

ANNUAL
REPORT
2017



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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

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

Istanbul Trade Registry
Trade Registry No: 95860/41270

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www.kartonsan.com.tr



Agenda

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. Agenda for the 2017 Annual General Assembly to be held on 29 March 2018

1. Opening and Election of the Presidential Committee,
2. Reading and Discussing the Annual Report of the Board of Directors for 2017 Operations,
3. Reading and Discussing the Independent Auditors' Report on 2017 Operations,
4. Reading, Discussing and Approval of the 2017 Balance Sheet and Income Statement,
5. Releasing the Members of the Board of Directors from their Liabilities for 2017 Operations,
6. Providing Information about Donations Made in 2017 and Setting an Upper Limit on such Donations in 2018,
7. Presentation of the Board of Directors' Proposal Concerning Distribution of 2017 Profit, Discussion of any Changes, Approval or Rejection of the Proposal
8. Determining the Remuneration of the Members of the Board of Directors
9. Election and Approval of the Members of the Board of Directors, at Least Two of Which Are Independent Directors, in Accordance with the Corporate Governance Principles of the Capital Markets Board.
10. Presentation of the Remuneration Principles of the Members of Directors and Senior Executives to the General Assembly
11. Presentation of the Independent Auditors Selected by the Board of Directors to Audit the Company's 2018 Financial Statements and Reports in Accordance with the Capital Markets Law (Statute 6362) and Approval of the Auditors Pursuant to the Turkish Commercial Code (Statute 6102)
12. Presentation of the Authorization of Shareholders, Board of Director Members, Senior Executives, their Spouses and Relatives Related by Blood or Affinity up to the Second Degree and Transactions that May Involve Conflicts of Interest or Compete with the Company or its Subsidiaries Pursuant to Articles 395 And 396 of the Turkish Commercial Code and to Relevant Capital Markets Laws and Regulations and Obtaining the General Assembly's Approval for those Individuals' Involvement in such Dealings,
13. Requests and Comments.

Corporate Summary

Kartonsan is the first privately owned manufacturer of coated cardboard in Turkey. Founded in 1967, Kartonsan celebrated the 50th anniversary of establishment in 2017.

Kartonsan is the leader in Turkey's coated cardboard industry and the fourth largest manufacturer in Europe, based on its production capacity. In addition to its contribution to Turkish economy, Kartonsan stands out for its

- competence in high usage of wastepaper in production,
- up-to-date environment friendly production technologies and
- lean management structuring.

Market leader in Turkey and fourth largest manufacturer in Europe

Kartonsan is the first privately owned manufacturer of coated cardboard in Turkey. Founded in 1967, Kartonsan celebrated the 50th anniversary of establishment in 2017.

Having an outstanding production capability, a healthy financial structure and high quality standards, Kartonsan is distinguished as a good example of corporate citizenship and an industrial facility. Kartonsan is the leader of the coated cardboard industry with a 40% market share in Turkey and the fourth largest manufacturer of cardboard in Europe, based on its production capacity.

Dynamic and financially strong Kartonsan has carried its brand to new markets, integrated the most up-to-date technology in the industry to its production cycle and recorded a healthy and sustainable growth over the years.

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

Environment friendly production processes

Kartonsan has production processes which are environment friendly. The Company's operations target to minimize the damages to the environment during production. Kartonsan uses the maximum amount of wastepaper possible in its production processes and is one of the very few industrial institutions in Turkey which has a four-component integrated management system.

Kartonsan's integrated management system is an expression of the Company's emphasis on product quality, environment and employees and is composed of the following systems:

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

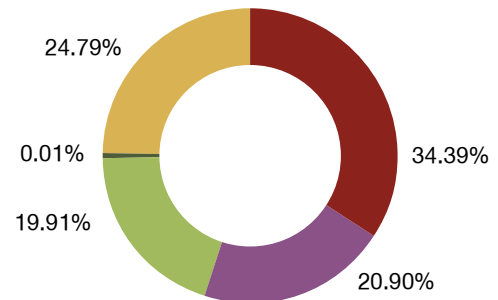
Exemplary corporate citizen

Kartonsan is a corporate citizen who invests in the future of its society, looks out for social contribution in various areas, particularly in education and shares the value it creates widely with all its stakeholders.

Ownership structure

Main shareholder of Kartonsan is Pak Group with a 75.21% share. The Company went public in 1986 and its shares are traded in Borsa Istanbul (BIST) National Market with the ticker "KARTN". Information on performance of Kartonsan stocks in 2017 is presented at page 112 of this report.

Shareholding Structure of Kartonsan (31 December 2017)



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

Shareholder	Share
Pak Holding A.Ş.	34.39%
Asil Gıda ve Kimya San. ve Tic. A.Ş.	20.90%
Pak Gıda Üretim ve Pazarlama A.Ş.	19.91%
Oycan İthalat İhracat ve Ticaret A.Ş.	0.01%
Other Shareholders (Free Float)	24.79%

Kartonsan in Numbers

Site Area

101,270 m²

Indoor Site Area

337,390 m²

Open Site Area

438,660 m²

Total Area

Production Lines and Annual Production Capacity

BM1: 80,000 tons

Annual Production Capacity

BM2: 160,000 tons

Annual Production Capacity

Electricity Generation Capacity

480,000 KWh/day

Daily Electricity Generation Capacity

187 million KWh/year

Annual Electricity Generation Capacity

28 million KWh/year

Electrical Energy Sold

Product Range

Normprint - Exprint - Luxtriplex

Waste Treatment Plant Installed Capacity

10,000 m³/day

Grinding Capacity

2,650 m²/year

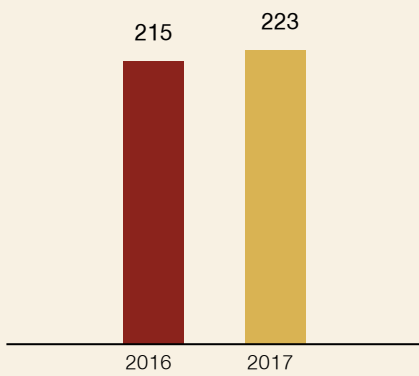
Annual Grinding Capacity

Kartonsan exported to 26 countries in 2017

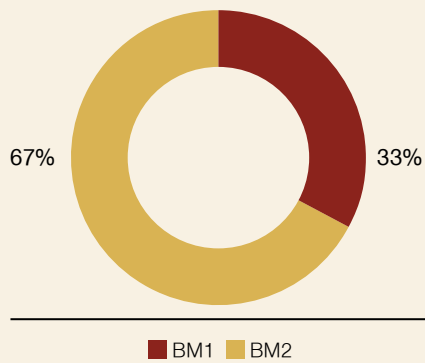
As the leader of the coated cardboard industry in Turkey and fourth largest manufacturer in Europe based on its production capacity, Kartonsan's coated cardboard products are used in various areas such as packaging of food, pharmaceuticals, detergents, matches, cosmetics, textiles, stationary, glassware and small appliances, book and notebook covers and corrugated lamination.



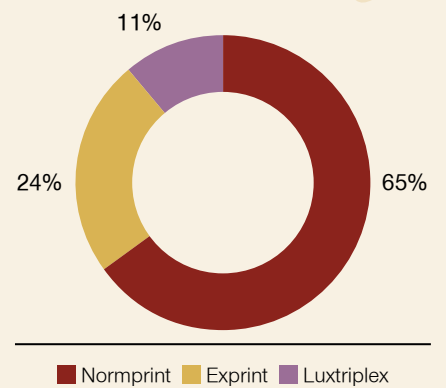
Total Production (thousand tons - gross)



Breakdown of Production (%)



Breakdown of Production (%)



50 Year Story of Kartonsan

Pioneer and leader brand

Turkey's first privately owned coated cardboard facility



Kartonsan was established in 1967 and started its production in 1970. Introducing coated cardboard to Turkey for the first time, Kartonsan is Europe's fourth largest producer after 50 years and is confident about the future.

1970

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

1980-1986

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

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

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

1993

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

1995-1997

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

2002

The expansion project at Kartonsan treatment facility has been completed.

2003

Kartonsan started selling the surplus electrical power that it generates to the national grid.

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

2006

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

2009

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

2010

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

2012-2013

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

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

2014

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

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

Within the scope of the regulation on the follow-up of greenhouse gas emissions, a plan has been developed to follow greenhouse gas emissions resulting from Kartonsan's activities, and this plan was submitted to the Ministry of Environment and Urban Development.



Kartonsan's success story involves effort, devotion, perseverance and hard work. Challenges and obstacles were overcome by ambition and courage and the adventure which started as a small enterprise has reached a scale which has gone beyond the borders of Turkey.

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

2015

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

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

2016

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

2017

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

Kartonsan Quality in Production

Foundation of Kartonsan's production policy has been to offer healthy and environment friendly products which add value by contributing to the quality of consumers' lives.

Kartonsan products have important roles in our daily lives

Kartonsan meets the packaging needs of many industries with a wide range of products which are manufactured from recycled paper and called "duplex (gd)" and "triplex (gt)".

