities in the balance sheet, and in the disclosure of information in the notes to the financial statements. Managements do exercise judgment and make use of information available at the date of the preparation of the financial statements in making these estimates.

The actual future results from operations in respect of the areas where these judgments and estimates have been made may in reality be different than those estimates.

The key assumptions concerning the future and other key resources of estimation at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year and the significant judgments (apart from those involving estimations) with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

#### 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 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 of incentive certificate was completed in April 2018. Total investment expenditure is amounting to TL 139.662.402.

	31 December 2022	31 December 2021
	Deferred Tax Asset	Deferred Tax Asset
Beginning of the Period - 1 January	33.471.316	28.520.568
Investment Discount Indexing	41.146.290	10.324.445
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(7.834.915)	(5.373.697)
End of the period - 31 December	66.782.691	33.471.316

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 the investment incentive numbered B137821 dated 18.10.2018 has been issued. The following government grants and 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

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.1.5 Significant Accounting Judgements, Estimates and Assumptions (continued)**

- 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 48.472.691 and the total sum of expenditures having been incurred is equals to TL 115.791.487. The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 14.541.807 on corporation tax. Incentive certificate has expired during the period and the Group will make an application to the "Republic of Türkiye Ministry of Economy, Directorate of Incentive Implementation and Foreign Investment" for the investment incentive certificate in 2023.

**2.2 New and Revised Turkish Financial Reporting Standards****New and revised standards and interpretations**

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2022 are consistent with those of the previous financial year, except for the adoption of new and amended Turkish Accounting Standards ("TAS")/IFRS and ("TAS")/IFRS interpretations effective as of 1 January 2022. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

**a) The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective from 31 December 2022 are as follows:**

Interest Rate Benchmark Reform - Phase 2 - Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform - Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021. Earlier application is permitted.

Amendments include the following matters:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

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

#### 2.2 New and Revised Turkish Financial Reporting Standards (continued)

a) The new standards, amendments and interpretations and interpretations to the existing previous standards which are effective from 31 December 2022 are as follows: (continued)

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

#### Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;

How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes in notes to the financial statements.

The amendments did not have a significant material impact on the financial position or performance of the Group.

#### Amendments to TFRS 4 Extension of the Temporary Exemption from Applying TFRS 9

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 Insurance Contracts from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

#### b) Standards and amendments issued but not yet effective and not early yet adopted as of 31 December 2022

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

#### TFRS 17 - The New Standard for Insurance Contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. Certain changes in the estimates of future cash flows and the risk adjustment are also recognised over the period that services are provided. Entities will have an option to present the effect of changes in discount rates either in profit and loss or in OCI. The standard includes specific guidance on measurement and presentation for insurance contracts with participation features. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted for the entities applied TFRS 9 Financial Instruments and TFRS 15 Revenue from Contracts with Customers standards.



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

##### 2.2 New and Revised Turkish Financial Reporting Standards (continued)

##### b) Standards and amendments issued but not yet effective and not early yet adopted as of 31 December 2022 (continued)

##### IFRS 17 - The New Standard for Insurance Contracts (continued)

In accordance with amendments issued by POA in December 2021, entities have transition option for a “classification overlay” to avoid possible accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of IFRS 17. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

The POA issued IFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will be applied for annual reporting periods beginning on or after January 1, 2023. Early application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

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

On January 15, 2021, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

##### Amendments to TAS 8 - Definition of Accounting Estimates

In August 2021, the POA issued amendments to TAS 8, in which it introduces a new definition of “accounting estimates”. The amendments issued to TAS 8 are effective for annual periods beginning on or after 1 January 2023.

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

#### 2.2 New and Revised Turkish Financial Reporting Standards (continued)

##### b) Standards and amendments issued but not yet effective and not early yet adopted as of 31 December 2022 (continued)

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the POA. The amendments apply to changes in accounting policies and changes in accounting estimates that occur on or after the commencement of the effective date. Earlier application is permitted. The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

##### Amendments to TAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction

In August 2021, the POA issued amendments to TAS 12, which narrow the scope of the initial recognition exception under TAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments issued to TAS 12 are effective for annual periods beginning on or after 1 January 2023. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgment (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgment is important in determining whether any temporary differences exist on initial recognition of the asset and liability. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations should be recognized.

The Group is assessing the potential significant material impact of the amendments on financial position or performance of the Group.

##### Amendments to TFRS 16 - Sale and Leaseback Transactions

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. The amendments to TFRS 16 add to requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.

#### 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.

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

##### 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 January 1 - 31 December 2022 are consistent with the estimates used in the preparation of the consolidated financial statements for the period January 1 - 31 December 2021. 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.

###### 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.

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

#### 2.5 Summary of Significant Accounting Policies (continued)

##### 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).

##### 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	2022	2021
	Rate (%)	Rate (%)
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).

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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.5 Summary of Significant Accounting Policies (continued)****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.

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 the current and prior periods.

**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:

- (a) The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- (b) 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),
- (c) Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- (d) 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.

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

#### 2.5 Summary of Significant Accounting Policies (continued)

##### *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:

- The amount of the initial measurement of the lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the Group, and
- 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:

- Less any accumulated depreciation and any accumulated impairment losses; and
- 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:

- Fixed payments, less any lease incentives receivable,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.
- 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



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

##### 2.5 Summary of Significant Accounting Policies (continued)

###### Leases (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.

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.

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

#### 2.5 Summary of Significant Accounting Policies (continued)

##### 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 Reporting Period

Events after reporting period are those events, which occur between the balance sheet date and the date when the financial statements are authorized for issue. The Group adjusts the amounts recognised in 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 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.

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#### 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).

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### 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 statutory 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).

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#### 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).

###### **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" and carried at cost in the consolidated financial statements.

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

#### 2.5 Summary of Significant Accounting Policies (continued)

In the event that investment properties are not used or sold, they are written off the balance sheet. Gains or losses arising from the sale of these properties are recognized in the consolidated statement of income (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 2018.

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.

##### b) 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.



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**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (continued)****2.5 Summary of Significant Accounting Policies (continued)****Financial Instruments (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 trade 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", the Group allocates provision for expected credit losses from the 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

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

#### 2.5 Summary of Significant Accounting Policies (continued)

##### Trade Receivables (continued)

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

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.

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

##### 2.5 Summary of Significant Accounting Policies (continued)

###### Trade Receivables (continued)

###### *b) Other financial liabilities*

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

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 period.

###### *(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 instruments 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 are reflected to the profit and loss in the consolidated statements of income. The aforementioned matter is effective if the hedged item is measured at cost.

##### 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.

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### NOTE 3 - SEGMENT REPORTING

The Group's nature of business includes ensuring the production and trade coated cardboard. Kartonsan'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 2022	31 December 2021
<b>Cash in hand</b>	418.213	268.289
<b>Banks</b>	379.034.529	420.353.544
- Demand Deposits - TL	4.198.683	6.410.129
- Demand Deposits - Foreign Currency	55.251.385	53.522.782
- Time Deposit - TL	26.789.260	130.668.530
- Time Deposit - Foreign Currency	292.740.201	228.325.473
- Credit Card Receivables	55.000	1.426.630
<b>Total</b>	<b>379.452.742</b>	<b>420.621.833</b>

As of 31 December 2022, the average maturity of time deposits is 29 days (31 December 2021: 35 days).

As of 31 December 2022, the interest rate of TL denominated time deposits amounting to TL 26.789.260 (31 December 2021: TL 130.668.530) was realized as 22.00% annually (31 December 2021: 17.81%). As of 31 December 2022, the weighted average interest rate of foreign currency denominated deposits amounting to TL 292.740.201 was realized as 4.01% annually (31 December 2021: TL 228.325.473 of foreign currency denominated time deposits, and the annual weighted average interest rate was realized as 1.29%).

As of 31 December 2022 and 2021, cash and cash equivalents subject to cash flow statements are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Beginning of the period - 1 January	420.268.070	184.501.602
Net increase/(decrease) in cash and cash equivalents	(39.604.565)	235.766.468
End of the period - 31 December	379.452.742	420.621.833
Interest accruals (-)	1.210.763	(353.763)
<b>Cash and cash equivalents net cash flow position, net</b>	<b>380.663.505</b>	<b>420.268.070</b>

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### NOTE 5 - RELATED PARTY DISCLOSURES

a) Trade receivables from related parties	31 December 2022	31 December 2021
Mel Macedonian Paper Mills S.S.A	18.944.915	10.754.792
<b>Total</b>	<b>18.944.915</b>	<b>10.754.792</b>
b) Prepaid expenses to related parties	31 December 2022	31 December 2021
Mel Macedonian Paper Mills S.S.A	12.604.023	13.987.543
<b>Total</b>	<b>12.604.023</b>	<b>13.987.543</b>
c) Trade payables to related parties	31 December 2022	31 December 2021
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizm. A.Ş.	54.280	46.837
Pak Holding A.Ş.	17.713	13.242
Pak Gıda Üretim ve Pazarlama A.Ş.	11.031	-
<b>Total</b>	<b>83.024</b>	<b>60.079</b>
d) Other payables to related parties	31 December 2022	31 December 2021
Shareholders (Dividend)	89.852	56.381
<b>Total</b>	<b>89.852</b>	<b>56.381</b>
e) Short term lease liabilities to related parties	31 December 2022	31 December 2021
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	203.763	233.819
<b>Total</b>	<b>203.763</b>	<b>233.819</b>
f) Long term lease liabilities to related parties	31 December 2022	31 December 2021
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş.	3.491.078	4.147.419
<b>Total</b>	<b>3.491.078</b>	<b>4.147.419</b>
g) Sales of goods and services to related parties	1 January - 31 December 2022	1 January - 31 December 2021
Mel Macedonian Paper Mills S.S.A	81.924.484	17.648.694
Pak Holding A.Ş.	-	20.615
<b>Total</b>	<b>81.924.484</b>	<b>17.669.309</b>

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### NOTE 5 - RELATED PARTY DISCLOSURES (continued)

#### h) Purchases of goods and services from related parties

	1 January - 31 December 2022	1 January - 31 December 2022
Mel Macedonian Paper Mills S.S.A.	215.710.184	115.333.387
Ece Ticari Gayrimenkul Yatırım ve Yönetim Hizmetleri A.Ş. <sup>(**)</sup>	1.553.305	1.472.608
Pak Holding A.Ş. <sup>(*)</sup>	235.882	57.460
Pak Gıda Üretim ve Pazarlama A.Ş.	46.936	102.678
As Gıda Üretim ve Pazarlama A.Ş.	52.180	-
<b>Total</b>	<b>217.598.487</b>	<b>116.966.133</b>

<sup>(\*)</sup> Includes reflection of legal consultancy services. The amount of TL 178.027 incurred during the period represents reflection of collected attorney's fee.

<sup>(\*\*)</sup> Includes rent and subscription fees of Pak İş Merkezi.

#### g) Key management compensation

	1 January - 31 December 2022	1 January - 31 December 2022
Key management compensation	7.866.859	5.451.270
<b>Total</b>	<b>7.866.859</b>	<b>5.451.270</b>

Key management compensation provided to key management personnel during the period 1 January 2022 to 31 December 2022 and 2021 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 2022 to 31 December 2022 and 2021 period.



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#### NOTE 6- TRADE RECEIVABLES AND PAYABLES

a) Trade receivables from third parties	31 December 2022	31 December 2021
Customers	186.661.339	157.449.016
Notes receivables	0	6.981.964
Doubtful trade receivables	1.230.598	6.602.100
Less: Non-accrued financial income	(880.913)	(1.029.851)
Less: Provision for doubtful trade receivables	(1.230.598)	(6.602.100)
<b>Total</b>	<b>185.780.426</b>	<b>163.401.129</b>

The average turnover period of trade receivables is 25 days (31 December 2021: 27 days) and the effective annual interest rates are as follows:

	31 December 2022				31 December 2021			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Receivables	22%	2.75%	2.60%	0	18%	0.58%	0	0.81%

As of 31 December 2022, the Group has mortgages and letters of guarantee for its trade receivables amounting to TL 129.927.390 (31 December 2021: TL 44.902.578).

The movements of provision for doubtful receivables during the period are as follows:

	31 December 2022	31 December 2021
<b>Beginning of the Period - 1 January</b>	6.602.100	4.396.785
Increases during the period	75.086	2.456.876
Collections	(5.446.588)	(251.561)
<b>End of the period - 31 December</b>	<b>1.230.598</b>	<b>6.602.100</b>

b) Trade payables to third parties	31 December 2022	31 December 2021
Suppliers	277.419.666	179.522.313
Notes Payable	7.770.000	9.455.000
Less: Non accrued financial expense	(1.742.648)	(880.267)
<b>Total</b>	<b>283.447.018</b>	<b>188.097.046</b>

The average turnover period of trade payables is 15 days (31 December 2021: 17 days) and the effective annual interest rates are as follows:

	31 December 2022				31 December 2021			
	TL	USD	EUR	OTHER	TL	USD	EUR	OTHER
Trade Payables	22%	2.75%	2.60%	0	18%	0.58%	0	0.81%

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#### NOTE 7 - BORROWINGS

##### Short term borrowings from related parties

	31 December 2022	31 December 2021
Lease liabilities	203.763	233.819
<b>Total</b>	<b>203.763</b>	<b>233.819</b>

##### Long term borrowings from related parties

	31 December 2022	31 December 2021
Lease liabilities	3.491.078	4.147.419
<b>Total</b>	<b>3.491.078</b>	<b>4.147.419</b>

##### Short term borrowings from third parties

	31 December 2022	31 December 2021
Short term loans	-	177
Lease liabilities	1.032.153	893.713
<b>Total</b>	<b>1.032.153</b>	<b>893.890</b>

##### Long term borrowings from third parties

	31 December 2022	31 December 2021
Lease liabilities	312.880	998.435
<b>Total</b>	<b>312.880</b>	<b>998.435</b>

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#### NOTE 8 - OTHER RECEIVABLES AND PAYABLES

The breakdown of other receivables and payables of the Group at the end of the periods are as follows:

a) Short term other receivables from third parties	31 December 2022	31 December 2021
Tax refunds receivables from tax office	22.608.482	1.126.392
Deposits and guarantees given	296.610	2.043
Receivables from employees	87.662	22.859
<b>Total</b>	<b>22.992.754</b>	<b>1.151.294</b>
b) Long term other receivables from third parties	31 December 2022	31 December 2021
Deposits and guarantees given	33.550	25.183
<b>Total</b>	<b>33.550</b>	<b>25.183</b>
c) Other payables to third parties	31 December 2022	31 December 2021
Advances received	22.823.324	5.236.169
Taxes payable	4.833.737	11.967.571
<b>Total</b>	<b>27.657.061</b>	<b>17.203.740</b>

#### NOTE 9 - INVENTORIES

	31 December 2022	31 December 2021
Raw materials and supplies	177.915.620	91.937.528
Semi-finished goods	8.156.538	2.295.894
Finished goods	268.795.248	41.535.970
Merchandise	80.495.085	9.230.478
Other inventories	41.042.361	26.589.370
Less: Provision for impairment	(8.646.768)	(93.846)
<b>Total</b>	<b>567.758.084</b>	<b>171.495.394</b>

As of 31 December 2022, cost of inventories of the Group amounting to TL 1.917.411.202 (31 December 2021: TL 743.087.961) is recognized as an expense under cost of sales (Note 19 and 21).

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### NOTE 9 - INVENTORIES (continued)

Movements of provision for impairment on inventories are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Beginning of the Period - 1 January</b>	(93.846)	(28.532)
Profit or loss position due to disposals	93.846	28.532
Provisions during the period (-)	(8.646.768)	(93.846)
<b>End of the period - 31 December</b>	<b>(8.646.768)</b>	<b>(93.846)</b>

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 2022	1 January - 31 December 2021
Cost	(28.949.222)	(854.518)
Net realisable value	20.302.453	760.672
<b>Provisions during the period</b>	<b>(8.646.769)</b>	<b>(93.846)</b>

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

### NOTE 10 - INVESTMENT PROPERTIES

As of 31 December 2022, investment properties of the Group is amounting to TL 229.270 (31 December 2021: TL 229.270). The Group has no movement for investment property during the period (31 December 2021: 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 change incurred during the period regarding its investment properties.

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#### NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Cost:	Opening balance - 1 January 2022	Additions	Disposals	Transfers	Closing balance - 31 December 2022
Land	24.059.097				24.059.097
Land improvements	13.750.935	419.999	-	3.539.381	17.710.315
Buildings	71.814.984	3.129.237	-	9.784.200	84.728.421
Plant, machinery and equipment	693.962.239	86.365.430	29.767	54.024.070	834.321.972
Motor vehicles	2.722.182	184.300	-		2.906.482
Furniture and fixtures	29.594.131	9.379.411	271.633		38.701.909
Leasehold improvements	558.912	12.735	-		571.647
Other property, plant and equipment	1.187.577	1.722.490	-		2.910.067
Constructions in progress	670.815	68.369.124		(67.347.651)	1.692.288
	<b>838.320.872</b>	<b>169.582.726</b>	<b>301.400</b>	<b>-</b>	<b>1.007.602.198</b>
Accumulated depreciation:					
Land improvements	(7.025.584)	(922.549)	-	-	(7.948.133)
Buildings	(30.875.016)	(1.902.165)	-	-	(32.777.181)
Plant, machinery and equipment	(479.242.801)	(42.918.904)	12.898	-	(522.148.807)
Motor vehicles	(1.491.270)	(389.095)	-	-	(1.880.365)
Furniture and fixtures	(18.393.216)	(3.768.689)	265.898	-	(21.896.007)
Leasehold improvements	(476.415)	(31.720)	-	-	(508.135)
Other property, plant and equipment	(481.706)	(222.357)	-	-	(704.063)
	<b>(537.986.008)</b>	<b>(50.155.479)</b>	<b>278.796</b>		<b>(587.862.691)</b>
<b>Net book value</b>	<b>300.334.864</b>				<b>419.739.507</b>

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**NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Cost:</b>	<b>Opening balance - 1 January 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Closing balance - 31 December 2021</b>
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
	<b>735.790.406</b>	<b>103.281.979</b>	<b>751.513</b>	<b>-</b>	<b>838.320.872</b>
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)
	<b>(502.572.850)</b>	<b>(36.069.096)</b>	<b>655.938</b>	<b>-</b>	<b>(537.986.008)</b>
<b>Net book value</b>	<b>233.217.556</b>				<b>300.334.864</b>

As of 31 December 2022, the Group has no machinery and equipment acquired through finance leases. (31 December 2021: None.)

Current period depreciation and amortisation charges on property, plant and equipment amounting to TL 48.661.243 (31 December 2021: TL 34.390.759) included in cost of sales, the portion amounting to TL 733.087 included in (31 December 2021: TL 965.297) marketing expenses and remaining portion amounting to TL 761.149 (31 December 2021: TL 713.038) is included in general administrative expenses (Note 19 and 20).