Kartonsan continues to develop its products in accordance with market demands and expectations. These products are being widely used in different areas of our lives from food industry to pharmaceuticals, from cosmetics to advertising and promotions.

Having a customer portfolio of tens of millions of consumers in approximately 30 countries, use of Kartonsan's coated cardboard products in food packaging has been approved by Republic Of Turkey Ministry Of Food, Agriculture and Livestock. Similarly, the products are certified by a number of reports issued by various international analytical laboratories for compliance with norms put forward by the BfR (the German Federal Institute for Risk Assessment), particularly in regard to their use in packaging which comes in direct contact with dry food.

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

Kartonsan products

Continuously being developed based on market demand and customer expectations Kartonsan products have a wide range of use.



Kartonsan's products and their specifications

NORMPRINT

Normprint, a multi-coated cardboard, is a high performance product for packaging.

A blade top coat has been applied to the top surface and the back side is grey. This product provides brilliant printability using substantially less ink and a high degree of varnish ability.

EXPRINT

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

LUXTRIPLEX

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

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





Integrated Management System

Distinguished with its innovative, high quality and specialized product range in the market for 50 years, Kartonsan carries out its activities with the aim of offering dependable and sustainable products focusing on efficiency, effectiveness, customer satisfaction and profitability.

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

Kartonsan has an Integrated Management System where all production processes and management activities are defined, measurable, traceable, analyzable and improvable. Kartonsan continues its projects and investments systematically to maintain this system up to date.

Kartonsan’s Integrated Management System (ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management System) was first approved and certified by Bureau Veritas in 2003.

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

Establishing the Energy Management team in 2015 Kartonsan started its activities for the requirements of ISO 50001 Energy Management System. The Company received the ISO 50001 Energy Management System certificate after the inspection of Bureau Veritas and added the fourth management system certificate to its Integrated Management System.

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

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



Kartonsan and Sustainability

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

Significance of sustainability and the future of mankind

Sustainability addresses economic growth and development, under the light of social and environmental matters. It has taken its place in the agenda of governments, international organizations and corporate actors due to global climate change and increased levels of greenhouse emissions.

More than 8 billions of people around the globe observe that some things in their ecological and social environment move away from their ordinary course and the change happens faster than ever. In this context, pressure has increased on governments and private sector players and appropriate actions are expected from them.

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

Use of renewable energy resources at an increasing rate, acting responsibly towards the nature and total efficiency stand out as corporate actions which are important for the environmental sustainability. Additionally, concepts of economic sustainability which involves appropriate and effective management of all material resources to provide value to the society and social sustainability at which companies assume various responsibilities as individual units of the society maintain their importance.

Sustainable improvement is a main element of Kartonsan’s functions.

Kartonsan sees sustainability as the key to long term profitability and the main tool to create value for its stakeholders.

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

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

Kartonsan realizes that environmental awareness is a major component of social responsibility.

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

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





Our Environmental Approach

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



R&D

To provide appropriate and fast responses to customer expectations and demands



Society and Us

To provide permanent and continuous support to our society



Corporate Governance

To improve our responsible corporate citizen identity



Our Employees

To improve our human resources

When the developed and distinguished countries in global competition are analyzed, producers of paper and cardboard care a lot about wastepaper usage and they make detailed analyses on this matter.

Similarly, those developed countries support various initiatives on the protection of environment and developing innovative and responsible projects like sustainable forests.

Aiming for maximum wastepaper usage in coated cardboard production, Kartonsan carries on projects to minimize the negative impact it has on the environment.

Kartonsan used 220,718 tons of wastepaper in the production of coated cardboard and produced 222,747 tons of coated cardboard from wastepaper.

Kartonsan's wastepaper usage rate has been 95% in 2017 which was higher than the average rate in Europe.

FSC-CoC™ certification

Within the scope of protection and development of forested land, Kartonsan met its obligations on the FSC-CoC™ certification it holds since 2011. It has passed the audit performed in 2017 and received the accreditation for the new period.

Importance of cooperation with the stakeholders

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

Another indicator of Kartonsan's environmental awareness is the activities on recovery of waste water.

Continuing its efforts to minimize the consumption of natural resources within the scope of strategic growth plans, Kartonsan carried out its effective use of Waste Water Treatment Facility in 2017. Throughout the year, the Company recovered and reused 40% of the waste water from the production cycle.

A global success of 4.5 m³ per ton of water consumption

Clean water quantity in order to produce one ton of cardboard has been decreased to 4.5 m³ in 2017 from 7.5 m³ in 2016. Based on these results, Kartonsan is in a far better position among its competitors in Far East and Europe.

Kartonsan will continue to minimize the consumption of natural resources and reach higher recovery rates in the future through its systematic and well planned activities.

Financial Indicators and Ratios

TL 479 million
2017 total net sales

TL 38 million
2017 net profit

TL 13.5
2017 earnings per share

12.3
Net Profit/Equity ratio

Financial Indicators

(TL Thousands)	2016	2017
Net Sales	320,455	479,477
Total Exports	70,797	89,142
Total Assets	351,314	375,565
Net Profit	2,904	38,427

Earnings per Share

Consolidated /per TL 1 par value share)	2016	2017
Ordinary shares	1.02343	13.54477
Preferred (Group A) Shares	1.02343	13.54477

Key Ratios

Liquidity Ratios	2016 (%)	2017 (%)
Current Ratio	2.24	3.17
Acid Test Ratio	1.13	1.81
Cash Ratio	0.26	0.63

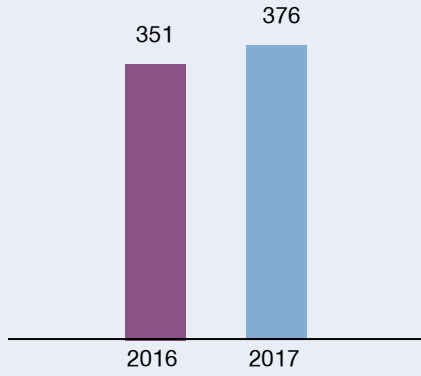
Profitability Ratios

	2016	2017
Pre-Tax Profit / Net Sales	1	8
Pre-Tax Profit / Shareholders' Equity	1	12.3

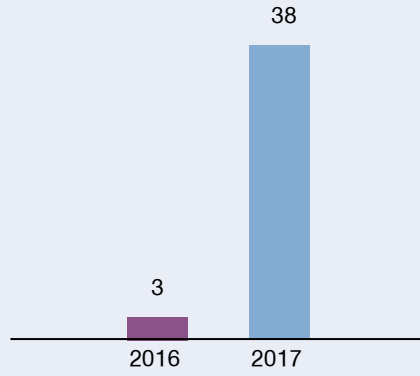
Financial Structure Ratios

	2016 (%)	2017 (%)
Total Liabilities / Shareholders' Equity	24	20
Short-Term Debt / Shareholders' Equity	20	17
Long-Term Debt / Shareholders' Equity	4	3

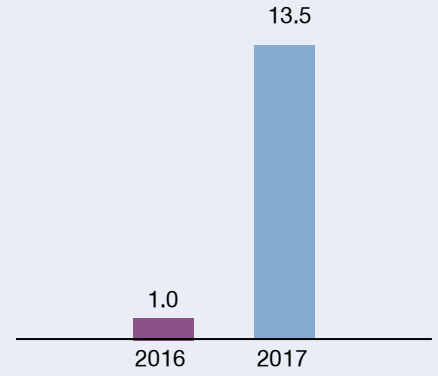
Total Assets (TL million)



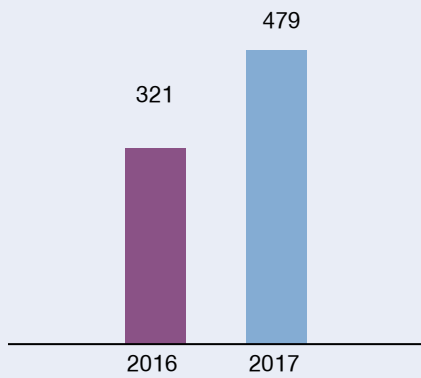
Net Profit (TL million)



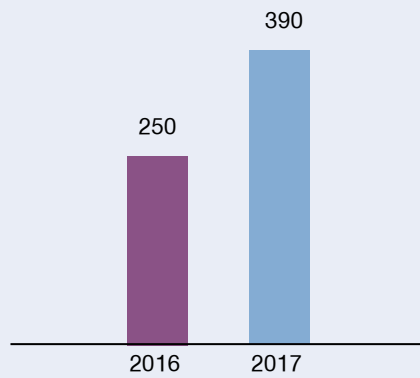
Earnings Per Share (TL)



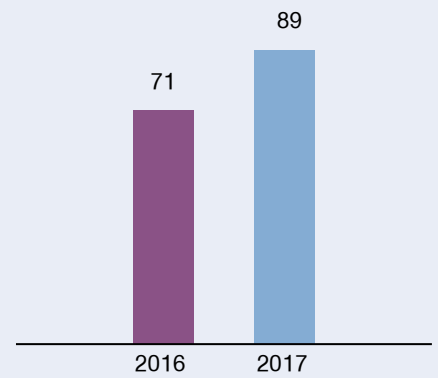
Total Net Sales (TL million)