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**NOTE 12 - RIGHT OF USE ASSETS AND INTANGIBLE ASSETS****Right of Use Assets**

<b>Cost:</b>	<b>Opening balance - 1 January 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance - 31 December 2022</b>
Head Office	4.745.325	-	(515.040)	4.230.285
Motor Vehicles	2.783.195	387.146	(230.699)	2.939.642
	<b>7.528.520</b>	<b>387.146</b>	<b>(745.739)</b>	<b>7.169.927</b>
<b>Accumulated depreciation:</b>	<b>Opening balance - 1 January 2022</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance - 31 December 2022</b>
Head Office	(1.040.509)	(364.547)	-	(1.405.056)
Motor Vehicles	(1.007.384)	(967.546)	188.864	(1.786.066)
	<b>(2.047.893)</b>	<b>(1.332.093)</b>	<b>188.864</b>	<b>(3.191.122)</b>
<b>Net book value</b>	<b>5.480.627</b>			<b>3.978.805</b>
<b>Cost:</b>	<b>Opening balance - 1 January 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance - 31 December 2021</b>
Head Office	4.246.270	499.055	-	4.745.325
Motor Vehicles	2.074.199	985.476	(276.480)	2.783.195
	<b>6.320.469</b>	<b>1.484.531</b>	<b>(276.480)</b>	<b>7.528.520</b>
<b>Accumulated depreciation:</b>	<b>Opening balance - 1 January 2021</b>	<b>Additions</b>	<b>Disposals</b>	<b>Closing balance - 31 December 2021</b>
Head Office	(617.102)	(423.407)	-	(1.040.509)
Motor Vehicles	(408.186)	(875.955)	276.757	(1.007.384)
	<b>(1.025.288)</b>	<b>(1.299.362)</b>	<b>276.757</b>	<b>(2.047.893)</b>
<b>Net book value</b>	<b>5.295.181</b>			<b>5.480.627</b>

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### NOTE 12 - RIGHT OF USE ASSETS AND INTANGIBLE ASSETS (continued)

#### Intangible Assets

Cost:	Opening balance - 1 January 2022	Additions	Disposals	Closing balance - 31 December 2022
Rights and computer software	11.844.199	1.364.824	-	13.209.023
	<b>11.844.199</b>	<b>1.364.824</b>	<b>-</b>	<b>13.209.023</b>
Accumulated depreciation:	Opening balance - 1 January 2022	Additions	Disposals	Closing balance - 31 December 2022
Rights and computer software	(6.743.516)	(779.006)	-	(7.522.522)
	<b>(6.743.516)</b>	<b>(779.006)</b>	<b>-</b>	<b>(7.522.522)</b>
<b>Net book value</b>	<b>5.100.683</b>			<b>5.686.501</b>
Cost:	Opening balance - 1 January 2021	Additions	Disposals	Closing balance - 31 December 2021
Rights and computer software	8.923.215	2.920.984	-	11.844.199
	<b>8.923.215</b>	<b>2.920.984</b>	<b>-</b>	<b>11.844.199</b>
Accumulated depreciation:	Opening balance - 1 January 2021	Additions	Disposals	Closing balance - 31 December 2021
Rights and computer software	(5.435.630)	(1.307.886)	-	(6.743.516)
	<b>(5.435.630)</b>	<b>(1.307.886)</b>	<b>-</b>	<b>(6.743.516)</b>
<b>Net book value</b>	<b>3.487.585</b>			<b>5.100.683</b>

Current period depreciation and amortisation charges on intangible assets amounting to TL 779.006 (31 December 2021: TL 1.307.886) included in cost of sales and remaining portion amounting to TL 1.332.093 (31 December 2021: TL 1.299.362) is included in general administrative expenses.

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**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 the investment incentive numbered B137821 dated 18.10.2018 has been issued. The following government grants and 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 48.472.691 and the total sum of expenditures having been incurred is equals to TL 115.791.487. The Group has been benefited from aforementioned government grants regarding the expenditures and the tax exemption amounting to TL 14.541.807 on corporation tax.

Incentive certificate has expired during the period and the Group will make an application to the "Republic of Türkiye Ministry of Economy, Directorate of Incentive Implementation and Foreign Investment" for the investment incentive certificate in 2023.

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 the current period and subsequent periods (Note 25). Completion examination of incentive certificate was completed in April 2018. Total investment expenditure is amounting to TL 139.662.402.

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>Deferred Tax Assets</b>	<b>Deferred Tax Assets</b>
Beginning of the Period - 1 January	33.471.316	28.520.568
Investment Discount Indexing	41.146.290	10.324.445
Spending Amount/Adjustment	-	-
Utilized as Tax Discount	(7.834.915)	(5.373.697)
<b>End of the period - 31 December</b>	<b>66.782.691</b>	<b>33.471.316</b>

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### NOTE 14 - PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

#### Short term other provisions

	31 December 2022	31 December 2021
Provision for export discount expenses	536.668	3.270.627
Provision for export commission expense	6.551.192	2.233.496
Provision for other debt expense	1.073.300	890.926
<b>Total</b>	<b>8.161.160</b>	<b>6.395.049</b>

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

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Beginning of the Period - 1 January</b>	6.395.049	2.690.521
Payments and reversals	(6.395.049)	(2.690.521)
Additions	8.161.160	6.395.049
<b>End of the Period - 31December</b>	<b>8.161.160</b>	<b>6.395.049</b>

In accordance with the information regarding the ongoing lawsuits filed against the Group or in favor of the Group as of 31 December 2022 as a result of the attorney's letter 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.

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 not been allocated related provisions included in the consolidated financial statements for the 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 and 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 to USD 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 withdrew from the lawsuit and therefore, the lawsuit concluded in favor of the Group.

2. 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 and cash outflow from the Group is expected regarding the lawsuit, the provision has not been allocated in the consolidated financial statements.

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

3. 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 allocated in the consolidated financial statements.

4. In accordance with the decision of the "Turkish Competition Authority" on 24.04.2012 and numbered 12-21/560-158, a prosecution has been initiated against the Group. As a result, a personal exemption has been granted for the Group in accordance with the decision of the Turkish Competition Authority on 08.07.2013 and numbered 13-42/538-238.

The aforementioned matter was disclosed by the Group as "Special Circumstances Disclosure" on 10.07.2013. Regarding the decision of the "Turkish Competition Authority" to grant personal exemption, which is a matter in favor of the Group, an action for annulment was filed at the 14th Administrative Court of Ankara by an entity operating in the relevant market, and the lawsuit was dismissed by the relevant court. The decision was reversed by the "Council of State" after the relevant entity appealed to the court to the Council of State. Accordingly, Turkish Competition Authority has also applied to revision of the decision of the Council of State against this annulment. The lawsuit is still ongoing. Whether the relevant decision of the Turkish Competition Authority will be annulled as a result of the lawsuit, whether the decision of competition authority regarding the decision of the annulment in favor or against the Group and its materiality to the Group and its consolidated financial statements will be determined in accordance with the process of the relevant lawsuit and decision of the Turkish Competition Authority. Since no cash outflow from the Group is expected regarding the lawsuit, the provision has not been allocated in the consolidated financial statements.

**d) Ratio of Collaterals, Pledges, Mortgages to equity**

Collaterals, Pledges, and Mortgages ("CPM") obtained from the customers of the Group as of 31 December 2022 and 2021 is as follows:

	Currency	31 December 2022		31 December 2021	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
CPM's received	TL	64.720.720	64.720.720	46.015.720	46.015.720
	EUR	18.450.000	367.798.905	450.000	6.789.015
	GBP	1.000.000	22.489.200	-	-
	USD	1.750.000	32.722.025	-	-
<b>Total</b>			<b>487.730.850</b>		<b>52.804.735</b>

Collaterals, Pledges, and Mortgages ("CPM") obtained from the suppliers of the Group as of 31 December 2022 and 2021 is as follows:

	Currency	31 December 2022		31 December 2021	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
CPM's received	TL	2.422.978	2.422.978	2.107.778	2.107.778
	EUR	629.656	12.552.109	1.501.025	22.645.514
	USD	-	-	-	-
<b>Total</b>			<b>14.975.087</b>		<b>24.753.292</b>

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

Collaterals, Pledges, and Mortgages ("CPM") of the Group as of 31 December 2022 and 2021 is as follows:

	Currency	31 December 2022		31 December 2021	
		Original currency amount	TL equivalent	Original currency amount	TL equivalent
A. Total amount of CPM's given in the name of its own legal personality	TL	20.074.538	20.074.538	8.977.631	8.977.631
	USD	-	-	-	-
	EUR	110.000	2.192.839	110.000	1.659.537
B. Total amount of CPM's given on behalf of third parties for ordinary course of business		-	-	-	-
C. Total amount of other CPM's 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		-	-	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of B		-	-	-	-
<b>Total</b>			<b>22.267.377</b>		<b>10.637.168</b>

The ratio of other CPM's given by the Group to its equity is 0% as of 31 December 2022 (31 December 2021: 0%).



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

##### e) Insurance coverage of property, plant and equipment

As of 31 December 2022 and 2021, insurance coverage of property, plant and equipment is as follows:

Type	31 December 2022	31 December 2021
Buildings	225.353.706	63.595.000
Machinery and Equipment	1.084.492.500	440.298.000
Cash in hand	462.135	462.135
Inventories	579.520.000	144.520.000
Furniture and Fixtures	8.968.720	3.527.600
Motor Vehicles	6.982.806	3.979.925
<b>Total</b>	<b>1.905.779.867</b>	<b>656.382.660</b>

#### NOTE 15 - COMMITMENTS

As of 31 December 2022 and 2021, commitments of the Group are as follows:

##### a) Raw material and supplies purchase contracts

	31 December 2022	31 December 2021
Up to 1 year	87.739.229	33.096.891
<b>Total</b>	<b>87.739.229</b>	<b>33.096.891</b>

##### b) Machinery and equipment purchase contracts

	31 December 2022	31 December 2021
Up to 1 year	56.959.353	51.183.349
<b>Total</b>	<b>56.959.353</b>	<b>51.183.349</b>

##### c) Services purchase contracts

	31 December 2022	31 December 2021
Up to 1 year	4.734.727	4.418.608
<b>Total</b>	<b>4.734.727</b>	<b>4.418.608</b>

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### NOTE 16 - EMPLOYEE BENEFITS

#### Employee benefits payables

	31 December 2022	31 December 2021
SSI Premium payables and tax deductions	7.951.815	3.577.574
Short-term benefits (e.g. wages and salaries, annual leave)	788.445	631.616
Other	65.661	38.506
<b>Total</b>	<b>8.805.921</b>	<b>4.247.696</b>

#### Short-term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for bonus and salaries	3.629.888	373.455
Provision for unused vacation	2.566.251	1.448.314
<b>Total</b>	<b>6.196.139</b>	<b>1.821.769</b>

The movements of salaries, bonuses and provision of premiums are as follows:

	31 December 2022	31 December 2021
<b>Beginning of the Period - 1 January</b>	<b>1.821.769</b>	<b>1.839.717</b>
Increases during the period	6.196.139	1.821.769
Payments during the period	(1.821.769)	(1.839.717)
<b>End of the period - 31 December</b>	<b>6.196.139</b>	<b>1.821.769</b>

#### Long-term provisions for employee benefits

	31 December 2022	31 December 2021
Provision for employment termination benefits	47.563.745	23.157.194
<b>Total</b>	<b>47.563.745</b>	<b>23.157.194</b>

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

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 2022, the amount payable consists of one month's salary limited to a maximum of 15.371,40 (31 December 2021: TL 8.254,51) for each year of service. The liability is not funded as there is no funding requirement.

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**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/TFRS 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.

	31 December 2022	31 December 2021
Net discount rate (%)	3.85	2.56
Turnover rate to estimate of the probability of retirement (%)	98.64	98.64

**Long-term provisions for employee benefits**

The principal 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 19.982,83 effective from 1 January 2023 (1 January 2022: TL 10.848,59) has been taken into consideration in calculating the provision for employment termination benefits.

Movements in the provision for employment termination benefits are as follows:

	31 December 2022	31 December 2021
<b>Beginning of the Period - 1 January</b>	<b>23.157.194</b>	<b>15.293.908</b>
Service costs	3.822.504	1.958.188
Interest costs	4.828.085	1.665.824
Actuarial losses (Note 18)	16.967.308	5.908.191
Losses on remeasurement of defined benefit plans	1.284.597	484.305
Payments during the period	(2.495.943)	(2.153.222)
<b>End of the period - 31 December</b>	<b>47.563.745</b>	<b>23.157.194</b>

**NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS****a) Short-term prepaid expenses to third parties**

	31 December 2022	31 December 2021
Advances given	33.083.715	32.667.578
Other prepaid expenses *	7.051.687	4.523.580
<b>Total</b>	<b>40.135.402</b>	<b>37.191.158</b>

\* Includes insurance, maintenance and repair and subscription expenses

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

#### b) Other current assets from third parties

	31 December 2022	31 December 2021
Deferred VAT	43.370.368	342.117
Business cash advances	600	300
Other	59.992	29.791
<b>Total</b>	<b>43.430.960</b>	<b>372.208</b>

#### c) Long-term prepaid expenses to third parties

	31 December 2022	31 December 2021
Advances given for property, plant and equipment and intangible assets	38.448.181	28.190.378
<b>Total</b>	<b>38.448.181</b>	<b>28.190.378</b>

### NOTE 18 - EQUITY

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

As of 31 December 2022 and 2021, the principal shareholders and their respective shareholding rates in Kartonsan are as follows:

	31 December 2022		31 December 2021	
	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
<b>Paid-in share capital</b>	<b>75.000.000</b>	<b>100.00</b>	<b>75.000.000</b>	<b>100.00</b>
Adjustment to share capital	21.135.671		21.135.671	
<b>Total</b>	<b>96.135.671</b>		<b>96.135.671</b>	

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 as follows:

According to the Company's articles of association

Number of outstanding shares	7.500.000.000
Nominal amount of shares	0.01
<b>Total nominal amount</b>	<b>75.000.000,00</b>

The Company's 5.287 outstanding shares are comprise of Class 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 Class A (Preferred) shareholders in 5% of the remaining portion.

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**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 under "Restricted Reserves" in accordance with Capital Markets Board Financial Reporting Standards. As of 31 December 2022 and 2021, the breakdown of restricted reserves is as follows:

	31 December 2022	31 December 2021
Legal reserves	69.246.004	45.523.603
Gains on disposal of subsidiaries, property, plant and equipment and intangible assets	2.315.343	2.315.343
<b>Total</b>	<b>71.561.347</b>	<b>47.838.946</b>

**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.

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.

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### NOTE 18 - EQUITY (continued)

As of 31 December 2022, the Group's net distributable profit and other available funds (except distributable portion of legal reserves) amounting to TL 1.253.605.328 (31 December 2021: TL 743.934.021). 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 566.780.923 in the current period. As of 31 December 2022, the total amount of other funds which may be subject to dividend distribution amounting to TL 924.998.156 (31 December 2021: TL 550.800.756). In the calculation of the total amount that may be subject to distribution, the capital inflation adjustment differences and the amount of property, plant and equipment 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 2022	31 December 2021
<b>Beginning of the Period - 1 January</b>	<b>(7.802.118)</b>	<b>(3.132.045)</b>
Actuarial losses	(16.967.308)	(5.908.191)
Actuarial losses - tax effect (Note 25)	3.393.461	1.238.118
<b>End of the period - 31 December</b>	<b>(21.375.965)</b>	<b>(7.802.118)</b>

### NOTE 19 - REVENUES AND COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	3.059.985.698	1.528.780.054
Foreign sales	626.259.922	230.077.813
Other revenue	47.580.080	12.324.939
Sales returns (-)	(8.290.865)	(2.496.263)
Sales discounts (-)	(160.255.031)	(80.447.362)
Other discounts (-)	(200.923.098)	(99.591.965)
<b>Revenue, net</b>	<b>3.364.356.706</b>	<b>1.588.647.216</b>

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Cost of Sales:</b>		
Changes in raw material and semi-finished inventories	(1.917.225.781)	(823.815.439)
General production costs	(221.441.162)	(99.344.001)
Depreciation and amortisation charges	(49.440.243)	(35.698.645)
Employee benefits	(84.684.720)	(51.389.278)
Cost of goods goods	(260.311.142)	(146.720.164)
Other cost of sales	(40.194.384)	(9.428.427)
Cost of Sales	(2.573.297.432)	(1.166.395.954)
<b>Gross Profit</b>	<b>791.059.274</b>	<b>422.251.262</b>



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#### NOTE 20 - GENERAL ADMINISTRATIVE AND MARKETING EXPENSES

##### a) General administrative expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Employee benefits	(21.072.424)	(12.581.420)
Employment termination benefits	(9.935.186)	(4.108.316)
Outsourcing expenses	(5.920.674)	(3.389.413)
Union, chamber and subscription expenses	(1.107.887)	(590.724)
Taxes, duties and charges	(3.297.350)	(2.774.048)
Depreciation and amortisation charges	(2.093.242)	(2.012.400)
Grants and donations	(151.959)	(80.667)
Other	(1.482.829)	(858.636)
<b>Total</b>	<b>(45.061.551)</b>	<b>(26.395.624)</b>

##### b) Marketing expenses

	1 January - 31 December 2022	1 January - 31 December 2021
Transportation, distribution and storage expense	(47.483.111)	(26.541.047)
Employee benefits	(6.961.505)	(4.169.947)
Export costs	(4.021.629)	(3.858.053)
Compensation and discounts paid	(566.687)	(331.146)
Taxes, duties and charges	(425.110)	(304.353)
Depreciation and amortisation charges	(733.087)	(965.297)
Other	(3.598.989)	(1.973.523)
<b>Total</b>	<b>(63.790.118)</b>	<b>(38.143.366)</b>

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### NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Changes in raw material and semi-finished inventories	(1.917.225.781)	(823.815.439)
Cost of goods sold	(260.311.142)	(146.720.164)
Outsourcing expenses	(227.361.830)	(102.733.414)
Employee benefits	(112.718.649)	(68.140.645)
Depreciation and amortization charges	(52.266.578)	(38.676.342)
Transportation, distribution and storage expense	(47.483.111)	(26.541.047)
Other cost of sales	(40.194.384)	(9.428.427)
Employment termination benefits	(9.935.186)	(4.108.316)
Export costs	(4.021.629)	(3.858.053)
Union, chamber and subscription expenses	(1.107.887)	(590.724)
Compensation and discounts paid	(566.687)	(331.146)
Taxes, duties and charges	(3.722.460)	(3.078.401)
Grants and donations	(151.959)	(80.667)
Other	(5.081.818)	(2.832.159)
<b>Total</b>	<b>(2.682.149.101)</b>	<b>(1.230.934.944)</b>

### NOTE 22 - OTHER OPERATING INCOME/EXPENSES

<b>Other operating income</b>	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange gains (Trade receivables and payables)	87.330.986	74.302.280
Interest income	21.814.862	10.552.561
Scrap sales revenues	4.156.691	2.454.712
Reversal of income arising from provisions no longer required	5.446.588	251.559
Interest on late payments	-	17.393
Other	2.900.032	2.913.855
<b>Total</b>	<b>121.649.159</b>	<b>90.492.360</b>

<b>Other operating expenses</b>	1 January - 31 December 2022	1 January - 31 December 2021
Foreign exchange losses (Trade receivables and payables)	(50.692.653)	(53.013.508)
Interest expenses	(19.384.905)	(7.792.013)
Provision for doubtful receivables	(75.086)	(2.456.876)
Taxation arising from revaluation surplus	-	(2.324.562)
Other	(1.419.392)	(983.740)
<b>Total</b>	<b>(71.572.036)</b>	<b>(66.570.699)</b>

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#### NOTE 23 - GAINS/LOSSES FROM INVESTMENT ACTIVITIES

<u>Gains from investment activities</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Foreign exchange gains (Except for trade receivables and payables)	103.685.325	100.510.613
Interest income	41.963.783	20.808.635
Gain on disposal of non-current assets	316.559	457.785
<b>Total</b>	<b>145.965.667</b>	<b>121.777.033</b>
<u>Losses from investment activities</u>	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Foreign exchange losses (Except for trade receivables and payables)	(13.551.182)	(8.846.263)
<b>Total</b>	<b>(13.551.182)</b>	<b>(8.846.263)</b>

#### NOTE 24 - FINANCIAL EXPENSES

	<u>1 January - 31 December 2022</u>	<u>1 January - 31 December 2021</u>
Credit card fees and commissions	(41.076.259)	(21.437.473)
Interest expenses from TFRS 16 Leases	(1.430.823)	(1.407.811)
Bank deposit risk expenses under TFRS 9	262.396	(300.101)
Interest expenses	(296)	(228)
Other	(466.465)	(558.902)
<b>Total</b>	<b>(42.711.447)</b>	<b>(23.704.515)</b>

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

As of 31 December 2022 and 2021, current income tax liabilities position on balance sheets is as follows:

	31 December 2022	31 December 2021
Current period tax expense	148.333.001	91.617.001
Less: Prepaid taxes	(146.448.685)	(45.868.895)
<b>Current income tax liabilities</b>	<b>1.884.316</b>	<b>45.748.106</b>

As of 31 December 2022 and 2021, current period tax expenses in the consolidated statements of income and other comprehensive income are summarized as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Current period tax expense (-)	(148.333.001)	(91.617.001)
Deferred tax (expense)/income	31.811.976	137.550
<b>Tax income/(expense)</b>	<b>(116.521.025)</b>	<b>(91.479.451)</b>

#### a) Corporation tax

The Corporate Tax Law was amended on 13 June 2006 with law numbered 5520. The majority of the clauses of Law No 5520 are effective from 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20%. (Corporation tax rate for the year 2018-2019 and 2020 was applied as 22% and corporation tax rate for the year 2021 was applied as 25%) (31 December 2021: 25%).

In accordance with the amendment on Corporate Tax Law numbered 31462, published in Official Gazette on 22 April 2021, corporate tax rate, which is 20% as of 31 December 2022 in Turkey, will be applied as 23% for corporate earnings for the 2022 taxation 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.