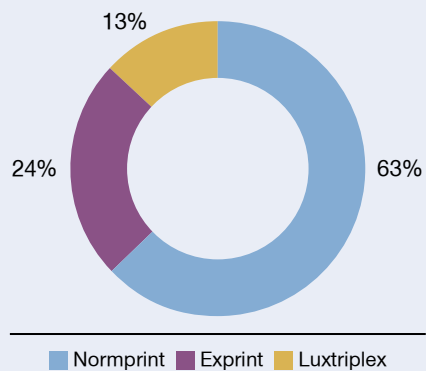
Domestic Sales (TL million)



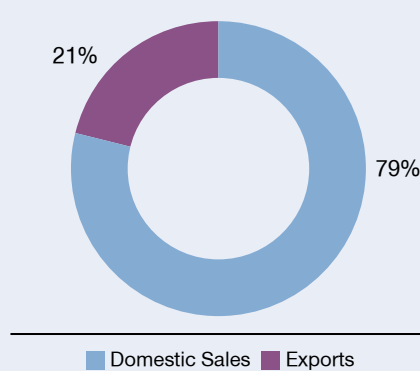
Total Exports (TL million)



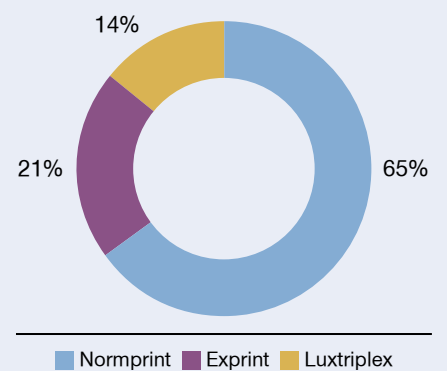
Sales by Product Type (%)



Sales by Geography (%)



Domestic Sales by Product Type (%)



Message from the Chairman

Kartonsan will strengthen its regional and international leadership through its progress in the following years while creating more value for its stakeholders and increasing its contribution to Turkish economy.

Dear stakeholders,

Given the realities of 21st century...

Besides the global market conditions and volatile economic circumstances, 21st century presents tough equations about today and future of our world that need to be handled with an integrated approach which considers many parameters including:

- climate change
- global warming
- rapid decrease in natural resources and
- meeting the needs of the world's fast increasing population.

While the new economic patterns are defined through a rapid transformation, transition from linear to cyclical economy and market conditions driven by lower carbon is happening at such a fast pace that we can hardly keep up with. With the transition moving up a gear in a continuous manner, economic actors who are the main stakeholders of the equation are in a tight race to perceive the "new" proactively, adopt it appropriately and position themselves a step further in the competition.

More than ready for the future.

In this grand photograph we summarized above, roles and responsibilities of leading industrial institutions like Kartonsan are crucial.

I can gladly express that; proudly celebrating its 50th year in 2017, Kartonsan has fulfilled its responsibilities and presented a strong, sustainable and healthy performance towards its main goals of:

- creating value to the society and economy,
- being a role model in its industry,
- maintaining and developing customer satisfaction in both domestic and international markets,
- being an efficient organization and
- protecting the natural resources.

Kartonsan is a distinguished company focused on future with its strong vision, financial structure, ability to adapt to changes and professional human resources.

Kartonsan will strengthen its regional and international leadership through its progress in the following years while creating more value for its stakeholders and increasing its contribution to Turkish economy.

The energy Kartonsan needs to achieve this goal is hidden in strong shareholder support, courtesy of customers, devoted efforts of employees, in other words strong sentimental connections that stakeholders developed with Kartonsan brand. Goals of Kartonsan who is the natural and permanent leader of the coated cardboard industry going forward are;

- To develop and maintain its global and national market position in every aspect,
- To carry forward its exemplary identity in Turkish industry with new and modern practices,
- To continue its presence by overseeing common interests of its stakeholders.

Our strategy to achieve our goals is lean and realistic...

Kartonsan's strategy foresees short, medium and long term sustainable and profitable growth and creating permanent value for the stakeholders simultaneously. In other words, our strategy points out to the total contribution of our company to Turkish economy.

Our human resources, value chain, corporate governance, brand, continuous development and environment constitute the foundations of our strategy cycle.

50th year

Proud anniversary of our organization

Wastepaper usage

Success beyond European standards

Human resources

Our most significant asset

Our human resource is our most significant asset. We never forget that we owe the legitimate reputation that we built in the past half century and our firm position in the market to the efforts of our employees.

Corporate governance is another area that we prioritized in the context of developing value to our shareholders and stakeholders. We care about meeting the requirements of the commercial life and be recognized as a merchant of his word. In this context, full compliance with laws in all our operations and transparency are our main principles.

Higher wastepaper usage than European average and low water consumption per ton in our production process are the two key achievements which indicate how strong our production structuring is in terms of environmental matters.

Another foundation of our strategy is the Kartonsan brand which is a significant component of our commercial and financial success. Our brand, which is identical with trust, means coated cardboard in Turkey as well as in international markets.

We recognize continuous development as the guarantee of our future. Continuous development, or innovation in recent terms, strengthens our growth and value creation cycles, supports sustainability of Kartonsan brand and constitutes a significant leverage in terms of our competitive power.

As to the future

Global markets which had been volatile in the last 10 years have recently started to recover.

Our forecasts for the future continue to be favorable. It looks like growth in developed countries will continue in 2018 and beyond. On the other hand, we observe the great potential in Turkey and surrounding regions clearly and develop our growth scenario to be suitable to this dynamic market which we are a part of.

In this process, where competition will increase as well, supply and demand components will continue to change. Increase in input costs, particularly energy and scrap paper prices will be among the risks affecting our production-trade cycle.

Kartonsan will continue its journey as a profitable and efficient company. Balancing the risks and opportunities in a cautious manner, Kartonsan has started its second 50 years with a positive perspective and dynamism.

We will continue to put our heart and soul into strengthening our powerful position and reflecting our potential onto our performance.

On behalf of myself and our Board of Directors, I would like to express our gratitude to our fellow employees who are the architects of our performance for their efforts, to our customers for their trust and loyalty and to all our stakeholders.

Kind regards,



Prof. Dr. Ünal Bozkurt
Chairman of the Board

CEO's Assessment

With the performance it has recorded at the 50th year of its establishment, Kartonsan proved that it will continue its growth journey as a strong, leading and efficient economic actor.

We continued our consistent performance at our 50th year

As the leader of the cardboard sector and an exclusive and well-established company of Turkish industry, Kartonsan achieved successful and strong results in 2017, celebrating its 50th year.

We have adopted our strategy successfully and without compromising, considering all the foreseeable factors impacting the business under the unstable market conditions of 2017.

Despite the ongoing geopolitical risks in the nearby geography, our company achieved healthy turnover and profit amounts and strengthened its financial structure even better as a result of effective management, marketing and sales activities.

Kartonsan's consolidated net sales amount increased by 49.62% and reached TL 479,476,905 in 2017. Consolidated gross profit on sales amount reached TL 78,725,389 with an increase of 115.47%. In line with this profitability, consolidated operating income was TL 55,027,138 and net profit was TL 38,426,713. In the past year, our return on equity was 12.30%, return on assets was 10% and consolidated earnings per TL 1 par value share was 13.54477.

Without compromising our customer focused marketing strategy and our standing in the market, we effectively evaluated the market demand and paid back all our debts related with the expansionary investment periods. As a result of increases in net sales and profitability we realized significant increases in net working capital and disposable funds in 2017.

All these developments reflected positively on Kartonsan's liquidity, financial structure and other financial analysis ratios.

Our 2017 performance points out Kartonsan's medium and long term sustainable growth potential and significantly strengthens the shareholder value.

We monitor the economic and sectoral developments and make rapid adjustments to our projections.

In 2017, Turkish economy went back into growth track and a market boom was observed in general. Incentive policies such as CGF (Credit Guarantee Fund) and tax incentives supported favorable results in areas like production, trade and exports which constitute various aspects of the economic cycle and enhanced the competitive position of Turkish economy in the global arena.

2017 has witnessed positive developments in our industry as well. Growth and economic boom resulted in an increase in the demand for packaging material in general and a 20% growth in coated cardboard sector in particular. Favorable circumstances have been observed in most of the nearby geography which constitute our export market and economic recovery of European countries supported the export of coated cardboard to that region.

China, as a major actor in the global coated cardboard production market, was radically affected by the new environmental policies. Particularly, small scaled producers who use relatively old technology were drawn out of the game since they could not keep up with the new environmental criteria. As a result, the Chinese producers' exports, especially to our neighbor countries, have relatively decreased.

Another factor defining the conditions of our sector has been the price levels of scrap paper which are in an increasing trend since 2016. In 2017 foreign currency fluctuations were observed from time to time which caused a decrease in value of TL. This situation showed its impact on the cost base of our industry, particularly through energy costs and imported scrap paper prices.