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

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

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

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**NOTE 25 - INCOME TAXES (DEFERRED ASSETS AND LIABILITIES INCLUDED) (continued)****a) Corporation tax (continued)**

The conditions set out in the Tax Procedural Code for the application of inflation adjustment for tax purposes were likely to be met by the end of 2021, and hence taxpayers would be obliged to restate their 2021 financial statements for inflation unless a legislative change was introduced to the contrary. However, the draft bill proposed the postponement of the implementation of inflation accounting until the end of 2023. The proposal was accepted by Parliament and was published in the Official Gazette on 29 January 2022. Accordingly, no inflation adjustment will be made to the financial statements of 2021 and 2022. The financial statements of 2023 will be restated for inflation, regardless of whether the conditions prescribed in the Tax Procedural Code for inflation accounting exist or not in 2023.

Entities 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 been determined as 25% and 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 advance 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 an advance 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.

The estimated and realised current period income tax expense reconciliation for the periods 1 January - 31 December 2022 and 2021 are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Profit before tax	821.987.766	470.860.188
Tax calculated at domestic tax rate (-)	(189.057.186)	(117.715.047)
Effect of change in corporation tax investment discount	55.926.306	20.197.578
Effect of non-deductible expenses	(7.202.674)	(2.088.277)
Tax rate differences/changes	5.591.841	-
Gains on foreign exchange protected time deposits (tax effect)	5.157.612	-
Other	13.063.076	8.126.295
<b>Tax income/(expense)</b>	<b>(116.521.025)</b>	<b>(91.479.451)</b>

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

##### 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. As of 31 December 2022 and 2021, the breakdown of cumulative temporary differences and deferred tax assets and liabilities provided using principal tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Corporation tax investment incentive discount	445.217.938	223.142.107	66.782.691	33.471.316
Property, plant and equipment and intangible assets	125.017.617	85.173.950	(23.150.545)	(15.580.045)
Provisions for employee benefits	47.563.745	23.157.194	9.512.749	4.880.674
Inventories	14.547.882	3.311.473	2.909.576	761.639
Non-accrued financial income	824.433	109.320	(164.887)	25.144
Provision for doubtful trade receivables	98.113	415.414	19.623	95.545
Other, net	10.785.286	3.448.061	2.157.058	(793.445)
Deferred tax assets, net			58.066.265	22.860.828
Tax assets			60.527.033	25.617.415
Tax liabilities			(2.460.768)	(2.756.587)
Tax assets/liabilities, net			58.066.265	22.860.828

Movements in deferred tax assets are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
<b>Beginning of the Period - 1 January</b>	<b>22.860.828</b>	<b>21.485.160</b>
Charge to the income statement	31.811.975	137.550
Actuarial losses classified under equity, tax effect (Note 18)	3.393.462	1.238.118
<b>Total deferred tax assets, net - (End of the period - 31 December)</b>	<b>58.066.265</b>	<b>22.860.828</b>



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**NOTE 26 - EARNINGS PER SHARE**

	1 January - 31 December 2022	1 January - 31 December 2021
Profit attributable to equity holders of the parent	705.019.197	379.019.989
Weighted average number of shares with nominal value	75.000.000	75.000.000
<b>Earnings per share</b>	<b>9.40025596</b>	<b>5.05359985</b>

**NOTE 27 - FINANCIAL INSTRUMENTS****a) Classification of financial instruments**

	31 December 2022	31 December 2021
Cash and cash equivalents	379.452.742	420.621.833
Trade receivables	204.725.341	174.155.921
<b>Total</b>	<b>584.178.083</b>	<b>594.777.754</b>

**Financial liabilities measured by effective interest method**

	31 December 2022	31 December 2021
Trade payables	283.530.042	188.157.125
Borrowings	5.039.874	6.273.563
<b>Total</b>	<b>288.569.916</b>	<b>194.430.688</b>

**b) Fair value of financial instruments**

As of 31 December 2022 and 2021, 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 operations.

The Group's overall risk management strategy focuses on the unpredictability of financial markets and targets to minimise potential adverse effects on the Group's financial performance.

**a) Market risk****aa) Currency risk**

Currency risk arises from the fact that the Group has liabilities denominated in USD and EURO. 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. Currency risk arises from assets and liabilities recognised in the accompanying consolidated financial statements. Currency risk is monitored by analyzing the foreign currency position.

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

As of 31 December 2022 and 2021, the foreign exchange position table is as follows:

#### 31 December 2022

	TL equivalent (functional currency)	USD	EUR	Other
1. Trade Receivables	108.255.186	290.325	5.077.369	71.579
2a. Monetary Financial Assets	393.038.327	7.863.501	12.202.759	121.371
2b. Non-Monetary Financial Assets				
3. Other				
4. Current Assets Total (1+2+3)	501.293.513	8.153.826	17.280.128	192.950
5. Trade Receivables				
6a. Monetary Financial Assets	37.781.645	773.231	1.169.985	-
6b. Non-Monetary Financial Assets				
7. Other				
8. Non-Current Assets Total (5+6+7)	37.781.645	773.231	1.169.985	-
9. Total Assets (4+8)	539.075.158	8.927.057	18.450.113	192.950
10. Trade Payables	138.559.267	135.205	6.813.525	9.081
11. Financial Liabilities	-	-	-	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities				
13. Total Current Liabilities (10+11+12)	138.559.267	135.205	6.813.525	9.081
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)	138.559.267	135.205	6.813.525	9.081
19. Off-Balance Sheet Derivative Instruments Net Asset/(Liability) Position (19a-19b)				
19a. Total Amount of Hedged Assets				
19b. Total Amount of Hedged Liabilities				
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	400.515.891	8.791.852	11.636.588	183.869
21. Monetary Items Net Foreign Exchange Asset/(liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	400.515.891	8.791.852	11.636.588	183.869
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	675.790.006	58.737.831	606.429.875	10.622.300
26. Import	874.263.377	186.155.229	688.108.148	-

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**NOTE 28 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (continued)****31 December 2021**

	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. Off-Balance Sheet Derivative Instruments Net Asset/(Liability) Position (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	-

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

The following table details the Group's foreign currency sensitivity analysis as at 31 December 2022 and 2021 for the changes at the rate of 10%:

	31 December 2022			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change in USD against TL by 10%</b>				
1- USD Net Asset/Liability	16.440.871	(16.440.871)	-	-
2- Hedged portion of USD Risk (-)	-	-	-	-
<b>3- USD Net Effect (1+2)</b>	<b>16.440.871</b>	<b>(16.440.871)</b>	-	-
<b>Change in EUR against TL by 10%</b>				
4- EURO Net Asset/Liability	23.197.494	(23.197.494)	-	-
5- Hedged portion of Euro Risk (-)	-	-	-	-
<b>6- EURO Net Effect (4+5)</b>	<b>23.197.494</b>	<b>(23.197.494)</b>	-	-
<b>Change in Other currencies against TL by 10%</b>				
7- Other currencies Net Asset/Liability	413.224	(413.224)	-	-
8- Hedged portion of Other currencies Risk (-)	-	-	-	-
<b>9- Other currencies Net Effect (7+8)</b>	<b>413.224</b>	<b>(413.224)</b>	-	-
<b>Total (3+6+9)</b>	<b>40.051.589</b>	<b>(40.051.589)</b>	-	-

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

	31 December 2021			
	Profit/(loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change in USD against TL by 10%</b>				
1- USD Net Asset/Liability	17.172.696	(17.172.696)	-	-
2- Hedged portion of USD Risk (-)	-	-	-	-
<b>3- USD Net Effect (1+2)</b>	<b>17.172.696</b>	<b>(17.172.696)</b>	-	-
<b>Change in EUR against TL by 10%</b>				
4- EURO Net Asset/Liability	17.941.052	(17.941.052)	-	-
5- Hedged portion of Euro Risk (-)	-	-	-	-
<b>6- EURO Net Effect (4+5)</b>	<b>17.941.052</b>	<b>(17.941.052)</b>	-	-
<b>Change in Other currencies against TL by 10%</b>				
7- Other currencies Net Asset/Liability	525.630	(525.630)	-	-
8- Hedged portion of Other currencies Risk (-)	-	-	-	-
<b>9- Other currencies Net Effect (7+8)</b>	<b>525.630</b>	<b>(525.630)</b>	-	-
<b>Total (3+6+9)</b>	<b>35.639.378</b>	<b>(35.639.378)</b>	-	-

**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.

Holding financial instruments also carries the risk of the other party not meeting the requirements of the agreement. The Group's collection risk mainly arises from its trade receivables. The Group monitors the credit risk by credit ratings and limitations to the total risk of a single counterparty. The credit risk is diversified as a result of large number of entities comprising the customer basis. Trade receivables are evaluated by taking into consideration the Group's accounting policies and procedures and accordingly, net of doubtful receivables provisions are allocated in the consolidated balance sheet (Note 10).

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

31 December 2022	Trade receivables		Other receivables		Bank deposits	Total
	Related party	Other	Related party	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D+E) <sup>(*)</sup>	18.944.915	185.780.425	-	23.026.304	379.034.529	606.786.174
- Maximum risk secured with guarantees etc		- 129.927.390	-	-	-	- 129.927.390
A. Net book value of neither past due nor impaired financial assets	18.944.915	106.645.296	-	23.026.304	379.034.529	527.651.044
B. Net book value of past due but not impaired financial assets	-	79.135.130	-	-	-	79.135.130
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	1.230.598	-	-	-	1.230.598
- Impairment (-)	-	(1.230.598)	-	-	-	(1.230.598)
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
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.



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

31 December 2021	Trade receivables		Other receivables		Bank deposits	Total
	Related party	Other	Related party	Other		
Maximum exposure to credit risk as of reporting date (A+B+C+D+E) <sup>(*)</sup>	10.754.792	163.401.129	-	1.176.477	420.353.544	595.685.942
- Maximum risk secured with guarantees etc	-	44.902.578	-	-	-	44.902.578
A. Net 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. Net book value of past due but not impaired financial assets	-	46.013.609	-	-	-	46.013.609
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	6.602.100	-	-	-	6.602.100
- Impairment (-)	-	(6.602.100)	-	-	-	(6.602.100)
- Secured with guarantees	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Secured with guarantees	-	-	-	-	-	-
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.

As of 31 December 2022, trade receivables amounting to TL 79.135.130 (31 December 2021: TL 46.013.609) 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 38.509.462 (31 December 2021: TL 18.801.335) are collateralised through obtaining letters of guarantee. The analysis of aging of past due but not impaired trade receivables is as follows:

	31 December 2022	31 December 2021
Past due up to 1 month	74.498.972	45.993.509
Past due 1-3 months	2.759.250	-
Past due 3-12 months	1.876.908	20.100
Past due 1-5 years	-	-
Past due more than 5 years	-	-
<b>Total</b>	<b>79.135.130</b>	<b>46.013.609</b>

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

#### c) Liquidity risk

Liquidity risk is the risk that a Group will be unable to meet its funding needs. The Group tries to manage the liquidity risk by maintaining the continuation of sufficient funds and loan reserves by means of matching the financial instruments and terms of liabilities by following the cash flow regularly. Prudent liquidity risk management is to provide sufficient cash and cash equivalents, to enable funding with the support of credit limits provided by reliable credit institutions and to close funding deficit. The Group provides funding by balancing cash inflows and outflows through the provision of credit lines in the business environment.

Undiscounted contractual cash flows of the non-derivative consolidated financial liabilities as of 31 December 2022 and 2021 are as follows:

#### 31 December 2022

##### Non-derivative financial liabilities:

	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)
Lease liabilities	5.039.874	9.291.190	583.200	1.631.300	4.335.215	2.741.475
Bank borrowings	-	-	-	-	-	-
Trade payables	283.530.042	285.272.690	285.272.690	-	-	-
Employee benefits	8.805.921	8.805.921	8.805.921	-	-	-
Other payables	27.746.913	27.746.913	27.746.913	-	-	-
<b>Total</b>	<b>325.122.750</b>	<b>331.116.714</b>	<b>322.408.724</b>	<b>1.631.300</b>	<b>4.335.215</b>	<b>2.741.475</b>

#### 31 December 2021

##### Non-derivative financial liabilities:

	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)
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	-	-	-
<b>Total</b>	<b>215.938.505</b>	<b>221.530.221</b>	<b>211.092.771</b>	<b>1.611.315</b>	<b>5.087.760</b>	<b>3.738.375</b>

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**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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
Total borrowings	391.388.878	295.817.210
Less: Cash and cash equivalents (Note 4)	(379.452.742)	(420.621.833)
Net financial debt	11.936.136	(124.804.623)
Equity	1.408.353.275	888.136.561
<b>Invested capital</b>	<b>1.420.289.411</b>	<b>763.331.938</b>
Net financial debt/invested capital ratio	-	-

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

As of 31 December 2022, total fees received for the reporting period is amounting to TL 877.29 (31 December 2021: TL 513.007).

	31.12.2022	31.12.2021
Audit fee for the reporting period	439.006	206.000
Tax consulting fee	273.290	207.007
Other service fee apart from audit	165.000	100.000
<b>Total</b>	<b>877.296</b>	<b>513.007</b>

<sup>(1)</sup> 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 subsidiaries and affiliates have been converted into TL using the annual average rates of the relevant years.

<sup>(2)</sup> The fees above comprise of VAT excluded amounts.

### NOTE 30 - EVENTS AFTER THE REPORTING PERIOD

The authorized unions to make collective bargaining for the workers in our factory are Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) unions. Collective bargaining agreements, which are valid for 2 years, are signed with the authorized trade union. All rights and benefits listed in detailed collective bargaining agreements are fully available for our workers. The collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was ended on 31.08.2022.

Negotiations for additional collective bargaining agreement has started on 26.07.2022 for a 2-year period (01.09.2022-31.08.2024) with the authorized trade union. However, an agreement was not reached at the collective bargaining and negotiations ended without reaching a conclusion. In addition, the action of strike regarding the unionized employee has implemented effective from 22 December 2022. At the reporting date, the strike of unionized employee is in progress without reaching an agreement.

Simultaneously with the relevant strike, cardboard production operations in our factory at the address of Başiskele/Kocaeli have been ceased.

### 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.

## Profit Distribution Proposal for 2022

### KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. PROFIT DISTRIBUTION PROPOSAL FOR 2022

The profit distribution proposal from the profit of 2022 is shown below, taking into account the provisions of Article 25 of our Articles of Association. It is submitted for your examination and approval.

1- Paid/Issued Capital		75.000.000,00
2- Total Legal Contingency Reserve (According to Legal Records)		15.000.000,00
Information on privileges, if any, in the distribution of profits in accordance with the articles of association		After deducting 10% of the legal reserves and paid-in capital from the net profit, 5% of the remaining profit (A group) is paid to the holders of preferred shares.
	According to CMB	According to Legal Records
3. Profit for the Period	821.987.766,00	693.133.632,62
4. Taxes ( - )	116.521.025,00	126.352.709,37
Non-Controlling Shares	447.544,00	0,00
5. Net Profit for the Period ( 1 )	705.019.197,00	566.780.923,25
6. Accumulated Losses ( - )	0,00	0,00
7. General Legal Reserve ( - )	0,00	0,00
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD	705.019.197,00	566.780.923,25
9. Donations Made During the Year ( + )	352.958,91	
Net Distributable Profit for the Period Added	705.372.155,91	
10. Donation		
11. First Dividend to Partners	35.268.607,80	
Cash	35.268.607,80	
Bonus	0,00	
Total	35.268.607,80	
Net Distributable Profit for Period Including		
12. Donations	34.893.607,80	
13. Other Dividend Distributed	24.425.525,46	
To the Members of the Board of Directors	24.425.525,46	
To the employees		
To Persons Other than Shareholders		
14. Dividend Distributed to Usufruct Owners	0	
15. Second Dividend to Partners	102.517.616,65	
Cash	102.517.616,65	
Bonus	0	
Total	102.517.616,65	
16. General Legal Reserves	19.335.535,77	
17. Status Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES	488.578.303,52	350.340.029,77
20. Other Resources Envisioned to be Distributed	0,00	0,00

<sup>(1)</sup> The net period profit of the partnership is 705.466.741 TL (821.987.766-116.521.025) and since 447.544 TL of this amount corresponds to the non-controlling interests, the net period profit of the parent company amounting to 705.019.197 TL has been taken as basis.

## Profit Share Ratios Table

GROUP	TOTAL PROFIT DISTRIBUTED		TOTAL DISTRIBUTED PROFIT / NET DISTRIBUTABLE PROFIT FOR THE PERIOD	PROFIT SHARE WITH A NOMINAL VALUE OF 1 TL	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
A	31.404.334,44		4,45439	593.969,1034384	59.396.910,34384%
NET B	124.007.514,58		17,58924	1,6534346	165,34346%
TOTAL	155.411.849,02				

## Other Information and Matters That Must be Explained Pursuant to the Legislation

### 1) GENERAL INFORMATION

a) Company's Nature of Business: The Company's business activities include ensuring the manufacturing business in the coated cardboard sector in its factory located in Kullar Köyü / Kocaeli and is engaged in the domestic and international trade of the goods which it produces. In addition, the Company provides the electricity and steam which it needs for manufacturing with the natural gas conversion plant within the framework of the Autoproducer License it owns and sells the electricity surplus within the framework of the electricity market legislation. While the Company continues its production activities in Kullar Köyü / Kocaeli factory yet, the general management, financial affairs, marketing and purchasing activities are carried out in the "Head office" located in Gayrettepe / Istanbul. The Company also has a branch in Sefaköy / Istanbul, which it owns and uses as a warehouse.

#### Head Office:

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

Tel:0-212-273 20 00 Fax: 0-212-273 21 70 Web: www.kartonsan.com.tr

Tax Administration: Large Taxpayers

Tax Registration Number: 5260057491

Trade Register Number: 95869/41270 Registered ID Number:0526005749100010

#### Kocaeli factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No:300 41140 Kullar/Başiskele/Kocaeli

Tel:0-262-349 61 50 Fax:0-262- 349 33 00

Trade Register Number: 31662 Registered ID Number:0526005749100011

#### Outlet:

Mareşal Fevzi Çakmak Cad. No:1 Sefaköy/İstanbul

Tel:0-212 598 95 35 Fax:0-212- 598 95 36

Paid-in Share Capital: TL 75,000,000

Paid-in Share Capital: 7,500.000,000 Number of Shares Outstanding

Shares Representing Company's Capital

Class A Shares: 5,287 Number of Outstanding Shares

Class B Shares: 7,499,994.713 Number of Outstanding Shares

Class A Shares have dividend privilege, but they have no voting right privilege.

b) Organization, shareholding structure, Disclosures regarding the shares within company's share capital, information regarding the management and independent auditor:

The Company's shares consist of bearer shares, and almost all of them are quoted on the stock exchange. Therefore, the ownership structure of the company is presented below in accordance with the statements at the last general meeting, attending the general assembly and / or made on the Public Disclosure Platform ("PDP"). Due to the abovementioned matters, the changes in the ownership structure are not be able to identified by our company.

	Effective ownership		Effective ownership	
	31 December 2022	interest (%)	31 December 2021	interest (%)
Pak Holding A.Ş.	25.790.930	34.39	25.790.930	34.39
Asil Holding A.Ş.	18.337.579	24.45	18.337.579	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	16.392.273	21.86
<b>Total share capital</b>	<b>75.000.000</b>	<b>100.00</b>	<b>75.000.000</b>	<b>100.00</b>



The Company's paid-in share capital is amounting TL 75,000,000, and it comprise of 7.500,000,000 number of outstanding shares, each with a nominal value of TL 0,01.

The 5,287 number of outstanding shares including the abovementioned paid-in share capital comprise of Class A (Preferred) shares. These shares are preferred shares in dividend distribution policies. In accordance with the Company's articles of association numbered 25; After deducting 10% of the paid-in share capital from the net profit for the period which is considered as basis for the calculation of the first dividend, a dividend of 5% is distributed to the shareholders of Class A (Preferred) shares.

The breakdown of number of shares representing the share capital is as follows:

Registered/Bearer Shares	Composition of Outstanding Shares	Class	Number of Shares Outstanding	Total Amount (TL)	Shareholding Ratio ( % )
Bearer	Dematerialised Shares	A	5,287	52.87	-
Bearer	Dematerialised Shares	B	7,499,994.713	7,499,947.13	100
Total			7,500,000.000	7,500,000.00	100

In accordance with the Company's articles of association numbered between 8 and 14; there exist regulations regarding the Board of Directors and the Supervisory Board. Necessary disclosures are made in the section titled "Corporate Governance" of the report regarding the structure of the Board of Directors, working principles and the established committees.

Independent Auditor According to the Turkish Commercial Code \*

Audit Firm	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection
Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.	Independent Auditor	01.01.2017	31.12.2022	31.03.2022

\* Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş. , is the independent audit firm selected by the Company within the framework of the CMB legislation.

c) Information on Associates, ("Joint Ventures") and Subsidiaries included in scope of annual report:

The Company's effective ownership interests and their effective interest structures are as follows:

Selka İç ve Dış Ticaret A.Ş.

PARENT COMPANY	TOTAL AMOUNT OF EFFECTIVE INTEREST	TOTAL OWNERSHIP INTEREST (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1.242.088,75	99.37
Other	7.911,25	0.63
TOTAL	1.250.000,00	100

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

PARENT COMPANY	TOTAL AMOUNT OF EFFECTIVE INTEREST	TOTAL OWNERSHIP INTEREST (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	4.000.000	100
Total	4.000.000	100

\*\* Dönkasan Dönüştürülen Kağıt Ham. San. ve Tic. A.Ş. has been registered as a result of being subject to full demerger dated 10.06.2015.

## Other Information and Matters That Must be Explained Pursuant to the Legislation

### 2) MARKET POSITION, SITUATION, ACTIVITIES AND EXPECTATIONS

#### a) Market Situation and Applied Sales Policies:

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products.

The compliance of Kartonsan products, in different sectors, for the packaging of food products has been approved by the T.C. Ministry of Agriculture and Forestry. The compliance of the use of Kartonsan products in packages that come into direct contact with dry foods with the recommendations of the BFR (German Risk Assessment Institute) has been documented by the reports of various international analysis organizations.

Considering the third quarter of 2022, the increase in supply in the domestic market and the high increases in energy input costs, a relatively more competitive market has emerged as a result of the contraction in demand in domestic and foreign markets. Regarding the competitive environment, as the prices of imported products decreased depending on the exchange rate, sales prices in the coated cardboard sector began to be suppressed. Accordingly, Kartonsan maintains its competitive nature by making sales policy updates in accordance with changing market conditions in its business market.

The abovementioned explanations have been disclosed in the previous sections of the annual report regarding the sector in which our company operates and the sales policies applied.

#### b) Applied Investment and Dividend Distribution Policies

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (KM 2) in our factory, providing quality improvement and capacity increase in 2014. As a result of the aforementioned investment, Kartonsan has become one of the Europe's largest coated cardboard producer with a total production capacity of approximately 240 thousand tons / year.

Kartonsan implements its investments within the scope of an integrated strategy with the aim of reducing the environmental impacts of its production and operations accordingly. Detailed information has been disclosed in the previous sections of the annual report regarding the summary information about the investments made by our company over the years and its future plans.

Our company revised its dividend distribution policy in 2014 and submitted it to the information and approval of the shareholders at the general assembly meeting on March 27, 2014. The dividend policy is available at our Company's website and PDP. ([www.kartonsan.com.tr/yatirimci-iliskileri/Sirket Kar Dağıtım Politikası](http://www.kartonsan.com.tr/yatirimci-iliskileri/Sirket-Kar-Dagitim-Politikasi)\2014)

The dividend distribution policy of our Company is to distribute dividends from the distributable profit at the minimum rate stipulated by the Capital Market Law. In periods when the Capital Markets Board does not set a separate rate, the minimum profit distribution rate is determined as 5%. However, this policy is reviewed every year according to the developments in domestic and foreign economic conditions, as well as the investment opportunities and financing opportunities of our company.

Although the Capital Markets Board has lifted the minimum dividend distribution requirement within the framework of the implementation of corporate governance principles, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders; unless a contrary decision is considered at the General Assembly.

In this context, the dividend distribution proposal to be made in the current period from the retained earnings which is included as a separate section in the current year's annual report and is presented to the shareholders and the public before the General Assembly.

In accordance with the the articles of association of our Company, Class A shares have dividend privileges. In addition, dividends are also distributed to the members of the board of directors if it is decided to distribute the first dividend. After deducting 10% of the paid-in share capital from the distributable profit, which is the basis for the calculation of the first dividend, 5% of the remaining portion is distributed to the holders of Class A shares, and a certain amount to be determined by the General Assembly as dividends to the members of the board of directors.

Dividend distribution is carried out within the legal terms.

Unless a contrary decision is taken at the General Assembly, dividends will continue to be distributed by keeping a balance between the possible expectations and growth strategies of our shareholders.

The Ordinary General Assembly Meeting of our Company for the year ended 2021 was held on March 31, 2022. In accordance with the Ordinary General Assembly Meeting, the secondary cash gross dividend to be distributed is amounting to TL 186,436,465.85 and the dividend was distributed on 5 April, 2022.

In order to comply with the Capital Market Law in 2014, our company has decided to revise its "Dividend Distribution Policy" as follows and disclosed it to the public.

The dividend distribution policy to be implemented in 2014 and next accounting periods is as follows:

#### **Dividend Distribution Policy**

*The dividend policy of our company, at the minimum rate stipulated by the Capital Market Law, from the distributable profit, provided that the rights arising from the dividend privilege in the periods when the relevant minimum dividend distribution rate is reserved or is abolished, 5% of the distributable profit found in accordance with the relevant legal regulations for all of the shares representing the capital at the rate of minimum dividend. (Other regulations regarding dividend distribution included in the Company's articles of association and other legal legislation are reserved.)*

However, this policy will be reviewed every year according to the developments in domestic and foreign economic conditions, investment opportunities and financing opportunities of our company. Unless a contrary decision is taken in the General Assembly, a balance between the possible expectations and growth strategies of our shareholders will continue to be distributed as a minimum dividend of 5% of the distributable profit determined in accordance with the relevant legal regulations. Within this framework, the dividend distribution proposal to be made from the profit for the period will be included in the annual report as a separate section and will be presented to the information of the shareholders and the public before the General Assembly.

#### **Principles Regarding Calculation, Payment Method and Distribution of Dividends**

For the calculation of the dividend from the Company's profit for the period, the dividend calculation has been made in accordance with the Company's articles of association, Company's Dividend Distribution Policy, Capital Market Law, Turkish Commercial Code and the dividend distribution principles and regulations of the Capital Markets Board. Accordingly;

- a) As of the date of distribution, the dividend is distributed equally to all existing shares in proportion to their shares, regardless of the dates of issue and acquisition of the shares. (The rights regarding the dividend privileges of Class A shares specified in the company's articles of association are reserved.)
- b) It has been adopted as a policy to pay the dividend in cash in a single installment, provided that it is decided at the general assembly meeting, where the distribution is decided. In addition, the General Assembly may decide on the payment of the dividend in installments or in the form of bonus shares, provided that the Capital Market Law, Turkish Commercial Code and Capital Markets Board's principles of dividend distribution and capital increase are complied with, upon the proposal of the Board of Directors.
- c) The dividend is calculated according to the Company's articles of association numbered 25 and distributed at the end of the financial period in which at the last general assembly meeting

Company's article of association numbered 25 is as follows:

*Article 25- The remaining amount after deducting all expenses, depreciation, paid premiums and bonuses, provisions, taxes and similar financial liabilities and previous years' losses, if any, from the revenues generated by the company from its activities in a balance sheet period constitutes its net profit.*

- a) Legal reserve at 5% is allocated until 1/5 of the Paid-in Share Capital is reached.
- b) The first dividend is allocated and distributed from the remaining part in the amount and rate determined by the Capital Markets Board.
- c) After separating the 5% legal reserve fund and the first dividend and being paid in cash, after deducting 10% of the paid-in share capital from the amount based on the calculation of the first dividend;
  - i) To be distributed to 5% Class A bearer shareholders,
  - ii) The remaining portion is allocated to be paid to the members of the board of directors, excluding independent members, the amount to be appreciated by the General Assembly.

The remaining profit after the distribution made according to the above subparagraphs may be distributed partially or completely or allocated as extraordinary reserves or transferred to the following years, upon the proposal of the Board of Directors of the Company, with the decision of the General Assembly.

## Other Information and Matters That Must be Explained Pursuant to the Legislation

The provision of subparagraph (c) of paragraph 2 of Article 519 of the Turkish Commercial Code is reserved.

It cannot be decided to distribute dividends to its owners, foundations established for various purposes and persons / institutions of similar nature unless the reserve funds required to be allocated by law and the first dividend specified in the articles of association are reserved for the shareholders, other reserve funds, profit transfer to the following year and unless the first dividend is paid, members of the Board of Directors, officers, employees and workers, beneficiary / founder shares and preferred shares.

The principles regarding the application of distribution of advance (interim) dividends are as follows:

Parent companies which are willing to distribute advance dividends within the framework of the capital market law must have a provision in their articles of association and the Board of Directors must be authorized to decide on the dividend advance distribution, limited to the relevant accounting period, with the decision of the general assembly.

In the current articles of association of our company, there is no provision regarding the payment of advance dividends. Thus, distribution of advance dividends has not been adopted as a policy by our company.

In the subsequent periods, if there is a change in the Company's articles of association regarding distribution of advance (interim) dividends, the dividend distribution principles are complied with the Turkish Commercial Code and Capital Market Law.

- a) The basis of distributable profit is determined within the framework of the Company's articles of association, Capital Market Law and Turkish Commercial Code. Donations are included to the basis of distributable profit within the framework of the relevant regulations.

### 3) FINANCING SOURCES AND RISK MANAGEMENT POLICIES

The Company does not have a bank loan for financing its sources. The long-term average and the Company's assets are sufficient including its cash generating unit are adequate. Therefore, there is no need for external financing. The Company evaluates its surplus funds as TL and forward foreign currency deposits within its financial system. The probable financial risk of the Company is currency and interest risk. The Company's foreign currency denominated receivables and foreign currency denominated deposits in foreign currency deposit accounts carry risks depending on changes in exchange rates. Since the Company's assets in foreign currency are exceeding its foreign currency denominated payables, an increase in exchange rate will result in favor of the Company, and a decrease in exchange rate will result in disadvantage of the company.

Our Company's Audit Committee and Independent Auditor; Relevant audits are carried out regarding the compliance of the transactions and activities with both legal legislation and company policies. Due to its structure, our Board of Directors also established an Early Detection of Risk Committee in 2013 in accordance with the provisions of the CMB and TCC, and the committee has been operating in accordance with the determined principles since its establishment.

Regarding the auditing of our internal control system; In order to visa the "ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System and ISO 50001 Energy Management System" Quality Certificates, audits are carried out by independent external auditors and any non-conformity determined is reported to the key management personnel of the company.

### 4) REDICTIONS AND ESTIMATES REGARDING THE DEVELOPMENT OF THE BUSINESS

Complementing the logistical advantage offered by Turkey's geographical location, with a quality product range and a service understanding focused on customer satisfaction, Kartonsan will continue to be the growing coated cardboard manufacturer of the Eurasian geography.

The previous sections of the annual report included evaluations regarding the goals and expectations of our company.

### 5) INFORMATION ABOUT THE INDUSTRY IN WHICH THE BUSINESS OPERATES AND KARTONSAN'S POSITION IN THE INDUSTRY

The Company has been operating in the coated cardboard sector since its establishment in 1967. Kartonsan's main products are coated cardboards made from recycled paper, known in the industry as Dublex (GD) and Triplex (GT). The coated cardboard sector mainly supplies packaging material to the food and pharmaceutical industry. Drugs, detergents, matches, perfumery, textiles, corrugated lamination, stationery packaging, book and notebook containers, glassware and small white goods packages can be counted among the products that people use in daily life and that mostly consists of food products.

Kartonsan is the leading coated cardboard producer in Turkey and one of the prominent producers in Europe. Kartonsan is one of the Europe's largest coated cardboard producer with its total production capacity.

Kartonsan pursues its sustainable growth pathway with the quality approach reflecting its rooted experience and strong vision. As an exemplary corporate citizen, Kartonsan operates with the awareness of its responsibilities on the axes of the economy, the environment and the society. Kartonsan was founded in 1967 as the “first” private producer of coated cardboards in Turkey, under challenging market conditions at a time when paper production was a state-controlled business. Kartonsan’s products traded within the customer group across the wide geography of Eurasia.

The position of our company in the sector and information regarding the sector has been disclosed in detail in the previous sections of the annual report.

## 6) INVESTMENT DEVELOPMENTS AND GOVERNMENT GRANTS

Investments intended by the Company mostly include investments for the maintenance of the facilities and factories. In addition, a modernization and expansion was made as an investment in the cardboard production line number 2 (KM 2) in our factory, providing quality improvement and capacity increase in 2014. The investment amounting to TL 139,7 million was made within the scope of the investment incentive certificate. As a result of the investment, Kartonsan has become Europe’s fourth largest coated cardboard producer with a total production capacity of approximately 240 thousand tons / year. Current investments are made in accordance with the related maintenance of the facility, quality and production capacity increases.

In April 2018, an application was made to the General Directorate of “Investment Incentive Program” in order to include some investment projects to an investment incentive certificate within the scope of modernization. Investments were included in the scope of the incentive certificate, but due to an error in the amount, an application was made again in order to amend the incentive certificate as “application for the amendment of the investment incentive certificate”. The Company applied to the General Directorate of T.R. Ministry of Industry and Technology as “Investment Incentive Program”, was approved by the relevant institution and the 3-year incentive certificate dated 08.06.2018 and a term incentive certificate has been issued as numbered A137821 was canceled and replaced with 3 years incentive certificate dated 18.10.2018 and numbered B137821.

In accordance with the decision “Amendment to the Decree on the State Aids for Investments” published in the Official Gazette dated 09.11.2018 and numbered 30590 (Decision Number: 323), investment incentive certificate period has been extended by half of the original period. Accordingly, aforementioned investment incentive certificate dated 18.10.2018 and numbered B137821 has been extended until 09.10.2022.

In accordance with the investment incentive certificate on 18.10.2018 and numbered B137821, total estimated expenditure is amounting to TL 130,138,000 and total expenditure realized within the scope of the aforementioned incentive certificate during the period is amounting to TL 48,472,691. Accordingly, total expenditure is amounting to TL 115,791,487. Kartonsan has been benefited from corporate tax exemption amounting to TL 14,541,807 during the period. The investment incentive certificate period has expired and an application will be made to the T.R. General Directorate of Incentives Implementation and Foreign Direct Investment in 2023 for the investment incentive certificate.

## 7) QUALIFICATIONS OF THE FACTORY PRODUCTION UNITS, CAPACITY UTILIZATION RATIOS AND COMPARISON WITH THE PRIOR PERIOD

The Company produces glossy cardboard and the electrical energy required for the facility in its factory located in Kullar Köyü / Kocaeli, within the framework of the electricity generation license. The estimated annual production capacity of coated cardboard of the company is calculated as approximately 240,000-Tons / year. (31.12.2021: 240,000-Tons / Year) The production and sales volume for the year 2022 and 2021 are presented as follows. As of 31 December 2022, it has been estimated that the net capacity utilization rate is approximately 89 %. (31.12.2021: 91%).

The net production volume output of Kartonsan is as follows:

	31 December 2022	31 December 2021
Coated Cardboard (Tons)	212.461	218.990
Electricity Generation (10 <sup>3</sup> kWh)	133.063	146.616

## 8) DISCLOSURES REGARDING CONSOLIDATED SALES

Kartonsan’s consolidated net sales volume for the years ended 2022 and 2021 is compared as follows:

	31 December 2022	31 December 2021
Sales Volume		
Coated Cardboard (Tons)	219.532	255.391
Electricity Generation (10 <sup>3</sup> kWh)	18.755	21.349
Scrap Paper Sales (Tons)	6.284	6.409

In 2021, our consolidated net revenue was amounting to TL 1,588,647,216, while our consolidated net revenue in 2022 was amounting to TL 3,364,356,706.

## Other Information and Matters That Must be Explained Pursuant to the Legislation

## 9) FINANCIAL RATIO ANALYSIS OF THE CONSOLIDATED FINANCIAL STATEMENTS

		31.12.2022	31.12.2021
<b>Liquidity Ratio</b>			
Current Ratio	Current Assets / Current Liabilities	3.77	3.09
Acid test Ratio	(Current Assets-Inventories) / Current Liabilities	2.08	2.45
Inventories / Current Asset	Inventories / Current Assets	0.45	0.21
Working Capital Ratio	Current Assets (Excluding Cash and Treasury Notes) – Current Liabilities (Excluding Loans)	555.322.073	134.723.652
Cash Ratio	(Cash and Cash Equivalents) / Current Liabilities	1.12	1.59
<b>CAPITAL STRUCTURE RATIO</b>			
Financial Leverage	(Debt) / Shareholders Equity	0.22	0.25
Total Debt to Equity Ratio		0.28	0.33
Current Debt to Equity Ratio		0.24	0.30
Non-Current Debts to Equity Ratio		0.04	0.03
Non-Current Assets to Equity Ratio		0.38	0.41
Liabilities to Equity Ratio		-	0.01
<b>PROFITABILITY RATIO</b>			
Asset Turnover Ratio	Net Sales / Total Assets	1.87	1.34
Gross Profit Margin	Gross Sales Profit / Net Sales	0.24	0.27
Return on Investment (ROI)	Net Profit / Total Assets	0.39	0.32
Net Profit / Net Sales		0.21	0.24
Profit Before Tax / Net Sales		0.24	0.30
Net Profit / Equity		0.501	0.427
Operating Profit / Sales Revenue		0.22	0.24
Earnings Per Share		9.40	5.05
Cash and Cash Equivalents		379.452.742	420.621.833
Financial Liabilities		5.039.874	6.273.563
Net Financial Position		374.412.868	414.348.270
Trade Receivables		204.725.341	174.155.921
Other Receivables		23.026.304	1.176.477
Inventories		567.758.084	171.495.394
Trade Payables		283.530.042	188.157.125
Other Payables		36.552.834	21.507.817

## 10) DISCLOSURES REGARDING CHANGES IN KEY MANAGEMENT PERSONNEL DURING THE PERIOD

There was no change incurred in key management personnel during the period. The related disclosure regarding General Manager of our Company is as follows:

### Haluk İBER- Board Member and General Manager

He was born on 15.07.1959. He has a bachelor's degree from ITU Chemical Engineering Department and a master's degree from the University of Maine. He started his business life in 1987 at Seka A.Ş. He worked at various levels of our company between 1991-2002. He served as the Deputy General Manager of our Company between 2002-2012. He has been working as the General Manager of our company since 01.10.2012. He is still in the position as a Board Member of our Company, for which he was elected in 2005. In addition, he is the Board Member in the subsidiaries of the Kartonsan which are Selka İç ve Dış Ticaret A.Ş. and Dönkasan Dönüştürülen Atık Kağıt San. ve Tic A.Ş.

## 11) STAFF AND LABOR UNION MOVEMENTS, COLLECTIVE BARGAINING PRACTICES, EMPLOYEE RIGHTS AND BENEFITS PROVIDED TO PERSONNEL AND WORKERS:

Total end of period and average number of personnel employed by Kartonsan, excluding the subcontractors is 301. (31.12.2021: 299).

The authorized unions to make collective bargaining for the workers in our factory are Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) unions. Collective bargaining agreements, which are valid for 2 years, are signed with the authorized trade union. All rights and benefits listed in detailed collective bargaining agreements are fully available for our workers. The collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was ended during the period. Additional collective bargaining agreement, which is valid for the period 01.09.2020-31.08.2022, was signed on March 3, 2021 with the authorized Selüloz-İş union.

The term of the 2-year collective bargaining agreement, for the period between 01.09.2020-31.08.2022, signed with the Türkiye Selüloz Kağıt ve Ağaç ve Mamulleri İşçileri (Selüloz-İş) regarding the unionized personnel employed, was ended on August 31, 2022. Negotiations with the authorized labor union to conclude a contract for a 2-year period (01.09.2022-31.08.2024) were started as of July 26, 2022. Collective bargaining agreement has not reached a conclusion as of 22 December 2022 and the strike decision regarding the unionized personnel started to be implemented. As of the reporting date, the strike of unionized workers continues and collective bargaining agreement has not reach a conclusion.

## 12) DISCLOSURES REGARDING THE GRANTS AND DONATIONS DURING THE PERIOD:

The Company has made financial support to associations, foundations and schools operating in the fields of sports, education and culture. In accordance with the annual general assembly in 2022, the annual donation limit was determined as amounting to TL 750,000. (2021: TL 750,000)

The functional breakdown of grants and donations during the period is as follows:

Grants and Donations (TL)	31.12.2022	31.12.2021
Donations to associations and foundations (for educational, sports and social purposes)	233.283,21	27.266,00
Donations to Other Institutions and Organizations	119.675,70	61.901,00
Total	352.958,91	89.167,00



## Other Information and Matters That Must be Explained Pursuant to the Legislation

### 13) DISCLOSURES ON MAIN ELEMENTS OF THE GROUP'S INTERNAL AUDIT AND RISK MANAGEMENT SYSTEMS:

Relevant audits are conducted regarding the compliance of the transactions and activities carried out by the Audit Committee and the Independent Auditor of our Company with both legal regulations and company policies.