We balanced our presence in domestic and international markets under variable circumstances with a proactive approach.

Being the leader in Turkey and the fourth largest coated cardboard producer in Europe, Kartonsan evaluated the domestic and foreign market demand with a balanced point of view and continued to treat efficiency and profitability equally with long term customer satisfaction.

Kartonsan responded to domestic market's dynamic demands with a proactive approach. It met its customers increasing demand by shortening the holidays or other planned pauses of production whenever needed and by depleting the inventory. Consequently, Kartonsan managed to exceed its targets and budgets in terms of domestic market performance in 2017.

Coated cardboard sold in domestic markets constituted 79% of our total production while total quantity of coated cardboard exports was 46,000 tons in 2017.

Number of countries that we sell our products to has been 26 in 2017 and Kartonsan entered the North African market for the first time by exporting to Morocco. Another first was our coated cardboard shipment to Qatar.

10%
Return on assets

12.30%
Return on equity

49.62%
Increase in our consolidated net sales

We are focused on enhancing and developing the results we achieved in exports. In this context, we continue to see our proximity to Europe, Mediterranean and Black Sea countries as the key advantage in competition and logistics and work on our capabilities in this area. Our goal is to have Kartonsan brand in daily lives of more consumers in 2018 in line with the expected growth of demand in the European coated cardboard market.

As Kartonsan, our priorities are efficiency and healthy growth.

Kartonsan has taken significant steps in focusing on new markets and products and increasing its strength in existing markets by investing in technology, innovation and human resources in 2017.

We work on many projects to develop our production processes based on feedback received from customers. While achieving favorable progress in efficiency and increase in product quality we completed our investment plan to a large extent by watching our financial balance.

Kartonsan's second largest input after scrap paper is energy. In order to increase our efficiency in energy and contribute to our cost base, we continued our investments on our power plant which has 4 turbines. Our project for generating steam savings from waste heat has almost been completed. With this project which we plan to complete in a short period of time we targeted an annual natural gas savings of approximately 1.5 million m³.

Another important project is our trim optimization investment. This project which will help us process the orders we take from the market with minimum waste continues in terms of software and hardware investments and will be put in use in the first half of 2018.

We decreased our water consumption per ton of coated cardboard to 4.5 m³.

Systematic activities in our waste water treatment system have come to a new level. By achieving a more effective use of MBR technology which generates waste water which has a quality much higher than the discharge parameters, Kartonsan's daily water consumption has decreased to approximately 2,700 m³.

This advanced technology not only provided a 40% rate of recycling of waste water in our treatment system but also enabled us to decrease the fresh water use per ton of cardboard from 7.5 m³ in 2016 to a record level of 4.5 m³ in 2017.

This result points out to a much better level than the average fresh water consumption per ton by industry members operating in Europe and Far East and it represents a great achievement of Kartonsan in terms of sustainability.

Investment in people is always our first priority in Kartonsan.

Human resources are our most important assets. We owe our well-deserved reputation and our firm position that we built in our sector in the last half century to our employees who worked with all their hearts and built our today with their devoted efforts.

We are determined to develop our human resources and equip them with the most updated competencies while focusing on the future. We increase our activities and investments in each period and carry on to the future with projects that are recorded as best practices in our industry.

Another area we attach great importance to in human resources is occupational health and safety practices. We aim for a working place which is proper for human life and dignity in all departments of Kartonsan and we care about our employees' health. Landscaping and working place improvement projects in 2017 have been the recent examples of that.

We carry Kartonsan to the future with strong steps.

We are determined to reach many 50 years and carry Kartonsan brand to the future with appropriate steps taken in line with our strategic road map, our forward looking investment tradition, the emphasis we place on production and technology and the strength we get from our employees, customers and business partners.

We believe that the devoted efforts of our human resources are in the center of our success. This belief not only makes us feel stronger in our journey of growth but also supports our infrastructure and superstructure investments which will improve our service approach focused on customer satisfaction.

I would like to express my gratitude to our customers coming along with us, our employees who have the greatest contribution to our success, our investors who trust us and our shareholders who never stop supporting us.

Best regards,



Haluk İber
Board Member and CEO

Kartonsan Board of Directors

Ünal Bozkurt
Chairman

Aslı Balkır
Deputy Chairman

Süleyman Kaya
Deputy Chairman

Babür Gökçek
Board Member

Sinan Ercan Gülçur
Board Member

Mehmet İmregün
Board Member

Hatice Canan Pak İmregün
Board Member

Ali Ersin Güredin
Independent Board Member

Tamer Koçel
Independent Board Member

Haluk İber
Board Member and CEO

Kartonsan Executive Management

Haluk İber
CEO

Ümit Özkan
Plant Manager

Volkan Turt
Production Manager

Güven Şanlı
Technical ManagerMüdür

Ümit Dinçol
Production Services Manager

Raşit Kemal Özkırım
Marketing Manager

Şadiye Başak Kaya
Human Resources and Quality Systems Manager

Atiye Tuğtekin
Procurement Manager

Bülent Kuru
Finance Manager

Lean Management in Kartonsan

For many years, as part of its corporate culture, Kartonsan has integrated various management system practices to its structure and provided significant support to sustainability.

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

Lean management approaches provide speed and flexibility through organizing business processes and increase the company's competitive power by providing a possibility to decrease costs. In this context, while companies improve their processes, they have an opportunity to utilize their efficient resources in activities that create new added value.

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

Lean management activities continued in 2017 at full speed.

Kartonsan's lean management activities which started in 2016 continued in 2017 and the Company recorded achievements in various areas like efficiency, human resources, customer satisfaction and production.

Practices enabling shorter production cycles and easier planning opportunities for customers provided our human resources with new and different perspectives. In addition to those, through regular ordering in material procurement process and keeping lower inventory levels, significant financial results were achieved.

Through the Kaizen approach included in the framework of lean management activities, efficiency of machines have increased by reducing the stopping times, product quality activities were performed, flexible and fast responses were presented for customer demands and expectations.

Lean management approaches

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



Industry Outlook

Major developments affecting the global coated cardboard industry

- China enacting new environment-focused production criteria
- continuous increase in scrap paper prices and
- overall recovery of global economy

New environmental criteria in China's development program resulted in radical changes in the country's coated cardboard industry and caused a decrease in capacity.

Chinese Government announced the 5-year plan that will provide guidance to the country's economic and social development from 2016 to 2020. The new development plan aims China's transition to a sustainable growth model and calls for new production criteria that need to be complied with by most industry branches including coated cardboard sector in order to decrease the amount of total greenhouse emission of the country.

In accordance with the plan, Chinese Government allowed certain periods of time to participants of the coated cardboard industry to comply with the criteria. At the end of the compliance period, as of 2017, some old and small-scaled producers either stopped production and/or exited from that sector.

Scrap paper prices

Increase in scrap paper prices means higher costs for coated cardboard producers.



An upward trend in scrap paper prices have started in 2016 and continued in 2017.

The developments in China, which was the world's largest coated cardboard producer, resulted in a decrease in the export of coated cardboard, particularly in export quantities to Middle East and Europe.

Volatility in scrap paper prices has continued to be a determining factor in the profitability of the industry in 2017.

The main raw material for coated cardboard manufacturers is scrap paper. Increase in scrap paper prices has been one of the factors determining the rules of the game in 2017.

An upward trend in scrap paper prices have started in 2016 and continued in 2017. Main reason for this trend was the limitations to the quality of scrap paper imported by China.

As the leader in global production, China has been a major importer of many recyclable material types and it has held the pricing power for many years.

Adopting a selective approach in allowing various types of scraps into China more than ever caused the global scrap paper prices to move up.

The other reason for the price increase in scrap paper is the increase in coated cardboard demand in Europe and USA and an overall recovery of the economic activities.

Increase in scrap paper prices mean higher costs for coated cardboard manufacturers and it exerts pressure on profitability.

As the economic recession has begun to be overcome in European markets the demand for coated cardboard has increased since March 2017.

Economic activities in Euro zone has continued to get stronger and an increase in coated cardboard demand in Europe from global markets has been observed particularly in the second half of 2017.

Unemployment rate declining to 8.8% as of October, the lowest level since January 2009, growth in manufacturing, industrial and service sectors as pointed out by PMI(Purchasing Managers' Index)data and inflation rising in Europe have been the main factors of favorable movement in coated cardboard demand in the region.

Recovery of the economic environment and increasing consumer expenditures had an upward impact on the demand for coated cardboard and as a natural consequence cardboard imports to Europe have increased.

European Commission increased the growth projection for Euro zone for 2017 to 2.2% which was previously estimated as 1.7% in spring. Similarly, the Commission increased its projection for 2018 by 0.3% to 2.1%.

In the light of these projections, it is possible to state that in 2017 coated cardboard demand in Euro zone has completed the year maintaining its strong levels. On the other hand, given the economic developments and positive expectations in market demand conditions for 2018 it is also possible to state that coated cardboard demand will continue to increase.

Favorable market conditions expected to continue in Euro zone indicate that coated cardboard producers in Turkey and nearby countries will re-enter the European market by benefiting from the logistical advantages.