Our Company has been established an Early Detection of Risk Committee beginning from 2013. The committee includes 3 members, and the committee chairman is elected from among the independent board members. The Board of Directors organizes the committee every period and reorganizes the committee depending on the elections of the members. The committee works within the framework of the determined duties in accordance with the rules and principles. The committee submits its report to the board of directors at the end of the period.

Other Committees of the Company, except the Early Detection of Risk Committee, conducts meetings at the head office at least once every three months, at least four times a year. The Early Detection of Risk Committee can conduct meetings as often as required by its duties and responsibilities. The Early Detection of Risk Committee met 6 times in 2022 and submit its report to the Board of Directors. The related disclosures included in notes to the consolidated financial statements in the previous sections of the report regarding financial risks. The Early Detection of Risk Committee presented its report for 2022 to the Board of Directors.

In addition, our Company has been established and applied internal control systems. Regarding the auditing of our internal control system, audits are conducted by independent external auditors in order to visa the quality certificates of ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 50001 Energy Management System and OHSAS 18001 Occupational Health and Safety Management System, and the detected material uncertainties and non-conformities reported to the Company management. The related policies and procedures have been applied for the solutions through multidirectional communication mechanism within the Company.

The Board of Directors implemented the establishment of a risk management system, periodic auditing and continuous improvement of the internal control system. The Company management does not prefer and intentionally provide information about the results of the internal controls in the annual reports. Therefore, the results of the internal controls are not disclosed in the interim and annual reports.

The Board of Directors has been determined the strategic goals of the Company in the prior period and the human and financial resources required to achieve these goals. The Board of Directors has been evaluated and tested for the whether these goals have been achieved (monthly, quarterly and annually).

The Board of Directors has adopted the principle of conducting its activities in a transparent, accountable, fair and responsible manner and implements its activities accordingly.

The Board of Directors of our company observes the compliance with the legislation, articles of association, internal regulations and established policies in all of its transactions.

### 14) DISCLOSURES REGARDING RESEARCH AND DEVELOPMENT ACTIVITIES:

Research and development activities are implemented in our company for testing and improving our product quality.

## 15) AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND ITS REASONS DURING THE PERIOD:

In accordance with the meeting of our Board of Directors dated 31.01.2022 and numbered YK/2022-03, our Board of Directors decided to amend the Article 8 of the Company's Articles of Association for the following reasons. After the approval of the Capital Markets Board and the T.R. Ministry of Trade, it was decided to submit the relevant amendment draft prepared for this purpose to the approval of the general assembly.

The amendment draft prepared by our Board of Directors was approved by the Capital Markets Board's letter dated 14.02.2022 and numbered E-29833736-110.03.03-17284 and the letter of the T.R. Ministry of Trade dated 23.02.2022 and numbered E-50035491-431.02-00072224872. The draft amendment regarding the amendment of the articles of association was discussed and approved at the "Ordinary General Assembly" meeting dated 31.03.2022. The draft amendment was registered by the Istanbul Trade Registry Office on 11.04.2022 and announced in the Official Gazette dated 12.04.2022 and numbered 10557.

### The purpose of the amendment of the Article 8 of the Company's Articles of Association

In accordance with the Kartonsan's articles of association, the Board of Directors can consist of 7-11 members. In the current period, the number of members of the Board of Directors is 11, which is the upper limit for the Board of Directors. In accordance with the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, at least 1/3 of the total members taking part in the Board of Directors shall be Independent Members of the Board of Directors since our company being listed among the companies listed in the 1st Group. In order to comply with the relevant Corporate Governance Communiqué, at least 4 members must be appointed as Independent Members of the Board of Directors. Accordingly, in order to ensure that the members of our Board of Directors, who have already appointed on the Board of Directors for many years and whose knowledge and experience they benefit from, can also be a member of the Board of Directors. Therefore, it is necessary to amend the 8th article of the Company's Articles of Association, in which the number of Members of the Board of Directors is determined, and to increase the maximum number of members to be assigned to as "12".

## 16) RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in detail in Note 5 in notes to the consolidated financial statements section of the annual report. The report related to the subsidiaries, associates and joint ventures are prepared in accordance with the article 199 of the Turkish Commercial Code in the following sections.

## 17) INFORMATION REGARDING DISCLOSURE POLICY

In order to comply with the and amendments in the Capital Market Law, the disclosure policy was revised in 2014 and disclosed to the public within the framework of the Communiqué No. II-15.1 of the Capital Markets Board.

The disclosure policy for the year ended 2014 and subsequent periods is as follows:

# Disclosure Policy

## Objectives and Strategic Goals of the Company

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and / or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

## I- METHODS AND INSTRUMENTS USED IN DISCLOSURE POLICY

Without prejudice to the Capital Market Law and TCC provisions, the basic instruments and methods used by our Company regarding disclosure policy are as follows:

- a. Material event disclosures to the Public Disclosure Platform ("PDP"),
- b. Periodic financial reports and financial statements to the Public Disclosure Platform ("PDP"),
- c. Announcements and necessary statements have been made through the Official Gazette, Turkish Trade Registry Gazette, Daily Newspapers and Magazines distributed throughout Turkey,
- d. Press releases and interviews have been made through print and visual media,
- e. Meetings with stakeholders, and sharing the information through phone calls and other communication tools
- f. Corporate Website, Annual Reports, General Assembly Documents, General Assembly Meetings, Telephone, Electronic Mail ("e-mail"), Fax, SMS and Mobile Phone, etc. and other communication tools.

## II-PRINCIPLES REGARDING MATERIAL EVENT AND PUBLIC EVENT DISCLOSURES

The Company complies with the rules and legislation determined by the Capital Market Law in public disclosure of material events.

Material events, within the rules determined by the Capital Market Law and on the condition that exceptions are reserved, are conducted by making material event disclosures to the Public Disclosure Platform ("PDP") in order to provide quick access to information as soon as it incurred, without causing inequality of opportunity, by avoiding correct, direct, understandable, exaggerated or misleading expressions of the stakeholders.

Internal company data and information with changes in matters previously disclosed to the public regarding this information are disclosed to the public when they occur or become available. In accordance with the regulations of the Capital Market Law, the Company may postpone the disclosure of internal data and information to the public, provided that its legitimate interests are not harmed, investors are not deceived or harmed, and the confidentiality of internal data and information is ensured. If the company decides to postpone the public disclosure of internal data and information, the information delay, the effect of the postponement on the protection of the legal rights of the parent company, does not constitute the risk of misleading the investors, and the measures taken to protect the confidentiality of the information during the postponement are bound to the decision of the Board of Directors or, if authorized by the Board of Directors, to the written approval of the authorized person.

The Company notifies the Central Registry Agency (CRA) about the individuals who work under a business contract or otherwise and have access to internal information and data. In case of any change in the abovementioned information, the Company will make the necessary update within 2 business days. The Company discloses the list of the aforementioned persons and individuals to the public on its corporate website.

Disclosures of material events have been announced to the public by being jointly signed by at least 2 managers who have electronic signature authorized by our Company's Board of Directors. The related disclosures are published on the corporate website of our company on the business day following the day of the disclosure of the announcement. Material Event Disclosures are kept on the website for at least 5 years for the use of stakeholders.

Developments and changes occurring in previously made Material Event Disclosures are constantly updated and announced to the public. If there is no development on a matter that was previously announced to the public through a Material Event Disclosures and has not yet been finalized, the matter is disclosed to the public within sixty days from the date of the latest Material Event Disclosure, together with its justifications.

As soon as the disclosures have been informed or realized in order to ensure confidentiality until the public disclosure of material events, it is essential that it has been made immediately, except for the limitations in the legislation. However,

necessary security measures have been considered to prevent individuals who are not included in the list of access to internal information and data from accessing such disclosures. In order to ensure confidentiality, accessing to physical and electronic files of such information and documents is restricted and encrypted. Regarding those who have access to internal information and data, it is ensured that it is aware of its obligations under the law and the relevant legislation, and the misuse of this information and the sanctions for providing unfair advantage.

### **III- PRINCIPLES REGARDING EXTRAORDINARY PRICE AND QUANTITY MOVEMENTS REGARDING ISSUED SHARE CAPITAL MARKET INSTRUMENTS AND VERIFICATION OF NEWS AND RUMORS REGARDING THE ISSUED SHARE CAPITAL MARKET INSTRUMENTS**

When there are changes in the price and transaction volumes of the capital market instruments that the company issues that cannot be explained by market conditions, The Company has been made a Material Event Disclosure upon Borsa İstanbul A.Ş.'s request and indicates that whether there are any material events not yet disclosed to the public within the framework of the Capital Market Law, if any.

Regarding the issued capital market instruments, the existence of news or rumors that have significant impact on the value and price of the market instruments or the investment decisions of the investors, which are initially announced to the public through media organs or other communication tools or with a content different from the information previously announced to the public, and if they are informed by the Company, the related disclosure has been made within the framework of the Capital Market Law.

In accordance with the news and rumors about the company published in press organs or websites, the investor relations department of the Company evaluates the news and rumors according to the degree of significance specified in the law, as soon as they have been informed about the related information. As a result of the aforementioned evaluations, if the Company is indicated that a Material Event Disclosure is required, the Company management has been informed and Material Event Disclosure has been made to the public accordingly.

### **IV- PRINCIPLES REGARDING PUBLIC DISCLOSURE OF FUTURE EVALUATIONS**

Future evaluations and information related public disclosures can be made provided that the authorized person obtains written consent that the decision of the Company's Board of Directors or authorized by the Board of Directors.

The related future evaluations of the Company are disclosed by the Company management at most 4 times a year. The aforementioned disclosure can also be made through the annual reports announced within the framework of the regulations of the Capital Markets Board on financial statements or the presentations on informing the investors, provided that they are disclosed on the Public Disclosure Platform (PDP). When a significant change incurred in the future evaluations which are disclosed, or there is a significant difference between the matters that previously disclosed and the realizations, an additional necessary explanation is disclosed within the framework of the Capital Market Legislation, including the reasons related comparison difference. The annual reports and announcements prepared within the scope of the article are also published on the Company's corporate website on the first business day following the commencement date of the announcement.

In cases where matters subject to material event disclosures, including prospective evaluations, are disclosed through media organs or other communication tools, prior or simultaneously with this announcement, if the matters are announced inadvertently at a public meeting, a statement has been made immediately on the Public Disclosure Platform (PDP).

Without prejudice to the regulations of the Capital Markets Board on behalf of our Company, Board Members, General Manager and Deputy General Managers can individually declare statements and interviews to newspapers and magazines to inform the public.

### **V- PUBLIC DISCLOSURE OF KEY MANAGEMENT PERSONNEL AND THEIR RELATED TRANSACTIONS**

Key management personnel according to the Capital Market Law are as follows:

- a) Company Board Members
- b) Legal persons who, although not a member of the Board of Directors, have direct or indirect access to internal data and information and are authorized to make administrative decisions affecting the future development and commercial objectives of the Company,

## Disclosure Policy

- c) Legal persons that have close relations with persons that have administrative responsibility (“closely associated persons”),
- c1) The spouse, children of the person with administrative responsibility and the person who has administrative responsibility and the persons who resided in the same house during the period of the transaction,
  - c2) Legal persons, institutions, organizations and partnerships that have administrative responsibilities by persons with administrative responsibilities or persons listed in the article c1 or that are directly or indirectly controlled by these persons or established for their benefit or whose economic interests are essentially the same as those persons’ economic interests,
  - c3) Members of the Board of Directors of the Company’s subsidiaries, which constitute 10% or more of the total assets in the last annual financial statement prepared in accordance with the Capital Markets Law, and who has regular access to internal data and information directly or indirectly, and persons who are empowered to make administrative decisions that affect their business aims and objectives.

Persons with administrative responsibility for the capital market instruments issued by our Company are determined in accordance with to the aforementioned principles.

In accordance with the framework of the Capital Market Law and related regulations, all transactions carried out by persons with administrative responsibility and closely associated persons and the parent company regarding shares representing the capital and other capital market instruments based on these shares if the total amount of the transactions made to the account of each person with administrative responsibility reaches the amount specified in the Communiqués of the Capital Markets Board within a calendar year, it is disclosed to the public by the person making the transaction. The total amount of the transactions has been calculated by adding all the transactions performed by the persons with administrative responsibility and closely associated persons.

All transactions exceeding the amount specified in the Communiqués of the Capital Markets Board, to be carried out by persons with administrative responsibilities and closely associated persons, as well as shares representing the capital and other capital market instruments based on these shares, disclosed at least 1 business day before each transaction, without specifying the sales amount separately from the post-sale announcement.

### VI- MATTERS REGARDING TO THE GENERAL ASSEMBLY MEETINGS AND DISCLOSURE OF INFORMATION ABOUT THE ISSUE OF CAPITAL MARKET INSTRUMENTS

Within the General Assembly Meetings and notifications and explanations regarding the issuance of Capital Market instruments, the Company complies with the announcement periods specified in the Company’s articles of association, the Internal Directive of the Company’s General Assembly, the Commercial Code and the Capital Market Law and the minimum requirements to be disclosed. The abovementioned information and documents are announced separately on the corporate website of the Company.

### VII- INVESTOR MEETINGS AND OTHER MATTERS

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our Shareholders and the persons and organizations that will benefit from the disclosures.

The financial statements and notes to the financial statements are prepared in accordance with the current legal legislation, present the financial position and trends of our Company, and disclosed after being audited independently in the periods stipulated by the legislation.

The annual report is prepared in accordance with including the minimum information determined by the legislation and parallel to the public can access all kinds of information about the Company’s nature of business and its activities. These reports are also disclosed to the Public Disclosure Platform (PDP) and on the corporate website of the company, and are presented to the information of investors.

Our annual report is prepared by our General Manager and our Department Manager who is responsible for the preparation of financial statements and reports. Our annual report is approved by our Board of Directors and includes the statement that the financial statements fully reflect the financial position of the Company and that the Company fully complies with the relevant legislation.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in General Assembly Internal Directive, the Commercial Code and the Capital Market Legislation announced on the corporate website of the Company.

## 18) CORPORATE GOVERNANCE

### a) Corporate Governance Principles Compliance Statement

Kartonsan tries to apply the principles included in the "Corporate Governance Principles" within the framework of the current market and shareholding structure.

Our Company considers the "Corporate Governance Principles" in a positive manner both for the Company and its shareholders. Adoption of "Corporate Governance Principles" is considered to create significant opportunities such as low capital cost, increase in funding opportunities and liquidity, increase in brand image of the Company, and increase the interest of domestic and foreign investors. Corporate governance principles will create a more transparent management where shareholders can exercise their rights more easily and within a structure that they have more information. This matter will become a preference for shareholders.

Our Company has achieved full compliance with the principles that are mandatory basis for the implementation by the Capital Market Law. The Company has no principle that is mandatory but not implemented. The Company has no principle exempted within the scope of Article 6 of the Corporate Governance Communiqué numbered II-17.1.

In addition, the implementation of non-compulsory corporate governance principles that will not affect the competitive power of our company, trade secrets and information that will cause inequality of opportunity among the partners is accepted as a principle. Every year, compliance on corporate governance has been evaluated by the Corporate Governance Committee and the related principles are reviewed.

In accordance with the Capital Markets Board Decision dated January 10, 2020 and numbered 2/49, it has been decided that the Corporate Governance Compliance Reporting is made in accordance with the Corporate Governance Communiqué numbered II-17.1 on the Public Disclosure Platform by using the Corporate Governance Compliance Report (CGC) and the "Corporate Governance Information Form" ("CGIF") templates.

The "Corporate Governance Compliance Report" ("CGC") of our company for the year ended 2022 and the Corporate Governance Information Form (CGIF), which includes updated information on corporate governance practices in our company, is available at "<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-Kartonsan-karton-sanayi-ve-ticaret-a-s>".

### b) Activities of Investor Relations Department

While the relations of our company with the shareholders were conducted by the Financial Affairs Department before 2009, the "Shareholder Relations Department" ("Investor Relations Department") was established in 2009 under the Financial Affairs Department. The related breakdown of communication structure and necessary information of the investor relations department is as follows:

The Investor relations department consists of 2 personnel, 1 manager and 1 staff member, and works under the Corporate Governance Committee. Investor relations department manager has also started to work as a member of the Corporate Governance Committee since March 28, 2014.

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Name/ Surname	Position	Phone and Fax Number	E-mail address	Address
Meltem DOĞAN	Investor Relations Staff Member	Tel: 0-212-2732000 (extension number: 309) Fax:0-212-273 21 64	Meltem.dogan@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No:5 K:3 Gayrettepe/Beşiktaş/İstanbul
Bülent YILMAZ	Investor Relations Department Manager	Tel: 0-212-2732000 (extension number: 302) Fax:0-212-273 21 64	Bulent.yilmaz@kartonsan.com.tr	Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. No:5 K:3 Gayrettepe/Beşiktaş/İstanbul

Investor relations department manager Bülent YILMAZ has Capital Market Activities Level 3 License (Capital Market Advanced Level License) and Corporate Governance Rating Specialist License.

Investor relations department continued to work on informing the shareholders, implementing practices to exercise of rights by the shareholders, holding the general assembly meeting and announcements regarding the principles of public disclosure in 2022. The "Investor Relations Department Annual Report 2021" prepared in accordance with the activities carried out in 2021 was submitted to the Board of Directors on January 28, 2022. The "Investor Relations Department Annual Report 2022" prepared in accordance with the activities carried out in 2022 was submitted to the Board of Directors on 3 February, 2023.

In accordance with Kartonsan's information policy disclosure, the investor relations department conducts its activities to inform the relevant stakeholders in a timely, accurate and complete manner without disrupting the equality of opportunity among themselves on non-existent information and provides the value of the financial and non-financial information and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and/or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders.

Accordingly for this purpose, in order to ensure that the stakeholders of our company to obtain information about all kinds of issues and questions related to the company, the contact information of the investor relations department has been presented on the company's website under "Annual Reports" and "Public Disclosure Platform".

Telephone, e-mail and fax communication channels have been established for all information requests of stakeholders within our company.

In 2022, 73 questions were received by the investor relations department via e-mail and phone communication channels. If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within the framework of publicly disclosed information, shareholders were informed about their questions. The investor relations department has not been answered the questions and interpretations regarding the stock prices and future predictions of our company, which are not directly related to our company.

Incoming questions were answered orally and by e-mail as permitted by the legislation to the extent that the questions are relevant to our company.

The breakdown of the content of the questions is as follows:

REQUESTED INFORMATION	Number of Questions	Ratio (%)
Increase and Decrease in Stock Prices	30	41%
Financial Statements	35	48%
General Assembly and Voting Rights	6	8%
Other	2	3%
<b>Total</b>	<b>73</b>	<b>100%</b>

In accordance with the aforementioned statement, significant part of the questions were related to stock prices. The remaining questions are about the financial statements and dividend distribution.

Kartonsan recommends that investors that have low level financial literacy need support from investment advisors from brokerage and intermediate houses where they have investment accounts so that they are not adversely affected by such fluctuating price movements during periods of extraordinary increases or decreases in stock prices.



If the written or oral questions asked by the investors to our department are related to matters that have not yet been disclosed in accordance with the legislation of the Capital Markets Board and the question is not answered by specifying its justification, but within the framework of publicly disclosed information, shareholders were informed about their questions.

Material event disclosures presented on the Public Disclosure Platform ("PDP") are used as a general information method, and material event disclosures are also published and announced on our website, on the online company platform of the Central Registry Agency (CRA). As of 31 December 2022, a total number of 45 Material Event Disclosures and notification of exercise of right of use were made by our company.

### c) Exercise of Rights and Obligations of Shareholders

Kartonsan has been established and disclosed a "Disclosure Policy" in accordance with the Capital Market Law. The related policy is available at PDP (Public Disclosure Platform: "<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as>") and in our company's website <http://kartonsan.com.tr/tr/page.php?id=41>.

Our Company expresses the value of the capital market instruments it issues and does not cause inequality of opportunity between our company and its stakeholders, is not confidential and / or does in scope of the concept of trade secret, as well as disclosure and information stipulated by the legal legislation, in accordance with the essence of corporate governance principles, to stakeholders. The Company aims to inform stakeholders in a timely, accurate and complete manner on fair, including timely, accurate, complete, understandable, easy-to-analyze and easily accessible financial and non-financial information about the company's past performance and future expectations without disturbing the equality of opportunity.

The basic principle of our Company to disclose the information that is not in the nature of trade secrets and disclosed to the public other than those determined by the legislation, in a timely, accurate, complete, understandable, interpretable, easily accessible and equal manner to all our shareholders and the persons and organizations that will benefit from the disclosures.