Turkish coated cardboard sector grew in 2017.

After all the calm and horizontal circumstances in 2016, favorable market conditions developed for Turkish coated cardboard producers in 2017. Volumes have risen in line with the expansion in demand due to internal and external factors and slight increases have been realized in sales prices.

Although the first quarter of the year offered some challenges for the coated cardboard producers, stable market conditions left its place to a market which is dynamic and offers growth opportunities since March.

As the strong increase in domestic demand continues throughout the year, factors affecting this positive trend have been the recovery in the economic growth as a result of CGF, boom in exports with the government's incentives and increase in demand for packaging materials in general. In this context, rising export performance of the packaging material producers contributed to keeping the demand for coated cardboard dynamic in Turkey in 2017.

Besides the improvements in domestic market conditions, increasing demand for coated cardboard especially in Europe and decreasing supply from China provided an additional momentum to Turkish producers' performance.

Positive and simultaneous progress in domestic and international demand allowed the producers to reflect their cost increases due to scrap paper to the prices of coated cardboard.

Based on industry statistics, coated cardboard use in Turkey grew by almost 20% as of the end of third quarter.

CGF

Support for economic growth

Chinese cardboard

Decrease in China originated cardboard

Europe

Recovery supports coated cardboard industry

Decrease in China originated cardboard imported to Turkey...

In line with the increase in coated cardboard use in Turkey, imports also increased in 2017. However, as a result of the developments in Chinese coated cardboard sector and supply structure, quantity of cardboard with Chinese origin has decreased.

Developments in production capacities...

While there have been no changes in scrap paper based coated cardboard production capacity in Turkey, Mel, PAK Group's subsidiary operating in Greece has increased its capacity by 15,000 tons.

No substantial increase in terms of capacity was observed in Europe. However, the decrease in Far East originated cardboards entering Europe has been a favorable development for coated cardboard producers in Euro zone.

Future outlook

Balance of supply and demand in 2017 is expected to continue in 2018.

Capacity increase is not expected to happen in domestic markets in 2018, therefore overall performance of coated cardboard sector will improve as a function of macroeconomic growth. On the other hand, considering the continuance of economic recovery in Europe in 2018, it will not be incorrect to state that Turkish coated cardboard producers will show a growing performance in terms of exports.

An Evaluation of 2017

Kartonsan's gross production has been 222.7 thousand tons in 2017, consolidated sales (coated cardboard sales) 238 thousand tons and consolidated sales amount TL 479 million.

Despite variable domestic and international market conditions Kartonsan focused on using its capacity at maximum efficiency in 2017.

Kartonsan managed to respond to demands of both domestic and foreign markets without exception and continued to offer high quality coated cardboard to consumers.

In summary, Kartonsan completed its 50th year as an efficient and profitable company which can sell what it produces.

Kartonsan presented a successful performance in 2017.

Kartonsan followed the global and Turkish markets closely during the year and responded proactively to developments and market conditions. With its strong financial structure and its ideally balanced production, marketing and sales strategy, the Company carefully assessed the business opportunities offered and made progress in line with its goals.

2017 has been a year when Kartonsan accelerated its financial performance.

Kartonsan keeps its leading manufacturer position which supplies the Turkish market's coated cardboard need to a large extent.

Kartonsan is also one of the main suppliers of export market in the nearby geography.

The Company follows its journey with corporate goals of developing its logistics and supply chain in order to provide its customers with high quality and faster service, increasing efficiency in production processes, increasing its capacity with a regional supplier approach and reaching the maximum sustainable profitability.

In line with these corporate goals, Kartonsan continued to grow in 2017 and completed a year of successes in many areas from machine efficiency to inventory management.

In 2017, Kartonsan's gross production has been 222.7 thousand tons, total consolidated sales (coated cardboard sales) 238 thousand tons and consolidated sales amount TL 479 million.

Planning domestic and foreign sale opportunities in a flexible manner and managing its inventory successfully, Kartonsan sold a total of 192 thousand tons of coated cardboard to the domestic market.

Successful inventory management

With a flexible approach to planning its domestic and export sales opportunities and presenting a successful inventory management, Kartonsan realized domestic sales of 192 thousand tons of coated cardboard in 2017.



While the Company realized an increase of 10% compared to 2016, it has achieved the highest quantity of domestic sales so far in its 50th year. In 2017, 79% of Kartonsan's sales have been to the domestic market.

Kartonsan's market share in Turkey has been 40% in 2017.

Kartonsan exported to North Africa for the first time in 2017.

Long term cooperation with cardboard package producing press companies in existing and target export markets and being their continuous supplier are the priority goals of Kartonsan.

In 2017, Kartonsan focused on responding to extensive demands of its domestic customers, preferred to concentrate on efficiency at the export markets and determined its sales policies accordingly.

In order to meet the demands of its international customers Kartonsan has developed exclusive and specific solutions and offer the most appropriate transportation options. Kartonsan adopts a service approach which puts quality and effectiveness at the first place.

Exporting its products in 3 continents and 26 countries, Egypt, Spain, Portugal and Bulgaria had the highest share of Kartonsan's sales in 2017.

40%

Kartonsan's market share in Turkey has been 40% in 2017.

USD 26 million

Kartonsan generated an export income of USD 26 million in 2017.

Kartonsan achieved a total of USD 26 million of export income as a result of its international sales in 2017. When the components of total exports are analyzed in terms of product types, Normprint is at the first place by 59%, Exprint and Luxtriplex are the followers with shares of 35% and 6%, respectively.

Kartonsan considers developing regular relationships in export markets as a priority marketing policy and entered the North African market by exporting to Morocco. Another step by Kartonsan was its first shipment of coated cardboard to Qatar.

Kartonsan is aiming to develop its export performance at an increasing rate in 2018 and will continue to adopt its well planned, programmed, systematic and visionary export strategy under all market conditions.

Kartonsan participated in Düsseldorf Interpack Fair in 2017.

Kartonsan is a regular participant of global fairs and carries out its marketing activities in international environment as it sees them as an important platform for export activities.

In the context of international marketing efforts, the Company attended the Interpack Fair (International Package and Packaging Technologies) in Dusseldorf Germany which is one of the important fairs of the industry.

Production quantity at BM2 has been 149 thousand tons.

Kartonsan continued to adopt a sales policy focused on customer satisfaction in 2017. As of the year end, the Company achieved its budgeted targets and sold an additional 10 thousand tons of product. Responding to market demand rapidly, Kartonsan decreased its inventory levels to approximately 13-14 thousand tons by an appropriate marketing and sales strategy.

Kartonsan have reached the targeted efficiency rate in its manufacturing park and realized a production quantity of 149 thousand tons in BM2 line in 2017.

Activities on increasing the production volume of liner-typed cardboards which was one of the targets of the extension and modernization investment have continued in 2017. In this context, 50% of the total production of BM2 line consisted of liner-typed products and this type of cardboards have been shipped to domestic and international markets.



Customer satisfaction

Kartonsan continued to adopt a customer satisfaction oriented sales policy in 2017.



Additionally, Kartonsan anticipates working with a focus on savings and improving optimization opportunities in its operational cycle in 2018.

Activities on improving customer satisfaction continued in 2017.

Kartonsan has always put meeting its customers' demands in the first place both in domestic and export markets. Kartonsan has been distinguished in the market with its innovative, high quality and exclusive products for 50 years and offers its customers the best and the highest quality at all times.

Company's activities which serve its target to offer sustainable and innovative products are carried out with a focus on efficiency, effectiveness, customer satisfaction and profitability.

Kartonsan continues its investments without interruption.

Kartonsan executes all its investment plans towards maintaining and increasing its short and mid-term profitability, improve its production efficiency and keeping its cost curve at the lowest level possible.

Continuing its investments without pausing in 2017, Kartonsan will start its Trim Optimization investment in 2018 which will allow them to meet specific orders with various combinations with minimum waste. Trim Optimization is a long term project which is expected to be completed in 11 months and software and hardware studies for this project are in progress.

Another Project which started in 2017 and expected to be completed in February 2018 is BM2 line's couch roll investment. This investment will ease the removal of water in cardboard production and less steam will be used in the drying process, ultimately allow for energy savings.

Kartonsan expects to receive the rewards of its investments to benefit more from the exhaust gas from the turbines in 2018.

Kartonsan's future goals

Kartonsan's goals for 2018 and the following years are;

- to develop production capacity with respect to competition,
- to increase its competitive power,
- to improve its financial and operational performance to support sustainable growth,
- to create strong value for all stakeholders including shareholders and investors.

Additionally, Kartonsan anticipates working with a focus on savings and improving optimization opportunities in its operational cycle in 2018.

Behind the success of Kartonsan, which keeps its leading position in Turkey's coated cardboard industry, lie the quality of its product range, power and efficiency of its production capacity and its sustainability oriented corporate strategy as the key elements.



Kartonsan and the Environment

Global cardboard and paper industry conducts various initiatives on using more wastepaper instead of cellulose in production and decreasing greenhouse gas emissions resulting from the manufacturing processes.

Responsibility of producers

The major role in cardboard production with a focus on sustainability is on producers.



Global cardboard and paper industry is taking effective actions in climate change and environmental matters

Climate change which is a global threat is becoming more crucial every day as it will affect the future of humankind.

Climate change has many tangible indicators from record breaking temperatures to melting glaciers, from rising sea levels to decreasing snow cover. Global warming as a result of all these changes bears many risks such as negative impact on human health and decrease in the number of species on earth.

Global warming which is in an increasing trend since the beginning of the 20th century is highly affected by the increase in fossil fuel emissions after the industrial revolution. Average surface temperature on earth measured since 1880 has risen by approximately 0.8°C compared to the baseline at mid-20th century.

According to analyses undertaken by NASA, October of 2017 has been the second warmest Octobers of the 137 years of history of modern measurements. October 2017 has been 0.90°C degrees warmer than the average October temperatures between 1951 and 1980.

Similar to other industries, coated cardboard industry considers climate change as one of the major problems that needs urgent solution.

Global cardboard and paper industry conducts various initiatives on using more wastepaper instead of cellulose in production and decreasing greenhouse gas emissions resulting from the manufacturing processes.

Coated cardboard producers demonstrate systematic efforts on issues such as the use of scrap paper, renewable energy and sustainable forest management and they are being role models with such projects.

The major role in cardboard production with a focus on sustainability is on producers. In this context, it is very crucial that they cooperate with their customers, suppliers and all other stakeholders, support the global initiatives and take active role in international projects.

Kartonsan believes that the only way to ensure sustainability is to use various capital elements and primarily natural resources in a rational and efficient manner.

Building its infrastructure with this rationale, Kartonsan differentiates itself with its approach to raw material and energy in production and conducts exemplary projects.

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



As a responsible manufacturer and corporate citizen Kartonsan demonstrates its responsibility for the environment by;

- using the maximum quantity of wastepaper possible in the production process,
- generating its own energy and steam,
- minimizing the use of fresh water by treating and reusing the waste water by modern technology and,
- working on controlling the greenhouse gas emissions.

In 2017 Kartonsan used 221 thousand tons of wastepaper in production of coated cardboard.

As an environmentally conscious company, Kartonsan works to minimize its negative effects to environment and conducts its operations in compliance with the regulations without generating environmental pollution.

Kartonsan uses recycled paper at a 95% rate in its production cycle. In 2017, wastepaper used in production has been 221 thousand tons.

Kartonsan conducts joint projects with its subsidiary Dönkasan on waste paper and its procurement. Dönkasan provides services such as collecting wastepaper, separating different types and getting them ready to recycle for paper/cardboard production. Kartonsan owns the Environment Permission and License provided by the Ministry of Environment and Urbanization.

40%

Kartonsan recycles 40% of the water it treats.

221 thousand tons

Kartonsan used 221 thousand tons of wastepaper in its production in 2017.

Kartonsan uses a very limited amount of cellulose in the production of Exprint and Luxtriplex. Besides, in recent years, use of groundwood pulp has started due to the decrease in recycled newsprint paper.

Kartonsan started an important investment related with energy efficiency in 2017.

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.

With a generation capacity of 187 million KW of electrical energy with four turbines which can be operated with natural gas and fuel, Kartonsan sells the excess electrical energy through the interconnected network.

Kartonsan's second item in production after raw material is energy. Within the framework of energy efficiency project which was conducted in 2017 an additional steam saving in the four turbines in cogeneration plant is planned by using waste heat in water heating systems. When the project is completed 60 tons of steam will be saved which means a saving of approximately 5,000 m³/day of natural gas.

In its 2018 investment plans Kartonsan will change turbine 1 in its energy plant and increase the installed power from 5,200 KW to 5,500 KW.

Upgrading to a level higher in waste water, fresh water consumption has been decreased.

Kartonsan started to use MBR system in its treatment facility in 2015 as a first in coated cardboard industry. By using this system effectively, Kartonsan managed to decrease the quantity of fresh water used for 1 ton of cardboard from 7.5 m³ in 2016 to 4.5 m³ in 2017.

Based on 2017 data Kartonsan recycled 40% of the water it treated and aims to increase this ratio gradually in the following years.

Kartonsan successfully passed the Integrated Management Systems inspections.

Kartonsan conducts its operations under the Integrated Management System since 2003. Integrated Management System includes ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management System and ISO 50001 Energy Management System (2015).

In 2017 Kartonsan updated ISO 9001 Quality Management System and ISO 14001 Environment Management System and successfully passed the inspections.

Requirements under FSC-CoC™ certification have been fulfilled.

Kartonsan continues to fulfill the requirements of FSC-CoC™ certification framework which was obtained in 2011 and demonstrates that the Company manufactures its products from sustainable resources.

As an environmentally conscious company, main principle of Kartonsan is to conduct its production operations in the framework of legal regulations and globally accepted best practices by managing to keep its effect on environment at a minimum level.

Kartonsan and Human Resources

Kartonsan treats human resources as their most valuable asset and recognizes that they have the major role in its success.

Kartonsan believes that the road to high quality products passes through high quality manpower and accordingly retains human resources who are trustful, reliable, researcher, follower and team player.

Kartonsan treats human resources as their most valuable asset and recognizes that they have the major role in its success. Human resources of Kartonsan differentiates with their competence and quality and they consist of individuals who conform with the corporate culture, loyal and success oriented with their competence and experiences.

As of 2017 year end, Kartonsan had 265 employees, of which 23 were female and 246 male. 93 of them are white-collar employees, and 172 of them are blue-collar. All the employees are working full time and the age composition of them are as follows:

- 12 employees under the age of 25,
- 112 employees between the ages 26-35,
- 82 employees between the ages 36-45,
- 59 employees who are 46 and above.

In addition, 128 staff members employed by the contractor firm were working at the Kartonsan Kocaeli Factory as of the end of 2017.

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

Occupational health and safety

Kartonsan's main goal in occupational health and safety is to comply with all the criteria without any exception.



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

Total training offered to Kartonsan employees was 6,500 hours in 2017.

Training time per person has been 16.25 hours/man including trainings on occupational health and safety, environment, energy, lean management and technical trainings.

Kartonsan offers internship opportunities to students and new graduates as well.

In order to contribute to students' and new graduates' professional development as well as giving them a chance to adapt to business life more easily, Kartonsan provides them with opportunities for internship. In 2017, 35 students from vocational and technical high schools and undergraduate programs worked as trainees at Kartonsan.

Kartonsan is one of the companies who have a well-established tradition of union relations.

63% of Kartonsan's employees are members of the union and Kartonsan complied with the provisions of the collective labor agreement in 2017 without exception.

Labor agreement between Kartonsan and Selüloz-İş Union which covers the period of 2016-2018 was signed in March 2017.

Individual Suggestion System

Individual Suggestion System which was introduced in 2017 encourages employees to be more engaged.

The system offers the employees the opportunity to present their suggestions on their areas of work and machinery under their responsibility.

Individual Suggestion System includes a rewarding system as well and training documents prepared by the employees have been integrated into the system and shared with them. The system aims sustainability of information and will be developed in the following period.

5S Practices

Kartonsan continued to apply 5S practices in 2017 which targets increasing employee satisfaction and work efficiency through work place improvement.

In this context, improvements were realized with the participation of the employees.

Additionally, in order to improve the working environment in Kartonsan, renovation has been performed in the factory and lots of revisions were made such as landscaping, painting of buildings, renewal and refurbishing of the dressing rooms.

Occupational health and safety at Kartonsan

Occupational health and safety practices at Kartonsan are organized and coordinated by Human Resources and Quality Systems departments and they are being successfully managed.

It is Kartonsan's priority target to provide occupational health and safety criteria in all locations of operation.

Occupational Health and Safety Board continued its studies in 2017 and took actions in training, improvements and health issues to decrease work-related accidents.

Kartonsan Demographics*	2016	2017
Total number of employees	410	403
Kartonsan	269	266
Male	246	243
Female	23	23
Average age (years)	37,44	37,78

Educational Demographics	2016	2017
Masters and doctorate degree	9	9
Undergraduate degree	49	46
Vocational higher education	62	60
High school	132	134
Primary education	17	17
Speaking one language	48	50
Proficient in two or more languages	5	5

*Number of people unless specified otherwise

Internship opportunities

Kartonsan offers internship opportunities to students and new graduates as well.



6,500 hours

Total trainings offered in 2017 to employees have been 6,500 hours.

265 employees

Kartonsan had 265 employees as of the end of 2017, of which 23 were female and 246 male.

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

Within the scope of Integrated Management System, Kartonsan holds the ISO 9001 Quality Management System, ISO 14001 Environment Management System, OHSAS 18001 Occupational Health and Safety Management System and ISO 50001 Energy Management System Certifications. In 2017, Kartonsan received updates on versions of ISO 9001 Quality Management and ISO 14001 Environment Management systems and successfully completed the interim audits.

Corporate Social Responsibility

Kartonsan contributes to the society, its widest stakeholder group, by education and environment focused social responsibility projects.