Information requests from stakeholders that have not yet been disclosed and that creates the equality of opportunity between stakeholders related to our company are excluded from the evaluation. Except for the aforementioned matter, the detailed information regarding the information related to public disclosure is shared with our shareholders, who eagerly requested through any communication tools with any channels.

The website of our Company includes updated data and information about the company, and the related and documents that investors need are published under the link "Investor Relations". In order to ensure the relationship between the Company and its stakeholders, investor relations department has been established, and stakeholders are informed through this department. Meeting requests submitted to the aforementioned department and requesting information are informed to the Company management and investor meetings are conducted after determining the appropriate meeting schedule.

Information meetings, general assembly meetings, annual reports, announcements made in newspapers and magazines made by the Company management, material event disclosures, public presentations and reports, the Company's articles of association, the Company's additional methods included in "General Assembly Internal Directive", the "Commercial Code" and the "Capital Market Legislation" announced on the corporate website of the Company.

Every shareholder has exercise of right to information in our company. The exercise of right to information is not abolished or restricted in our company's articles of association or by the decision of any of our company bodies. Within the framework of our Company's exercise of right to information, all requests for information other than those that may cause inequality of opportunity among the shareholders and undisclosed information requests in accordance with the Capital Market Law are answered and shareholders are informed. This information is provided by our company's investor relations department. The decisions that may affect the use of shareholders' rights are announced on the website of the company.

There is no provision in the articles of association of our company that allows each shareholder to request a special audit individually to examine certain events or to request an individual request from the general assembly even if it is not included in the agenda. In cases where there are no provisions in the company's articles of association, the provisions of the Turkish Commercial Code and Capital Market Law are applied. Our company is subject to an independent audit every year within the framework of the Capital Market Law and Tax Laws. Our company has no decision and articles of association that prevent the use of shareholder rights (rights that do not contradict with the legislation and do not cause information inequality among shareholders). In this context, using the individual Special Audit right is not deemed necessary considering the targeted benefits and cost factors to the company. However, the written application of the majority of the shareholders to the company, an agenda item can be created for discussion at the general assembly and the right to have a special audit can be exercised provided that a decision is made at the general assembly.

## Disclosure Policy

### d) General Assembly Meetings

The "Ordinary General Assembly Meeting" of our Company for the year ended 2022 was held simultaneously in electronic and physical environment on March 31, 2022 regarding the operations for the year 2021. Media has not been attended physically to the General Assembly Meeting. Other shareholders and stakeholders also attended the general assembly except for the controlling ownership interest of the corporate governance and managerial body.

At the "General Assembly Meeting", the total nominal amount of TL 75,000,000 representing 1,647,500 number of outstanding shares with a total nominal amount of TL 16,475 representing in person and the total nominal amount of TL 50,255,320.55 representing 5,925,532,055 number of outstanding shares with a total nominal amount of TL 59,271,795.55 representing through their representatives. The General Assembly Meeting was held both physically and electronically with a majority of 79.03% as a result of the participation of 5,927,179,555 number of outstanding shares with a nominal value of TL 59,271,795.55. The General Assembly Meeting held for 2022 has not specified meeting quorum and therefore, provisions of Turkish Commercial Code have been implemented at the General Assembly Meeting .

The announcements regarding the General Assembly on March 31, 2022 announced in the Official Gazette dated March 8, 2022 and numbered 10532, Milliyet and Dünya newspapers published on March 9, 2022 page numbered 682 and 683 and on the Kartonsan's website at [www.kartonsan.com.tr](http://www.kartonsan.com.tr), on the Public Disclosure Platform (PDP) on March 4, 2022, the Central Registry Agency's e-company information portal and the Electronic General Meeting System (e-GEM), at least 21 days before the general assembly meeting, and the meeting was held in due time. Our company does not have registered shares and therefore, registered shares and therefore, additional invitation has not been made for these shareholders.

The invitations to the General Assembly meetings include, the place, date and time of the general assembly, the sample power of attorney for the proxies to attend the general assembly meeting, the documents required to attend the meeting and the financial statements of 2021, the board of directors, the date and where the independent auditor's report will be made available for review by the partners. In addition, general assembly information documents, along with other documents prepared in accordance with corporate governance principles, are also announced in a special separate section for investors on the company's website. The aforementioned documents were submitted to the shareholders 15 days before the general assembly meeting for the review. The shareholders have right to speak in the general assembly and expressed their opinions and wishes. The oral questions asked by the shareholders during the general assembly meeting were answered by the chairman of the general assembly by recognizing their right to speak. The shareholders did not exercise their right to ask written questions at the general assembly meeting. Therefore, investor relations department did not answer any written responses.

The shareholders has no demand for special audit during the period.

The shareholders has no demand to add anything to the items of the agenda at the relevant general assembly meeting.

In addition, the information was provided about the grants and donations made during the period at the general assembly meeting. In accordance with the aforementioned grants and donations, a separate agenda item has been established. In accordance with the "Capital Markets Legislation", the ceiling amount has been determined by the general assembly regarding the grants and donations to be made during the period.

In the general assembly meeting, a separate agenda item has been established regarding the Informing of the General Assembly and Authorization of the Related Transactions in accordance with the Capital Market Law Articles 395 and 396 of the Turkish Commercial Code, and the relevant permission was given by the general assembly to the related to the Matters of the Shareholders, Members of the Board of Directors, Senior Managers, their spouses and their relatives by blood consanguinity and affinity up to the second degree to be able to act and compete with the Company or its Subsidiaries.

The minutes of the general assembly meetings and attendance sheets are disclosed to the public via the PDP, and they are also provided on the Company's website [www.kartonsan.com.tr](http://www.kartonsan.com.tr), online company platform of the Central Registry Agency (CRA) and the Electronic General Meeting System (e-GEM) and at the Kartonsan's head office for inspection by our shareholders. [https://www.kap.org.tr/tr/sirket-informasyon / summary / 997-kartonsan-kart-sanayi-ve-ticaret-a-s](https://www.kap.org.tr/tr/sirket-informasyon/summary/997-kartonsan-kart-sanayi-ve-ticaret-a-s)

### e) Information Regarding Board of Directors, Committees, Independent Auditors, Key Management Personnel and Financial Rights

In accordance with the relevant articles of the company's articles of association, the related law and regulations regarding the Board of Directors and auditors are as follows:

#### Board of Directors

Article: 8: The Board of Directors of Company consists of at least 7 (seven) and at most 11 (eleven) members which is administered and represented by the General Assembly in accordance with its authority of election. The number of

members of the Board of Directors has been determined that enabling members to conduct efficient and constructive work, to make fast and rational decisions, and to form committees and organize their work effectively.

The Company complies with the Corporate Governance Principles required by the Capital Markets Board. Transactions made and board decisions made that are the principles not being mandatory have also not been complied with Capital Markets Board and deemed to be in breach of the articles of association. The number and nature of the independent members that has position in the Board of Directors have been determined in accordance with to the regulations of the Capital Markets Board on corporate governance.

The members of the Board of Directors elected a chairman among the Board of Directors and when chairman is not available, members of the Board of Directors selects two Vice Chairman of Board of Directors to act as a Chairman of Board respectively.

The General Assembly can change the members of the Board of Directors constantly, it deems as necessary. The member of the Board of Directors who has been removed from the duties and responsibilities does not have the right to claim compensation.

#### **Duties and Powers of the Board of Directors and Transfer of Rights**

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and requited committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

Article: 9 / A- Canceled

#### **Authority of the Board of Directors to Issue Bonds and Other Capital Market Instruments**

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

#### **Board of Directors Meetings**

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

#### **Financial Rights Granted to the Members of the Board of Directors**

Article: 12- The salaries, remunerations, attendance fees, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

## Disclosure Policy

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

### Auditors

Article: 13- The General Assembly elects one or two auditors during the period. The Company complies with the Turkish Commercial Code, the Capital Markets Law, the Capital Markets Board and the relevant regulations regarding the auditor's election, term of office, duties, powers and responsibilities, registration procedures and other matters related to the auditor.

### Auditor's Fees

Article: 14- General Assembly has been determined the payments and fees of the auditors on monthly or annual basis.

The Ordinary General Assembly meeting for the "Annual Report 2021" of the company was held on March 31, 2022. The following persons were appointed as members of the Board of Directors and Independent Auditors to serve for 1 year each at the General Assembly meeting. Information on the Board of Directors, Committees and Independent Auditor of the Company, who worked during the period or was elected within the period, are as follows:

### Members of the Board of Directors

Name/ Surname	Position	Duties Except Parent Company	Executive/ Non- Executive	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ünal Bozkurt	Chairman of the Board	Board Membership	Executive	05.10.2000	30.03.2023	31.03.2022	1 YEAR
Aslı Balkır	Vice Chairman of the Board	Board Membership	Executive	02.08.2001	30.03.2023	31.03.2022	1 YEAR
Süleyman Kaya	Vice Chairman of the Board	Board Membership	Executive	06.02.2006	30.03.2023	31.03.2022	1 YEAR
Sinan Ercan Gülçur	Board Member	Board Membership	Executive	05.10.2000	30.03.2023	31.03.2022	1 YEAR
Babür Gökçek	Board Member	Board Membership	Executive	06.02.2006	31.03.2022	-	-
Mehmet İmregün	Board Member	Board Membership	Executive	21.03.2011	30.03.2023	31.03.2022	1 YEAR
Hatice Canan Pak İmregün	Board Member	Board Membership	Executive	01.10.2012	30.03.2023	31.03.2022	1 YEAR
İlker Cengiz	Board Member	Board Membership and Legal Coordinator	Executive	30.03.2021	30.03.2023	31.03.2022	1 YEAR
Haluk İber	Board Member and General Manager	Board Membership	Executive	02.03.2006	30.03.2023	31.03.2022	1 YEAR
Ahmet Göksel Yücel	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	30.03.2023	31.03.2022	1 YEAR
Süleyman Kadri Mirze	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	29.03.2018	30.03.2023	31.03.2022	1 YEAR
Recep Bildik	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	31.03.2022	30.03.2023	31.03.2022	1 YEAR
Rüya Eser	Independent Member of the Board of Directors	Academic Lecturer	Non-Executive	31.03.2022	30.03.2023	31.03.2022	1 YEAR

The Board of Directors held 24 meetings during the year until December 31, 2022. Average attendance rate of Board Members to board meetings for the year 2022 was 93%. All of the decisions of the Board of Directors have been implemented during the year.

The personal backgrounds of the members of the Board of Directors are included in the General Assembly documents and have been prepared and announced to the public by our company. The General Assembly documents are available at the website of our company, on Public Disclosure Platform <https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-as> and online company platform of the Central Registry Agency (CRA).

(<https://www.kartonsan.com.tr/tr/page.php?id=47%20yada%20https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

In accordance with the independent board memberships within the framework of the Capital Market Law, the Corporate Governance Committee has been determined 4 independent board members on January 26, 2022 in 2022 and presented to the Board of Directors on January 26, 2022. These independent members submitted their declarations of independence to the company, and there exists no matter that eliminated their independence during the period. Independent members of the Board of Directors have submitted the following declaration of independence to the company.

In accordance with the framework of the Kartonsan's Corporate Governance Principles, since Kartonsan is among the companies listed in the 1st Group, the "Independent Board of Directors Candidate Lists" were sent to the Capital Markets Board and the relevant Board's approval was obtained accordingly. The relevant candidates of the "Independent Members of the Board of Directors" were elected at the General Assembly meeting held on March 31, 2022.

#### **Board Independence Statement of Independent Members of Board of Directors**

I hereby represent that, I am a candidate for carrying our duty as "independent member" in Board of Directors of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi. (the "Company" or "Kartonsan") within the scope of criteria specified in legislation, articles of association and Corporate Governance Communique numbered II-17.1 of Capital Markets Board and in this context;

There is no employment relation at executive level that would assume material tasks, duties and responsibilities in the last five years between the Company, or such companies in which the Company controls or has a material influence over the management, or such shareholders which control or have a material influence over the Company's management and any legal entity holding management control over these shareholders, on the one hand, and myself, my spouse and next of kin by blood and affinity kinship up to second degree, and there is no individual or joint holding of more than 5% in the capital or voting stocks or preferential stocks or no material business or commercial relation has been established,

I have not worked at an executive position with significant and material tasks and responsibilities or held the seat as a board member or held a shareholding (equal to or above 5%) in such companies from which the company procures goods or services from or sells goods or services to in significant volumes in line with the agreements between them, including, in particular, the supplier's or buyer's audit,

I have not carried out a duty as board member in Company's Board of Directors for more than six years, within last ten years,

I have necessary professional education and training, knowledge and experience required for properly fulfilling the duties that I will undertake due to the fact that I become an independent board member,

I shall not work on a full time basis at public agencies and institutions after my appointment as the member except for the lecture position at universities in line with the applicable legislation, d) I am deemed to be resident in Turkey according to Income Tax Law (I.T.L.) dated 31/12/1960 and numbered 193

I am not holding an independent board member position in more than five publicly traded company in total or in more than three companies in which the company or the shareholders controlling the company hold the controlling powers over the management,

I will be able to spare enough time to follow up the process of company operations and fulfill all requirements of the duties I undertake, in full,

I am not registered and announced on behalf of and in the name of the legal entity elected as board member.

I declare.

Date-Name Surname-Signature"

## Disclosure Policy

Although the fact that the members of the Board of Directors can have other duties outside the company is not bound by the rules and regulations, their duties and responsibilities have been presented for the information and approval of the shareholders in the general assembly meetings as a separate agenda item.

Our company is a subsidiary of PAK GROUP. Some of the members of the board of directors of our company naturally take part in other group companies and subsidiaries that hold the administrative governing control of our company. Therefore, at the general assembly meetings every year, the matters regarding the "Management and Competition of Shareholders, Members of the Board of Directors, Senior Executives, have been authorized the abovementioned shareholders holding the management control, the members of the Board of Directors, the senior executives with administrative responsibility and their spouses and relatives related by blood or affinity up to the second degree to compete with and to carry out transactions that might cause conflict of interest with the Company itself or its subsidiaries, to conduct the activities under the scope of the line of business of the Company directly or on behalf of others and to participate in the companies conducting such kind of activities and to perform any other transactions pursuant to articles 395 and 396 of the Turkish Commercial Code is added to the agenda and the relevant permission is requested by the general assembly.

The Company has not been decided a strict target for number of female members in the Board of Directors. Board of Directors has at least 2 female members for many years. As a result of the elections of the Board Member held at the Ordinary General Assembly meeting on March 31, 2022, the number of female members was determined as "3" (three). Since there has been no minimum target set for the ratio of female members of Board of Directors, the achievement of any targets of female members have not been evaluated separately.

The operating principles of the "Board of Directors" are regulated in detail in accordance with the Articles 9 and 10 of the "Articles of Association" and the related articles are as follows:

### Duties and Powers of the Board of Directors and Transfer of Rights

Article: 9- The Board of Directors manages and represents the Company by taking strategic decisions, keeping the Company's risk, growth and returns balance in the optimum level, and preserving the long-term benefits and interests of the Company. The Board of Directors oversees the compliance of the Company's activities with applicable laws, articles of association, internal regulations and the policies established.

Our Company has been established necessary and required committees within the framework of the Capital Market Legislation and Corporate Governance Principles. If the Corporate Governance Committee both consists of two members, and if it has more than two members, the majority of the members are non-executive members of the Board of Directors.

The members of the Board of Directors are authorized to decide on the division of labor among themselves, to elect an executive committee among their members or from key management personnel, and appoint a general manager. The provisions of Article 367 of the Turkish Commercial Code are reserved.

The Company is represented by dual signature authority and can have borrowings and loans accordingly. The legal persons who will bind and represent the company with their signatures and which of the legal person's signatures will represent and bind the company have been determined by the Board of Directors and signature circulars have been prepared accordingly.

In the administration and representation of the Company, the Board of Directors complies with the principles of public disclosure and transparency under the Capital Market Law and corporate governance principles and the principles of protecting the rights of the stakeholders regulated by legislation and reciprocal contracts.

### Authority of the Board of Directors to Issue Bonds and Other Capital Market Instruments

Article: 10- The Company may issue bonds and other debt instruments as securities in the nature of capital market instruments to be sold domestically and abroad in compliance with the provisions of the Turkish Commercial Code, Capital Market Law and relevant legislation. The Board of Directors is authorized to issue bonds and other debt securities that qualify as capital market instruments, in accordance with the Capital Markets Law. In this context, the provisions and relevant legislation of the Turkish Commercial Code are not applicable.

In relation to the Meetings of the Board of Directors, the following regulations were made in the article 11 of the articles of association.

### Meetings of the Board of Directors

Article: 11- The Board of Directors convenes at least once a month, as often as it can fulfill its duties effectively. The Chairman of the Board of Directors has been determined the agenda of the Board of Directors meetings in consultation with other board members and the chairman of the executive committee. The meetings are held at the Company headquarters. However, with the decision of the Board of Directors, it is possible to hold the meetings at a location other than the



Company headquarters or with any technological method providing remote access. Each member of the Board of Directors has one voting right. The Board of Directors convenes with the majority of the total number of members and takes decisions with the majority of the members present at the meeting.

Our Company's Board of Directors embraces and implements the principle of executing its activities in a transparent, accountable, fair and responsible manner. The Board of Directors held 24 meetings until December 31, 2022 in 2022. All members who did not have any excuse (health issues and being in abroad etc.) participated in the meeting. All of the decisions taken within the period were taken by the consensus of the participants. Therefore, no dissenting opinion was entered into the decision record.

There is no division of labor among the members of our company's Board of Directors and clarifications are made about the committees established in the annual reports and on the company's website.

No insurance was made out in relation to the damages to be caused in the company by the defaults of the members of the Board of Directors during their duties.

A written circular of signatures is issued by the Board of Directors of our Company in relation to the representation and management of the company following the General Assembly meeting in every year. In this circular of signatures, the authority to represent the company alone is not granted to any person. The important deeds and procedures can be performed with the signatures of at least 2 signatories by different signatory groups. In our Company, no one has unlimited authority to take decision alone.

In our Company, the chairman of the Board of Directors and the general manager are not the same person. The application has been made accordingly for many years.

Even if the chief executive officer and the chairman of the board of directors will be the same person in the future, this situation is not considered as an issue that will affect the rights of the shareholders. Therefore, it will not be necessary to inform the shareholders on this matter and to make clarifications in the annual reports.

The "Corporate Management Committee" was established from the members of our Company's Board of Directors. In addition, the "Investor Relations Department" was established as associated to this committee. In the elimination and resolution of the possible disputes, the Board of Directors of Kartonsan is the pioneering department for the resolution of the disputes and related matters.

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

The "Audit Committee", the "Early Detection of Risk Committee" and the "Corporate Governance Committee" have been established from the members of our Company's Board of Directors. The "Nomination Committee" and the "Compensation Committee" were not established and it was adopted that the "Corporate Management Committee" would fulfill also these duties. From which members the "Early Risk Identification Committee", the "Audit Committee" and the "Corporate Management Committee" would be established and the working principles of the Committees were determined and disclosed to the public by the Board of Directors.

The "Audit Committee" has been established from 3 members and "Independent Members" were elected to these three membership positions in 2022. Therefore, the Chairman became an "Independent Member of Audit Committee".

The "Corporate Governance Committee" was established from 4 members (3 members from the Member of the Board of Directors and 1 member from the Director of the Investor Relations Department) and the "Early Risk Identification Committee" was established from 3 members. The independent members of the Board of Directors were elected to the chairman positions of all of these committees.

The functional committees of Kartonsan in 2022 are as follows:

#### Audit Committee

Name/Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Audit Committee	10.04.2018	30.03.2023	31.03.2022	1 YEAR
Süleyman Kadri Mirze	Audit Committee Member	10.04.2018	31.03.2022	-	-
Recep Bildik	Audit Committee Member	31.03.2022	30.03.2023	31.03.2022	1 YEAR
Rüya Eser	Audit Committee Member	31.03.2022	30.03.2023	31.03.2022	1 YEAR



## Disclosure Policy

### Corporate Governance Committee

Name/Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Süleyman Kadri Mirze	Chairman of the Corporate Governance Committee.	10.04.2018	30.03.2023	31.03.2022	1 YEAR
İlker Cengiz	Corporate Governance Committee Member	30.03.2021	30.03.2023	31.03.2022	1 YEAR
Süleyman Kaya	Corporate Governance Committee Member	09.04.2013	31.03.2022	-	-
Recep Bildik	Corporate Governance Committee Member	31.03.2022	30.03.2023	31.03.2022	1 YEAR
Bülent Yılmaz	Corporate Governance Committee Member *	28.03.2014	30.03.2023	31.03.2022	1 YEAR

\*He is not the Member of the Board of Directors, but the Director of the Investor Relations Department.

### Early Detection of Risk Committee

Name/Surname	Position	Beginning of the Term of Office	End of the Term of Office	Date of Reelection	New Term
Ahmet Göksel Yücel	Chairman of the Early Detection of Risk Committee	10.04.2018	30.03.2023	31.03.2022	1 YEAR
Mehmet İmregün	Early Detection of Risk Committee Member	09.04.2013	30.03.2023	31.03.2022	1 YEAR
Rüya Eser	Early Detection of Risk Committee Member	31.03.2022	30.03.2023	31.03.2022	1 YEAR
Sinan Ercan Gülçur	Early Detection of Risk Committee Member	28.03.2014	31.03.2022	-	-

The "Chief Executive Officer"/"General Manager" or the other executive members did not take charge in the committees.

The number of the Independent Members of the Board of Directors is 4 as required by the structuring of our Company's Board of Directors. As at least the chairman's of the committees established and all of the Auditing Committee should be established from the independent members, the principle for one member of the Board of Directors not to take charge in more than one committee could not be fulfilled. One member of our Board of Directors has to take charge in 2 separate committees.

The working principles related to the Committees established from the members of our Company's Board of Directors were documented. The current working principles of the Committees are available on our company's website (<http://kartonsan.com.tr/tr/page.php?id=37>), on the Public Disclosure Platform ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayive-ticaret-a-s>") and on the online company platform of the Central Registry Agency (CRA) (<http://kartonsan.com.tr/tr/page.php?id=37> or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>).

Within the framework of such principles, all committees can invite the executive that they consider necessary in order to be able to fulfill their duties and obtain the opinion of such executive. Furthermore, the financial resource that is necessary for the operations of the committees is provided by the Board of Directors. In the current period, no financial resource has been used by the committees.

Entire committees can provide the consultancy services that they consider necessary in order to be able to fulfill their duties on condition that the prices and charges of such services is paid by the company.

The "Committees" established from the members of our Company's Board of Directors document and record all of their works. They comply with the documented working principles on this matter. The committees regularly submit reports to the board of directors in relation to their operations.

The committees other than the Early Detection of Risk Committee convene at the Company headquarters every three months, at least four times each year. The Early Risk Identification Committee may convene in frequencies required by its duties and responsibilities. The "Early Detection of Risk" committee held meeting for "1" (one) time in 2022.

Kartonsan decided to establish the "Early Detection of Risk Committee" starting from 2013. This committee has been established from 3 persons and the chairman of the committee was the independent member of the Board of Directors. The Board of Directors reestablishes the committee depending on the elections of the members of the board of directors as required by its structuring in every year. The committee performs duty within the framework of the duties determined. The committee submitted the report that it prepared to the Board of Directors.

### Key Management Compensation

The article 12 of the articles of association includes regulation regarding the financial rights of the Board of Directors and the text of the article is as follows:

#### Financial Rights of the Members of the Board of Directors

Article: 12- The salaries, remunerations, attendance fees, bonuses and premium payments, compensations and amounts provided to the Chairman and Members of the Board of Directors have been decided by the General Assembly in accordance with the Capital Market Law and Corporate Governance Principles.

Stock options or payment schedule based on the company's performance have not been used in the remuneration of the members of the Board of Directors. The salaries of the members of the Board of Directors are at a level that will provide their being a member of the Board of Directors.

The remuneration principles of the members of the Board of Directors and the senior executives were documented and submitted to the shareholders as a separate item at the "Ordinary General Assembly" meetings and the shareholders were provided with the opportunity of delivering an opinion on this matter. This policy is available on the company's website ([www.kartonsan.com.tr](http://www.kartonsan.com.tr)), on the online company platform of the Central Registry Agency (CRA) (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and on the Public Disclosure Platform ("<https://www.kap.org.tr/tr/sirket-bilgileri/ozet/997-kartonsan-karton-sanayi-ve-ticaret-a-s>").

Our Board of Directors did not prefer the establishment of a separate Compensation Committee as required by its structuring and decided that the compulsory duties identified to these committees within the framework of the Corporate Management Principles to be fulfilled by the Corporate Governance Committee.

In the remuneration of the independent members of the Board of Directors, the stock options or the payment schedules based on the company's performance were not used. Effort was shown for the salaries of the independent members of the Board of Directors to be at the level to maintain their independence. It was agreed to pay a monthly salary to the independent members by the General Assembly.

Our Company does not have any application such as providing debt-credit to, giving guarantee or surety in favor of its Members of the Board of Directors or Senior Executives. Non-performance of such procedures was adopted as a principle by our Board of Directors.

The salaries and remunerations provided to the members of our Company's Board of Directors are included in the interim and annual reports and are available on the website of the company. Although no clarification is made on an individual basis, the minimum Board of Directors- senior executive separation is included.

Our members of the Board of Directors and key management personnel have the following income streams:

#### Key Management Compensation to the Members of the Board of Directors

##### Daily Allowance

The amount has been determined at the General Assembly Meeting.

(Daily Allowance Payments)

The salaries and benefits (daily allowance) paid or provided to the chairman and members of the board of directors due to such capacities are qualified as salary in accordance with the article 61/4 of the Income Tax Law. The daily allowance payments made to the chairman and members of the board of directors are taxed by withholding as for the salary payments made to the other employees of the company.

## Disclosure Policy

### Dividend Distribution

Dividend distribution and related payments have been determined by the General Assembly within the framework of the article numbered 25 of the articles of association at "the General Assembly Meeting" held in every year.

### Key Management Personnel Compensation

The "General Managers" and "Deputy General Managers" who are the members of the Board of Directors have as well as the membership to the Board of Directors and their income streams are as follows:

- Monthly salary (determined annually)
- Bonus at the amount of one monthly salary, (for 4 times in a year.)
- Achievement premium (given once at the end of the year.)
- Seniority incentive bonus (given at the amount between 1 salary and 2.5 salaries at the 5th, 10th, 15th, 20th, 25th years.)
- Personal accident and health insurance
- Motor vehicles and furniture and fixtures allocated as required by the duty.

The key management compensation and the Members of the Board of Directors during the period (salary and daily allowance payments except for the dividend payments of the Board of Directors) are as follows:

	31.12.2022	31.12.2021
Key management compensation provided to key management personnel	7.080.426	5.034.257
Key management compensation provided to board members	786.433	417.013
<b>Total</b>	<b>7.866.859</b>	<b>5.451.270</b>

### Key Management Personnel During the Period:

NAME/SURNAME	POSITION
Haluk İber	Member of the Board of Directors and General Manager
Güven Şanlı	Factory Manager
Volkan Turt	Production Manager
İhsan Doğan	Technical Manager
Ümit Dinçol	Production Services Manager
Raşit Kemal Özkırım	Marketing Manager
Şadiye Başak Kaya	Human Resources and Quality Systems Manager
Atiye Süheyla Tuğtekin	Purchasing Manager
Bülent Kuru	Financial Affairs Manager

There was no change incurred in key management personnel (except for Board of Directors) during the period.

## 19) SUBSIDIARY/AFFILIATED COMPANY REPORT PREPARED UNDER ARTICLE 199 OF THE TURKISH COMMERCIAL CODE

In accordance with Article 199 of the Turkish Commercial Code numbered 6102, which entered into force on July 1, 2012, the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.S. is obliged to issue a report about the relations of the company with its controlling shareholder and the companies associated to the controlling shareholder in the previous operating year and to include the conclusion part of this report in the operating report within the first three months of the operating year.

In accordance with the report dated February 28, 2023 prepared by the Board of Directors of Kartonsan Karton Sanayi ve Ticaret A.S.,

“An appropriate counter-action was ensured in each legal transaction with Asil Holding A.Ş. (“Parent Company”), being the controlling shareholder of Kartonsan Karton Sanayi ve Ticaret A.Ş. (“Subsidiary”), and Pak Holding A.Ş. and with the companies which are directly or indirectly the subsidiaries of these two companies in accordance with the cases and conditions to the best of our knowledge on the date when such transactions were performed. Kartonsan has no implemented measures that was taken or that was avoided to be taken and has no loss for the period within this framework.

All measures that were taken or that were avoided to be taken for the benefit of the controlling shareholder or its subsidiary were evaluated for the year ended 2022 in the legal transactions made for the benefit of the controlling shareholder or its subsidiary by the direction of the controlling shareholder in accordance with the cases and conditions to the best of our knowledge in all transactions made with our Company, the controlling shareholder and its subsidiaries within the operating year between 1 January 2022 – 31 December 2022. We declare that our Company did not incur such loss due to any transaction that occurred in accordance with the ongoing execution proceedings and conditions with respect to the operating year of 2022, no benefit was provided and it is not possible to compensate the benefits obtained by the controlling shareholder or the loss for the period.”

## 20) OTHER MATTERS

Kartonsan has no treasury stock at the end of the period.

Necessary disclosures have been made in the “Provisions, Contingent Liabilities and Contingent Assets” (Note 14) in notes to the consolidated financial statements about the lawsuits filed against the company that may affect the financial position of Kartonsan and their possible results.

Our company has all of its share capital and there exists no event of loss of capital and “technical bankruptcy”.

The Company has no significant events incurred after the reporting period that is not disclosed in the previous pages of the annual report.

During the period of 2022, the routine inspections related to the wastes and pollution that occurred as a result of our production activities were continued to be performed by Kocaeli Metropolitan Municipality, Başiskele Municipality and the Provincial Directorate of Environment and Urbanization at the factory of the company. The Company has no supervision and inspection activity which was performed by any public institution except for the abovementioned institutions.

No administrative or judicial sanction was applied on Kartonsan and the members of the Board of Directors due to the applications in contrary to the legislation provisions.

Kartonsan has no “Extraordinary General Assembly Meeting” held in 2022.

Kartonsan has no amendment to the “Articles of Association” during the period.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.  
ANNEXES

## Kartonsan Performance Indicators

### ENVIRONMENTAL PERFORMANCE

<b>Raw Material Amount (tons)</b>	<b>2021</b>	<b>2022</b>
Waste Paper Amount	231,524	231,214
Amount of Bleached Cellulose	2,573	3,214
Wood Pulp	19,543	18,558
<b>Energy</b>		
Conventional Energy Consumption (TJ)	2,025.20	1,856.69
Specific Heat Consumption (MJ/ton coated cardboard)	3,727.25	3,516.28
Amount of Steam Production from Waste Heat (MWh/year)	215,832.79	197,564.11
Total Energy Consumption in Coated Cardboard Production (kWh)	374,244,071.83	345,512,785.93
<b>Amount of Scope 1 Total Gross Greenhouse Gas Emission (million ton CO<sub>2</sub>/year)</b>		
Amount of Scope 1 Total Gross Greenhouse Gas Emission in Coated Cardboard Production (million ton CO <sub>2</sub> /year)	0.10545188 (verified data in 2020 for 2021-combustion sourced)	0,1119414 (verified data in 2021 for 2022-combustion sourced)
Amount of Scope 2 Gross Greenhouse Gas Emissions (ton CO <sub>2</sub> /year)	Not calculated	Not calculated
<b>Total Hazardous Wastes by Disposal Method (tons)</b>		
Recycle	123	69
Disposal	62	57
<b>Total Non-Hazardous Wastes by Disposal Method (tons)</b>		
Recycle	48,583	14,809
Disposal	37,170	54,038
<b>Total Annual Amount of Water Consumption (m<sup>3</sup>)</b>		
Total	1,265,854	1,293,279
Well Water	1,240.136	1,265,114
Municipal Water	25,718	28,165
<b>Total Annual Amount of Wastewater by Discharge Method (m<sup>3</sup>)</b>		
Recycled Water (m <sup>3</sup> )	544,718	401,841
Packaging Waste Recycling (tons)	212	236
Number of Environmental Compliance Sanctions (number)	0	0
Amount of Environmental Compliance Sanctions (TL)	0	0
<b>Total Environmental Investment and Management Expenditures</b>		
Total Environmental Investment and Management Expenditures (TL million)	28.8	47
Disposal-solid waste transportation and disposal cost	7	30.4
Waste water expenses	6	10.3
Environmental management expenditure total	13	40.7
Environmental Investment	15.8	6.3
<b>Environmental Trainings</b>		
Total Environmental Trainings - Number of Participants (person)	2	265
Total Environmental Trainings - Training Hours (person*hour)	2	167

## Kartonsan Performance Indicators

## ECONOMIC PERFORMANCE

Production	2021	2022
<b>Total Production</b>	230,926	226,018
KM1 Production (tons)	75,615	69,299
KM2 Production (tons)	155,311	156,719
Grinding Service (TL thousand)	864	1,314
Electric Sales	21,349,036 kWh	19,710,886 kWh
<b>Capacity Utilization Rate (%)</b>		
KM1	94.2	93.7
KM2	90.7	91.7
<b>Total Raw Material Supply (tons)</b>	Total 253,640 Waste Paper 231,524 Cellulose 2,573 Wood Pulp 19,543	Total 252,986 Waste Paper 231,214 Cellulose 3,214 Wood Pulp 18,558
<b>Total Sales Amount (tons)</b>	255,391 Coated Cardboard 6,409 Waste Paper	219,532 Coated Cardboard 6,284 Waste Paper
<b>Economic Value Created (TL million)</b>		
Net Sales	1,589	3,364
Domestic Sales	1,359	2,680
Exports	260	684
Operating Profit	382	732
Profit Before Tax	471	822
Net Profit	379	705
EBITDA	495	865
Net Debt	0	12
<b>Investment Expenditures (TL million)</b>	61	78
Government Grants (Investment Incentive Tax Discount)	15.2	22
<b>Economic Value Distributed (TL million)</b>		
Taxes Paid	114	297
Dividends to Stakeholders (paid from the previous year's profit)	55	155
Wages to Employees	32	51
R&D Expense Incurred in The Reporting Period (TL million)	34	66
<b>Donations and Sponsorships (TL thousand)</b>	89	353



## EMPLOYEE DEMOGRAPHICS

	2021	2022
<b>Total Workforce (Number)</b>	320	316
<b>Direct Employment</b>	320	316
Female	35	35
Male	285	281
<b>Total Workforce by Category (Number)</b>	312	316
<b>Blue Collars</b>	191	195
Female	8	6
Male	183	189
<b>White Collars</b>	121	121
Female	27	29
Male	94	92
<b>Total Workforce by Education Level (Number)</b>	320	316
No Education	1	3
Primary School	28	29
Secondary School	147	144
University and Above	144	140
<b>Total Workforce by Age Group (Number)</b>	320	316
Below 30	30	26
30-50	237	241
Over 50	53	49
<b>Structure of Board of Directors (Number)</b>	14	16
Female	3	4
Male	11	12
<b>Structure of Senior Management (Number)</b>	11	11
Female	2	2
Male	9	9

## Kartonsan Performance Indicators

<b>Employees Hired (Number)</b>		
<b>By Gender</b>	20	17
Female	4	4
Male	16	13
<b>By Age Group</b>	26	17
Below 30	11	6
30-50	6	11
Over 50	9	0
<b>Employees Left (Number)</b>	0	0
<b>By Gender</b>	21	16
Female	4	2
Male	17	14
<b>By Age Group</b>	21	16
Below 30	2	2
30-50	12	13
Over 50	7	1
<b>Disabled Employees</b>	8	9
Female	1	1
Male	7	8
<b>Number of Employees Left for Parental Leave</b>	0	2
<b>Number of Employees Returned From Parental Leave</b>	0	2
<b>Number of Employees Who Didn't Leave Their Job After 12 Months to Their Return From Parental Leave</b>	0	2
<b>Workforce Covered by Collective Bargaining Agreement (Number)</b>	171	170

**SOCIAL PERFORMANCE**

	2021	2022
<b>The Number of Work-Related Injuries</b>		
Direct Employment	78	34
Female	0	1
Male	78	33
Other Employees	44	54
<b>The Number of Occupational Diseases</b>	0	0
Direct Employment	0	0
Female	0	0
Male	0	0
Other Employees	0	0
<b>The Number Lost Working Days (as a result of work-related injuries or diseases)</b>	5.882	1.332
Direct Employment	0	386
Female	192	0
Male	4.102	666
Other Employees	1.588	280
<b>The Number of Mortal Accident at Factories</b>		
Direct Employment	0	0
Female	0	0
Male	0	0
Other Employees	0	1
<b>Trainings Offered to Employees - Number of Participants</b>	445	457
Blue Collar	118	152
White Collar	235	114
Other Employees	92	191
Female (Direct Employment)	58	45
Male (Direct Employment)	295	412




## Kartonsan Performance Indicators

<b>Trainings Offered to Employees</b>		
Total Hours (person x hour)	1.946,95	6.418,70
Blue Collar	608,15	2.065,65
White Collar	939,5	2.091,50
Other Employees	399,3	2.261,55
Female	222,5	706,10
Male	1.325,15	5.712,60
<b>Training per Employee</b>		
Average Training Hours Offered to Employees (hour/ person)	4,82	12,66
Blue Collar	3,18	10,59
White Collar	7,76	17,29
Other Employees	4,34	11,84
Female	6,36	20,17
Male	4,65	20,33
<b>OHS Trainings Offered to Employees</b>		
Number of Participants	190	201
Blue Collar	45	74
White Collar	102	46
Other Employees	43	81
Female	24	16
Male	166	185
<b>OHS Trainings Offered to Employees</b>		
Total Hours	1.081	2.046
Blue Collar	288	632
White Collar	525	370
Other Employees	268	1.044
Female	116	134
Male	965	1.912
<b>Suppliers</b>		
Total Number of Supplier Companies	861	818
Total Number of Suppliers Assessed Using ESG Criteria	97	105
<b>OHS Committee</b>		
Total Number of OHS Committees Members	15	15
Total Number of Employee Representatives at OHS Committees	2	2
Salaries paid to employees (TL)	32.292.326,72	51.196.206,95

Total R&D Expenditure (TL million)	34	66
Donations and Sponsorships (TL thousand)	89	353
<b>INTERNSHIP SKILLS EDUCATION</b>	37	38
Internship	15	15
Skills Education	18	18
Long term internship (over 3 months)	3	4
Other workers	1	1
Female	9	13
Male	28	25

## Sustainability Principles Compliance Framework

If the compliance with the principles is determined as “Yes” or “Partially”, the report information/link regarding the information disclosed to the public should be included. Explanations on compliance with the principles are included in the “Explanation” column. The extent to which the requested information is presented as consolidated or solo should be stated in the “Explanation” column.