Establishing its social responsibility projects and approaches with the principle of giving back to the community, Kartonsan provides direct or indirect support to various activities, primarily in education and environmental matters.

Kartonsan supports increasing our country's level of welfare and reaching the levels of contemporary civilizations. With these in mind, Kartonsan contributes to its community, which is the widest stakeholder group, by education and environment focused social responsibility projects.

The Company handles the social responsibility activities with a long term perspective and aims for creating permanent value through its projects.

In 2017, Kartonsan continued its support to Başiskele Kartonsan Primary School, which is in Başiskele region of Kocaeli where Kartonsan factory is. Similarly it provides support to Kartonsan Primary School in Kullar village of Kocaeli.

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

Supporting education

Kartonsan supports Başiskele Kartonsan Primary School in Başiskele region and Kartonsan Primary School in Kullar village.



On the other hand, in the framework of environment related projects, Kartonsan collects waste packaging materials resulting from its operations which cannot be reused in production and gives them to licensed recycling companies.

As in the prior years, Kartonsan invests in Turkey's future through its social responsibility projects and aims to increase the value it creates for the society.

Donations made in 2017 are summarized below:

Donations collected	Amount
Donations to non-profit organizations and foundations (Educational, sports-related, sectoral and social)	TL 50,411
Donations made for social purposes	TL 68,045
Donations to universities, high schools and primary schools	TL 13,806
Total	TL 132,262

Selka İç ve Dış Ticaret A.Ş.

Founded in 1991, Selka İç ve Dış Ticaret A.Ş. (Selka) conducts its operations in coated cardboard trade area. Selka's main principle is to meet coated cardboard needs and expectations of printing, packaging and other companies in cardboard business in a timely, economical and excellent manner without any limitation on quantity with its high quality product range.

Selka is a subsidiary of Kartonsan which has an ownership stake of 99.37% and it sells Kartonsan's standard sized or mixed sized cardboard. It is also the sole seller of lower quality cardboard (K-3) which is the output of the production process.

Selka also imports chromo boards in accordance with Kartonsan's strategic market policies within current market conditions. In 2017, the Company started to import Bristol board which is not produced in Turkey and sold them in the domestic market.

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

Selka's coated cardboard sales amount which was 37,645 tons in 2016 increased by 627 tons to reach a total of 38,272 tons at the end of 2017. In the same period, the Company's turnover increased by 45% to TL 75.7 million.

Net profit of the Company has been TL 5.8 million in 2017 which was above its target.

Selka's comparative net sales quantities and amounts for 2016 and 2017 are presented below:

	January-December 2016 Sales Quantity (Tons)	January-December 2016 Sales Amount (TL)	January-December 2017 Sales Quantity (Tons)	January-December 2017 Sales Amount (TL)
K1-K2 cardboard	12,174	19,327,734	8,779	17,786,913
K3 cardboard	18,002	20,703,929	14,466	23,184,830
Imported cardboard	7,469	12,166,864	15,027	34,752,535
Total	37,645	52,198,527	38,272	75,724,278

DÖNKASAN

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

DÖNKASAN continues its activities in the facilities located in Esenyurt, Istanbul. The company recorded net sales of TL 14 million with the sale of 30,000 tons of scrap paper in 2016. In 2017, the company realized sales of 22 thousand tons and recorded net sales of TL 14.8 million.

Net sales from separating services which started at the last month of 2016 has been TL 1.3 million in 2017 with a quantity of 4,953 tons.

Net profit for 2017 has been TL 549 thousand which was above target.

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

	January-December 2016 Sales Volume (Tons)	January-December 2016 Sales Amount (TL)	January-December 2017 Sales Volume (Tons)	January-December 2017 Sales Amount (TL)
Scrap paper	30,540	14,334,566	21,552	14,773,582
Income from separating services	477	81,384	4,593	1,315,976
Total	31,017	14,415,950	26,145	16,089,558

Independent Auditor's Report on the Board of Directors' Annual Report

Independent Auditor's Report on the Board of Directors' Annual Report (Convenience translation of the report originally issued in Turkish)



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

Opinion

We have audited the annual report of Kartonsan Karton Sanayi ve Ticaret Anonim Şirketi for the 1 January - 31 December 2017 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Group's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set consolidated financial statements and with the information obtained in the course of independent audit.

Basis for Opinion

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

Our Audit Opinion on the Full Set Consolidated Financial Statements

We expressed an unqualified opinion in the auditor's report dated 15 February 2018 on the full set consolidated financial statements for the 1 January - 31 December 2017 period.

Board of Director's Responsibility for the Annual Report

Group management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Group's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Group may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Group's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Customs and Trade and other relevant institutions.

Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements of the Group and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited consolidated financial statements and with the information obtained in the course of audit.

The engagement partner on the audit resulting in this independent auditor's report is Metin ETKİN.

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

Metin Etkin
Responsible Auditor
İstanbul, 06.03.2018

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Financial Statements For the Period 1 January - 31 December 2017

And Independent Auditor's Report

(Translated into English from the report originally issued in Turkish)

Independent Auditor's Report On Consolidated Financial Statements



To the Board of Directors of Kartosan Karton Sanayi ve

Ticaret Anonim Şirketi ;

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the (consolidated) financial statements Kartosan Karton Sanayi ve Ticaret Anonim Şirketi Şirketi ("the Company"), which comprise the statement of financial position as at December 31, 2017 the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in jurisdiction, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Trade Receivables

See Consolidated Financial Statement Notes 2.5 and 6.

Key Auditing Issue

Trade receivables represent an important part of the asset size of the Group. The Group management used certain estimates and assumptions when they calculated the provision for bad trade receivable related to trade receivables. Evaluation of these estimates and assumptions, used by the Group, verification of balances of the trade receivables and calculation of rediscount of the trade receivables have been considered as a key audit issue by us.

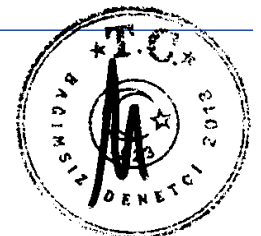
How we dealt with this issue in our audit

Our audit procedures have been designed to question accuracy of the Trade Receivables.

As a part of our audit procedures designed by us;

- The processes for identifying, calculating, recording, monitoring and collecting the provisions required to be made for the trade receivables suffered from impairment were tested; and,
- the rediscount activities for the trade receivables were provided and the calculated terms and used rediscount rates were examined,
- the detailed list of Trade Receivables was obtained and written reconciliations were made with the buyer firms representing the Trade Receivables balance in the Group's records or an alternate method was applied and they were controlled against the payments after the balance sheet date. If there were receivables which have not been recovered for a long period, their reasons were investigated.

We also evaluated the calculation of impairment in the Group's trade receivables.



Independent Auditor's Report On Consolidated Financial Statements

Inventories	
See Notes 2.5 and 9 to the Consolidated Financial Statements.	
Key Auditing Issue	How we dealt with this issue in our audit
<p>Inventories are valued at cost or net realizable value (whichever is lower) on the Financial Statements.</p> <p>The Group applies the monthly weighted average cost method to calculate cost of inventories.</p> <p>The Group's cost calculation, inventory impairment policy, determination of provision for inventory impairment and valuation of inventories have been considered as a key audit issue by us.</p>	<p>Our audit procedures have been designed to question net realizable value of inventories and impairment calculations.</p> <p>As a part of our audit procedures designed by:</p> <ul style="list-style-type: none"> - we controlled if provisions for net realizable value are required in the light of changes in gross sale profit on a general or product basis, - we examined copies of sale invoices in the period after the balance sheet date and compared the unit prices on such invoices to the unit prices in the balance sheet period, - made inventory items subject to aging process and examined if there is motionless inventory lost its sale ability carried forward from the past periods, - compared table of ratio of cost of sales to sales, inventory turnover and costs of sales to the ratios and amounts for the past period, - recalculated the inventory cards selected from cost calculation of the Group as an example. <p>We provided and evaluated the Group's inventory impairment activity.</p>
Tangible Fixed Assets	
See Notes 2.5 and 11 to the Consolidated Financial Statements.	
Key Auditing Issue	How we dealt with this issue in our audit
<p>The Group's consolidated financial statements include tangible fixed assets at the amount of TRY 188.824.076 and the Group calculates amortizations of their tangible fixed assets by using the straight-line method of depreciation and by making certain estimates for the tangible fixed assets. Furthermore, the Group's management observes if there is impairment in its tangible fixed assets each period.</p> <p>The accounting estimates, used by the Group in amortization calculation, and amortization calculations based on these estimates as well as impairment activities have been considered as a key audit issue by us.</p>	<p>Our audit procedures have been designed to question amortization calculations and impairment of the tangible fixed assets.</p> <p>As a part of our audit procedures designed by us:</p> <ul style="list-style-type: none"> - We dealt with the impairment testing model of the Group in a critical manner and examined the cash flow estimated reduced on an activity basis and past financial performances of the company. The impairment model, designed to evaluate sensitivity of growth rates, discount rates and certain basic assumptions, was calculated again, - We examined consistency of the estimates, used by the Group for the tangible fixed assets, with the past periods, - the Group's amortization calculation activities were provided and amortization activities calculated and evaluated again.