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
A. General Principles						
A1. Strategy, Policy and Targets						
					ESG issues, risks and opportunities are within the scope of Kartonsan's current sustainability policy and other supporting policies.	Kartonsan 2022 Integrated Annual Report
	The Board of Directors determines material environmental, social and governance (ESG) issues, risks and opportunities.				edited. The Company includes its periodic evaluations on these topics in its Integrated Annual Reports. On the other hand, within the scope of the work of the Sustainability Committee, where these issues are discussed, the Board of Directors is periodically informed.	Trends: The World, Turkey and the Sector <a href="https://www.kartonsan.com.tr/tr/page.php?id=40">https://www.kartonsan.com.tr/tr/page.php?id=40</a>
A1.1	The Board of Directors establishes relevant ESG policies (e.g. Environmental Policy, Energy Policy, Human Rights and Employee Policy, etc.) and they are publicly disclosed.				Relevant policies can be accessed on the Kartonsan website.	<i>Kartonsan's Sustainability Policy</i> <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a> <i>Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy</i> <a href="https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf">https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf</a> <i>Kartonsan's Policy on Quality, the Environment, Energy and Occupational Health and Safety</i> <a href="https://www.kartonsan.com.tr/en/page.php?id=18">https://www.kartonsan.com.tr/en/page.php?id=18</a>
A1.2	Publicly discloses short- and long-term goals set according to ESG policies.				Kartonsan includes its targets in its annual Integrated Annual Reports.	Kartonsan 2022 Integrated Annual Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
A2. Implementation/Monitoring						
	Determines and discloses the committees/units responsible for the execution of ESG policies, and the highest level positions in charge of ESG issues at the Company and their duties.	✓			Kartonsan established the Sustainability Committee in 2021. Information about the committee and its activities is included in the Integrated Annual Reports.	Kartonsan 2022 Integrated Annual Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
A2.1	The responsible committee and/or unit reports the activities carried out as per the policies during the year at least once a year to the Board of Directors.	✓			At Kartonsan, the Board of Directors is periodically informed as part of the work of the Sustainability Committee.	Kartonsan 2022 Integrated Annual Report Sustainability Management At Kartonsan <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
A2.2	Creates and discloses implementation and action plans aligned with ESG targets	✓			Kartonsan includes its implementation and action plans in its annual Integrated Annual Reports.	Kartonsan 2022 Integrated Annual Report Letter from the Chairman of the Board General Manager's Assessment Sustainability Management At Kartonsan <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
A2.3	Discloses ESG Key Performance Indicators (KPI) and the degree of their achievement by years.	✓			Kartonsan has been publishing an integrated annual report since 2021 and sharing its ESG key performance indicators with the public.	Kartonsan 2022 Integrated Annual Report Annexes <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
A2.4	Discloses efforts for improving sustainability performance with respect to work processes or products and services.	✓			Activities to improve the sustainability performance of Kartonsan's business processes or products and services are included in the Integrated Annual Reports it publishes on an annual basis.	Kartonsan 2022 Integrated Annual Report General Manager's Assessment Sustainability Management At Kartonsan, Performance <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>



Sustainability Principles Compliance Framework

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
A3. Reporting						
A3.1	Discloses sustainability performance, targets and actions in an intelligible, accurate and adequate manner in annual reports.	✓			Kartonsan Integrated Annual Reports include clear, accurate and sufficient information regarding its sustainability performance, targets and actions. Reports published since 2021 are prepared in accordance with the requirements of the GRI and Integrated Reporting Framework; Confirmation service is received from GRI.	Kartonsan corporate website, annual reports section <a href="https://www.kartonsan.com.tr/tr/page.php?id=40">https://www.kartonsan.com.tr/tr/page.php?id=40</a>
A3.2	Provides information about which of the United Nations (UN) 2030 Sustainable Development Goals its activities relate to.	✓			Kartonsan supports and contributes to the United Nations 2030 Sustainable Development Goals with its sustainability strategy and efforts. Kartonsan shares its contribution to its priorities and performance with the public in its annual integrated annual report.	Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/tr/page.php?id=40">https://www.kartonsan.com.tr/tr/page.php?id=40</a>
A3.3	Makes disclosures regarding the lawsuits filed and/or concluded against the company on account of ESG issues, which are material with respect to ESG policies and/or have material impact on operations.	✓			Regarding ESG issues, no lawsuits have been filed against Kartonsan during the reporting period, which are of a significant nature and/or have the potential to significantly affect the operations. Kartonsan also makes a statement if there is a lawsuit of this nature.	
A4. Verification						
A4.1	ESG Key Performance measurements are verified by an independent third party and publicly disclosed.	✓			Kartonsan has independently audited key performance measures of the ESG, disclosed to the public in its 2022 Integrated Annual Report.	Kartonsan 2022 Integrated Annual Report Limited Assurance Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B. Environmental Principles						
B1	Publicly discloses its environmental management policy and practices, action plans, environmental management systems (known by ISO 14001 standard) and programs	✓			Kartonsan has structured its business processes in accordance with international product and management standards. Kartonsan integrated management system consists of ISO 9001 Quality Management System, ISO 14001 Environmental Management System, ISO 45001 Occupational Health and Safety Management System, and ISO 50001 Energy Management System.	Kartonsan 2022 Integrated Annual Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a> Integrated Management System <a href="https://www.kartonsan.com.tr/en/page.php?id=19">https://www.kartonsan.com.tr/en/page.php?id=19</a>

	Principle	Compliance				Explanation	Link
		Yes	No	Partial	N/A		
B2	Publicly discloses the limitations over the reporting scope, reporting period, reporting date, reporting conditions of the environmental reports to be prepared for providing environmental management information	<input checked="" type="checkbox"/>					Kartonsan 2022 Integrated Annual Report About the Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B3	Provided in A2.1.	<input checked="" type="checkbox"/>					
B4	Discloses the environmental targets included in rewarding criteria within the scope of performance incentive systems on the basis of stakeholders (board members, executives, employees and so on).	<input checked="" type="checkbox"/>				Kartonsan employees share their suggestions to improve the business cycle, including ESG issues, using the Individual Suggestion System. Projects are produced by evaluating the suggestions, and the owner of the selected proposal is rewarded. The company plans to include the issue in the HR performance evaluation system and spread it across the organization in the upcoming period.	Kartonsan 2022 Integrated Annual Report Individual Recommendation System <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B5	Explains how environmental issues identified to be material are integrated into business goals and strategies.	<input checked="" type="checkbox"/>				Kartonsan uses the results of the materiality analysis it has conducted with broad stakeholder participation in the process of developing its targets and strategies, and prepares and implements action plans regarding priority areas. Kartonsan's current prioritization study  It carried out the survey method in 2021 and reported its work in 2022 in line with these priorities.	Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B6	Provided in A2.4.	<input checked="" type="checkbox"/>					
B7	Explains how it manages environmental issues throughout the Company's value chain including suppliers and customers so as to cover the operation process as well and how they are integrated into its business goals and strategies.	<input checked="" type="checkbox"/>				Kartonsan works to internalize the perception of sustainability and ESG throughout its value chain. These studies focused on the supply chain as of the reporting period, and the Company plans to expand the related studies to other links of the value chain in the coming period.	Kartonsan 2022 Integrated Annual Report Highlights from Kartonsan Supply Chain <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

## Sustainability Principles Compliance Framework

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
B8	Discloses whether it is involved in policy-making processes on environmental issues of relevant institutions and non-governmental organizations and its collaborations with these institutions and organizations, if any.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Collaboration with Sectoral Unions and Organizations <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B9	Periodically reports information about its environmental impacts comparatively in the light of environmental indicators; GHG emissions Scope-1 (Direct), Scope-2 (Indirect from purchased energy), Scope-3 (Other indirect), air quality, energy management, water and wastewater management, waste management, biodiversity implications).	<input checked="" type="checkbox"/>			Kartonsan includes environmental performance indicators in its Integrated Annual Reports as 2-year comparative tables.	Kartonsan 2022 Integrated Annual Report Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B10	Discloses the standard, protocol, methodology and baseline year details used to collect and calculate its data.	<input checked="" type="checkbox"/>			Kartonsan collects and calculates the data that forms the basis of environmental performance indicators presented in Integrated Annual Reports in accordance with the legislation in force in Turkey.	Kartonsan 2022 Integrated Annual Report Limited Assurance Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B11	Publicly discloses the status of environmental indicators for the reporting year (increase or decrease) in comparison with previous years.	<input checked="" type="checkbox"/>			Kartonsan includes environmental performance indicators in its Integrated Annual Reports as 2-year comparative tables. Moreover In different parts of the Integrated Annual Report, increases or decreases in environmental indicators are discussed together with their reasons.	Kartonsan 2022 Integrated Annual Report Kartonsan and Environment, Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
B12	Sets short and long-term goals to reduce its environmental impact and discloses these goals and the progress, if any, as compared to the targets set in previous years.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Kartonsan and Environment <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B13	Discloses its strategy and actions to combat the climate crisis.	<input checked="" type="checkbox"/>				Kartonsan's Sustainability Policy <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a> Kartonsan 2022 Integrated Annual Report Kartonsan and Environment <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B14	Explains its programs or procedures to prevent or minimize the potential negative impacts of the products and/or services it offers.	<input checked="" type="checkbox"/>			Kartonsan develops programs to reduce its environmental footprint, contributing to the goal of preserving natural resources through improvements in its operations within the scope of its Quality, Environment, Energy and Occupational Health and Safety Policy. The company shares its efforts and achievements in this field with the public in its Integrated Annual Report every year. The company also makes periodic waste declarations through the electronic declaration system of the ECBS Ministry of Environment.	Kartonsan 2022 Integrated Annual Report Kartonsan and Environment <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
	Takes and explains its actions for driving reduction of GHG emission quantities of third parties (e.g. suppliers, sub-contractors, dealers, etc.).	<input checked="" type="checkbox"/>			Although Kartonsan audits its suppliers with an approach that has internalized comprehensive ESG topics, matters related to greenhouse gas emission amounts are not included in this scope.	

## Sustainability Principles Compliance Framework

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
B15	Discloses the total number of actions taken, projects carried out and initiatives undertaken to mitigate its environmental impacts, along with the benefits/revenues and cost savings they provide.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Kartonsan and Environment <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B16	Reports energy consumption data (gas, diesel oil, fuel oil, LPG, coal, electricity, heating, cooling, etc.) and discloses its energy consumption as Scope-1 and Scope-2.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Kartonsan and Environment, Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B17	Discloses information about the electricity, heat, steam and cooling generated during the reporting year. Discloses information about the electricity, heat, steam and cooling generated during the reporting year.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Kartonsan and Environment, Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B18	Discloses information about the electricity, heat, steam and cooling generated during the reporting year.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Supply and installation of biomass power plant <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B19	Discloses data on its renewable energy generation and consumption.	<input checked="" type="checkbox"/>			During the reporting period, Kartonsan did not produce or use renewable energy.	

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
B20	Develops energy efficiency projects and discloses the quantity reduced in energy consumption and emission enabled by these efforts.	✓				
					Kartonsan did not have any publicly disclosed energy efficiency projects in 2022. For the year 2023; Biomass Power Plant Supply and Installation work has been planned. With the supply of biomass power plant, which is considered as an alternative energy source, the use of renewable energy sources will be ensured, emission values and energy costs of the facility will decrease. Procurement procedures for the project will be carried out in 2023, and commissioning will begin in 2024.	
B21	Reports the amount of underground or overground water withdrawn, recycled and discharged, the resources and procedures.	✓				Kartonsan 2022 Integrated Annual Report Kartonsan and Environment, Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
B22	Discloses whether its operations or activities are included in any carbon pricing system (Emission Trading System, Cap & Trade or Carbon Tax).	✓			Since the legislation regulating the carbon pricing system in Turkey has not yet been completed, there is no carbon pricing system in which Kartonsan is involved.	
B23	Discloses the carbon credits saved or purchased during the reporting period.	✓			There were no carbon credits accumulated or purchased during the reporting period.	
B24	Discloses the details if carbon pricing is applied within the Company.	✓			Since the legislation regulating the carbon pricing system in Turkey has not yet been completed, carbon pricing is not applied at Kartonsan.	
B25	Discloses the platforms that it reports its environmental information to.	✓			Kartonsan discloses its environmental information to the public as part of the Integrated Annual Reports it publishes on its corporate website.	Kartonsan web site Annual Reports section <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

## Sustainability Principles Compliance Framework

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
C. Social Principles						
C1. Human Rights and Employee Rights						
C1.1	Develops a Company Human Rights and Employee Rights Policy, which pledges full compliance with the Universal Declaration of Human Rights, ILO Conventions ratified by Turkey and other applicable legislation. Discloses the policy and the roles and responsibilities associated for its implementation.	✓			Kartonsan bases its approach and stance on human and employee rights on global initiatives such as the International Labor Organization (ILO) and the requirements regulating working life in Turkey, develops policies and shares with the public all the activities it carries out in accordance with these principles within the scope of Integrated Annual Reports.	Kartonsan web site Annual Reports section <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a> Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy <a href="https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf">https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf</a>
C1.2	Incorporates equitable workforce, improvement of working standards, women's employment and inclusion (not discriminating on the basis of gender, race, religion, language, marital status, ethnicity, sexual orientation, gender identity, family responsibilities, union activities, political affiliation, disabilities, social and cultural differences, etc.) in its policy concerning employee rights, while looking out for the effects of supply and value chain.	✓				Kartonsan's Sustainability Policy <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a>
C1.3	Discloses the measures taken throughout the value chain for protecting the rights of groups sensitive to certain economic, environmental, social factors (low-income groups, women, etc.) or for securing minority rights/equal opportunity.	✓				Kartonsan 2022 Integrated Annual Report <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a> Kartonsan's Sustainability Policy <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a>



Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
C1.4	Reports on progress in relation to actions for preventing and remedying discrimination, inequality, human rights violations, forced labor and child labor.	<input checked="" type="checkbox"/>				<p>Kartonsan's Sustainability Policy <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a></p> <p>Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy <a href="https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf">https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf</a></p>
	Incorporates investments in employees (training, development policies), employee compensation, fringe benefits granted, the right to unionize, work/life balance solutions and talent management in its policies concerning employee rights.	<input checked="" type="checkbox"/>			Kartonsan has defined employee rights issues in general terms in its policies and detailed it in its directives.	<p>Kartonsan's Sustainability Policy <a href="https://www.kartonsan.com.tr/tr/page.php?id=66">https://www.kartonsan.com.tr/tr/page.php?id=66</a></p> <p>Kartonsan's Policy on Quality, the Environment, Energy and Occupational Health and Safety <a href="https://www.kartonsan.com.tr/en/page.php?id=18">https://www.kartonsan.com.tr/en/page.php?id=18</a></p>
C1.5	Determines the mechanisms for resolution of employee complaints and labor disputes, and establishes conflict resolution processes.	<input checked="" type="checkbox"/>			Kartonsan has established mechanisms for the resolution of employee complaints and disputes. Details on these issues are included in the Employee Handbook, which employees access via the Company intranet. In addition, the Company's Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy draws the general framework on these issues.	<p>Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy <a href="https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf">https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf</a></p>
	Discloses the activities for ensuring employee satisfaction during the reporting period.	<input checked="" type="checkbox"/>				<p>Kartonsan 2022 Integrated Annual Report Annexes</p> <p>Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a></p>

## Sustainability Principles Compliance Framework

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
Establishes and discloses occupational health and safety policies.	✓					Kartonsan's Policy on Quality, the Environment, Energy and Occupational Health and Safety <a href="https://www.kartonsan.com.tr/en/page.php?id=18">https://www.kartonsan.com.tr/en/page.php?id=18</a>
C1.6 Discloses the measures adopted for preventing workplace accidents and for protecting occupational health along with statistical data on accidents.	✓					Kartonsan 2022 Integrated Annual Report Annexes Kartonsan Performance Indicators <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
C1.7 Establishes and discloses personal data protection and data security policies.	✓					Personal Data Retention and Disposal Policy <a href="https://www.kartonsan.com.tr/files/2022/Kisisel_Veri_Saklama_Imha_Politikasi.pdf">https://www.kartonsan.com.tr/files/2022/Kisisel_Veri_Saklama_Imha_Politikasi.pdf</a>
C1.8 Establishes and discloses a code of ethics.	✓					Kartonsan Ethical Principles, Anti-Corruption and Human Rights Policy <a href="https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf">https://www.kartonsan.com.tr/files/2022/Kartonsan_Etik_Ilkeler.pdf</a>
C1.9						
C1.10 Organizes information meetings and training programs on ESG policies and practices for employees.	✓				All Kartonsan employees can access this information on the Company's intranet.	
C2. Stakeholders, International Standards and Initiatives						
C2.1 Establishes and discloses a customer satisfaction policy for handling and resolving customer complaints.	✓				Although Kartonsan does not have a customer satisfaction policy disclosed to the public, the processes for the management and resolution of customer complaints are structured and run regularly for the Company.	Kartonsan 2022 Integrated Annual Report Management and Resolution of Customer Complaints is Important <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

Principle	Compliance				Explanation	Link
	Yes	No	Partial	N/A		
C2.2	Discloses information about the communication maintained with stakeholders (which stakeholders, topics and frequency).	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
C2.3	Discloses the international reporting standards embraced in its reporting.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
C2.4	Discloses the principles embraced in relation to sustainability, international organizations, committees and principles that it is a signatory or member of.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
C2.5	Makes improvements and concrete efforts to qualify for inclusion in sustainability indices of Borsa İstanbul and/or international index providers.		<input checked="" type="checkbox"/>		Kartonsan is not included in the sustainability indices of Borsa İstanbul and/or international index providers.	
D. Corporate Governance Principles						
D1	Seeks stakeholders' opinions when determining the measures and strategies in relation to sustainability.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>
D2	Works on raising awareness of sustainability and its importance through social responsibility projects, awareness activities and training programs.	<input checked="" type="checkbox"/>				Kartonsan 2022 Integrated Annual Report Stakeholder Communication <a href="https://www.kartonsan.com.tr/en/page.php?id=40">https://www.kartonsan.com.tr/en/page.php?id=40</a>

## Information to Shareholders

### Stock Market

The shares of Kartonsan A.Ş. are traded on the BIST STARS market of Borsa İstanbul A.Ş. (BİST) with the symbol KARTN.

Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies.

### Annual Report

Kartonsan's annual reports and other information can be obtained from the company's website at

www.kartonsan.com.tr.

### Kartonsan Investor Relations

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

### Annual General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 30 March 2023 at Prof. Dr. Bülent Tarcan Caddesi Engin Pak İş Merkezi No: 5 Gayrettepe, Beşiktaş, İstanbul.

### Independent Auditor

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

Spine Tower Büyükdere Cad. No: 243 Floor: 25-26 34398 Sarıyer/İstanbul

Phone: (212) 285 01 50 Fax: (212) 285 03 40

### Tax Certification

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

Spine Tower Büyükdere Cad. No: 243 Floor: 25-26 34398 Sarıyer/İstanbul

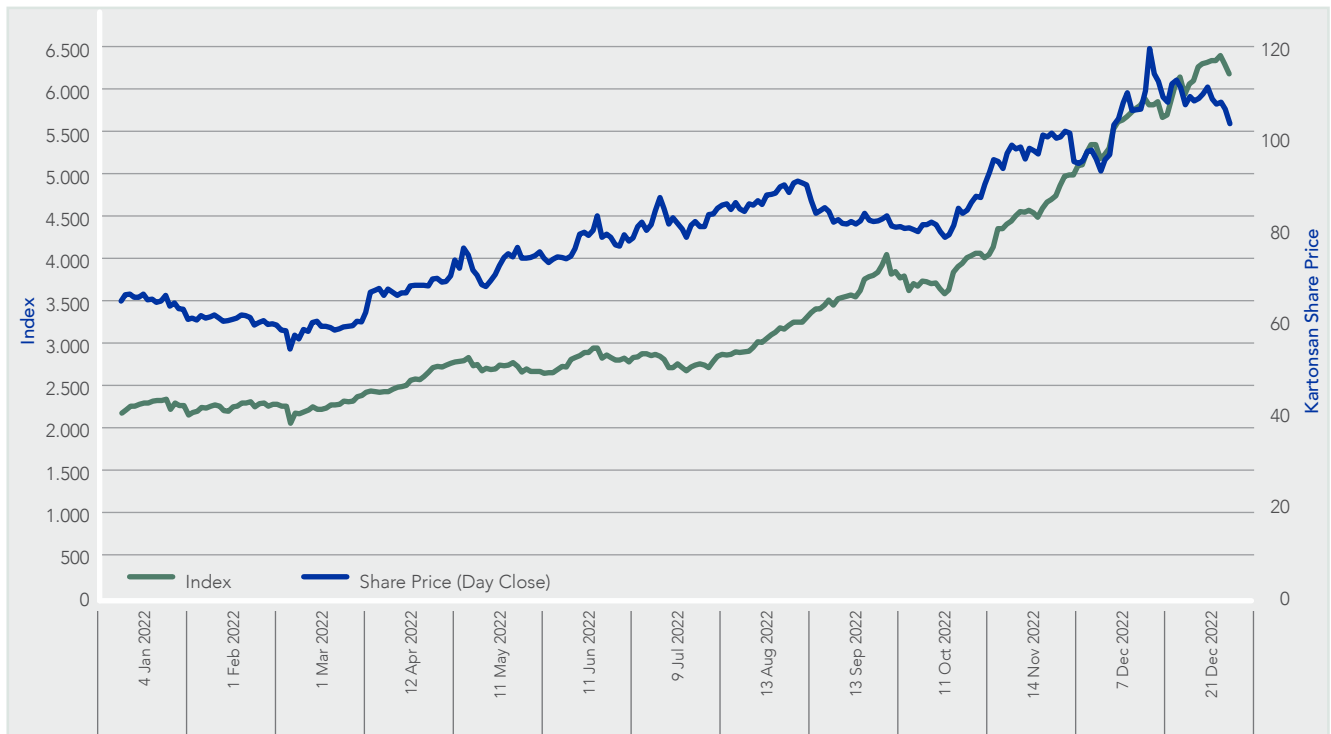
Phone: (212) 285 01 50 Fax: (212) 285 03 40"

### Performance of Kartonsan Stock During 2022

Kartonsan's paid in share capital was amounting to TL 75,000,000 as of the balance sheet date. The Company's capital is divided into 7,500,000,000 number of shares, 5,287 of which are Group A shares and remaining 7,499,994,713 number of shares are Group B shares. The lowest price of the stock during the year was TL 40,72 and the highest price was TL 114,20. The average stock price recorded in 2022 was TL 70,18. The lowest and highest prices of the stock are shown at the table below:

Period		Lowest (TL)	Highest (TL)
3/1/2022	31/3/2022	40,72	55,45
1/4/2022	30/6/2022	54,43	77,70
1/7/2022	30/9/2022	67,95	81,80
3/10/2022	30/12/2022	70,95	114,20

### STOCK PERFORMANCE OF KARTONSAN IN 2022 (COMPARED TO BIST GENERAL INDEX)



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