Revenue	
See Notes 2.5 and 19 to the Consolidated Financial Statements.	
Key Auditing Issue	How we dealt with this issue in our audit
Entry of proceeds has been considered as a key audit issue for calculation of proceeds timely and accurately.	<p>Our audit procedures have been designed to query accuracy of entry of proceeds.</p> <p>As a part of our audit procedures that we designed;</p> <ul style="list-style-type: none"> - The Group's sales and delivery procedures for the proceeds process were examined and observed, - Our procedures have been extended to cover the cases where risk and title were not transferred and invoice and delivery note date, warehouse departure and delivery documents of certain sale transactions were controlled as a sample and we examined if actual delivery was performed before the balance sheet date, - We applied the material verification procedures to the returns realized in the period following the end of the year and controlled if the proceeds were entered in the records properly.

Other Issues

Audit of the Group's consolidated financial statements for the accounting period of January 1 – December 31, 2016 was performed by another independent audit firm and a positive opinion was presented in the independent audit report, dated February 15, 2017, prepared by such independent audit firm.

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

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

In preparing the 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 Company or to cease operations, or has no realistic alternative but to do so.

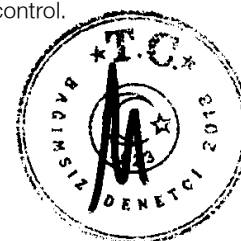
Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the (Consolidated) Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 financial statements.

As part of an audit 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 of the 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.
- Obtain an understanding of 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.



Independent Auditor's Report On Consolidated Financial Statements

- 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- In order to provide an opinion about the consolidated financial statements, we obtain sufficient and appropriate auditing evidence related to financial information on group companies or operations. We are responsible for directing, supervising and executing the Group auditing. We are solely responsible for the auditing opinion we are providing.

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

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

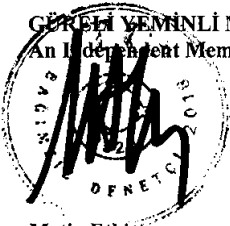
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

Other Responsibilities Arising From Regulatory Requirements

- 1) In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No:6102; auditor's report on the early risk identification system and comitee has been submitted to the company's Board of Directors on March 12, 2018.
- 2) In accordance with subparagraph 4 of Article 402 of the "TCC"; no significant matter has come to our attention that causes us to believe that the Group's bookkeeping activities for the period January 1 – December 31, 2017 is not in compliance with the code and provisions of the Group's articles of association in relation financial reporting.
- 3) In accordance with subparagraph 4 of Article 402 of the "TCC"; the board of directors provided us the necessary explanations and submitted required documents within the context of audit.

The engagement partner on the audit resulting in this independent auditor's report is Metin ETKİN.

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



Metin Etkin
Sorumlu Ortak Başdenetçi
İstanbul, 15 Şubat 2018

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

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KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Statements of the Consolidated
Financial Position at 31 December 2017 and 2016 (Balance Sheets)**

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

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

	NOTES	Audited 31 December 2017	Audited 31 December 2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	33.866.079	15.150.104
Trade Receivables		56.630.987	44.643.124
- Due from Related Parties	5	4.472.469	720.923
- Other Trade Receivables	6	52.158.518	43.922.201
Other Receivables		728.837	2.063.542
- Other Receivables from Third Parties	8	728.837	2.063.542
Inventories	9	73.184.935	63.257.774
Prepaid Expenses		6.351.437	2.911.847
- Due from Related Parties	5	3.222.637	1.680.271
- Other Prepaid Expenses	17	3.128.800	1.231.576
Other Current Assets		248.294	1.262
- Other Current Assets	17	248.294	1.262
Total Current Assets		171.010.569	128.027.653
Non-Current Assets			
Other Receivables		14.920	14.920
- Other Receivables from Third Parties	8	14.920	14.920
Investment Properties	10	229.270	229.270
Property, Plant and Equipment	11	188.824.076	202.976.149
- Land		24.059.097	24.059.097
- Land Improvements		1.970.799	2.100.742
- Buildings		25.374.994	23.339.192
- Plant, Machinery and Equipment		129.202.714	148.496.764
- Vehicles		716.404	751.645
- Furniture and Fixtures		2.932.905	2.857.457
- Leasehold Improvements		145.475	77.527
- Construction in Progress		3.521.981	134.004
- Other Tangible Assets		899.707	1.159.721
Intangible Assets		847.316	1.205.543
- Other Intangible Assets	12	847.316	1.205.543
Prepaid Expenses		3.729.744	2.102.504
- Other Prepaid Expenses	17	3.729.744	2.102.504
Deferred Income Tax Assets	25	10.909.550	16.758.321
Total Non-Current Assets		204.554.876	223.286.707
Total Assets		375.565.445	351.314.360

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Statements of the Consolidated
Financial Position at 31 December 2017 and 2016 (Balance Sheets)**

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

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

	NOTES	Audited 31 December 2017	Audited 31 December 2016
LIABILITIES			
Current Liabilities			
Short Term Financial Liabilities	7	101.947	24.996.879
- Due to Related Parties Short Term Financial Liabilities	5,7	-	6.427.000
- Other Short Term Financial Liabilities	5,7	-	6.427.000
- Other Third Parties Short Term Financial Liabilities		101.947	18.569.879
- Bank Loans	7	-	18.569.879
- Leasing Debts		101.947	-
Trade Payables		42.387.267	25.932.319
- Due to Related Parties	5	36.138	35.939
- Other Trade Payables	6	42.351.129	25.896.380
Liabilities for Employee Benefits		323.402	246.864
Other Payables		4.126.253	3.750.194
- Due to Related Parties	5	15.706	12.076
- Other Payables	8	4.110.547	3.738.118
Current Income Tax Liabilities	25	2.030.012	85.281
Short Term Provisions		4.994.670	2.229.302
- Short Term Provisions for Employee Benefits	16	644.899	885.270
- Other Short Term Provisions	14	4.349.771	1.344.032
Total Current Liabilities		53.963.551	57.240.839
Non-Current Liabilities			
Long Term Provisions		8.638.813	10.223.546
- Long Term Provisions for Employee Benefits	16	8.638.813	7.930.046
- Other Long Term Provisions	14	-	2.293.500
Total Non-Current Liabilities		8.638.813	10.223.546
EQUITY			
Equity Attributable to Owners of the Parent			
Paid-in Capital	18	2.837.014	2.837.014
Adjustment to Paid-in Capital	18	93.298.657	93.298.657
Share Premiums/Discounts		7.529	7.529
Other Comprehensive Income/Expense Not to Be Reclassified to Profit or Loss		7.529	7.529
- Actuarial Loss on Employment Termination Benefit	18	(1.530.351)	(1.335.578)
Restricted Reserves from Retained Earnings		27.729.168	26.695.093
- Real Estate or Affiliate Earnings to Be Added to the Equity	18	2.315.343	2.315.343
- Legal Reserves	18	25.413.825	24.379.750
Retained Earnings		152.102.490	159.378.512
Net Income for the Year		38.426.713	2.903.493
Non-Controlling Interest		91.861	65.255
Total Equity		312.963.081	283.849.975
TOTAL LIABILITIES AND EQUITY		375.565.445	351.314.360

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Statements of the Consolidated Comprehensive Income
For the Periods Ended 31 December 2017 and 2016**

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

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

	NOTES	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
Sales	19	479.476.905	320.454.576
Cost of Sales (-)	19	(400.751.516)	(283.917.165)
Gross Profit		78.725.389	36.537.411
General Administrative Expenses (-)	20	(13.269.847)	(13.183.705)
Marketing Expenses (-)	20	(20.344.458)	(15.270.127)
Other Operating Income	22	19.632.643	11.479.424
Other Operating Expenses (-)	22	(9.716.589)	(7.870.743)
Operating Profit		55.027.138	11.692.260
Income from Investing Activities	23	3.735.495	868.689
Expenses from Investing Activities (-)	23	(1.040.502)	(547.064)
Operating Profit Before Financial Expense		57.722.131	12.013.885
Financial Expenses (-)	24	(9.978.023)	(7.586.638)
Profit Before Tax from Continued Operations		47.744.108	4.427.247
Tax Expense from Continued Operations (-)	25	(9.280.795)	(1.512.999)
- Taxes on Income (-)	25	(3.381.430)	(452.998)
- Deferred Income Tax Credit	25	(5.899.365)	(1.060.001)
Profit for the Period from Continued Operations		38.463.313	2.914.248
Attributable to:			
- Non-Controlling Interest		36.600	10.755
- Equity Holders of the Parent		38.426.713	2.903.493
Earnings per Share	26	13,54477	1,02343
- Earnings per Share from Continued Operations	26	13,54477	1,02343
Other Comprehensive Income			
Not to Be Reclassified to Profit or Loss			
Actuarial Losses on Defined Employment Termination Benefits Obligation		(194.773)	(488.764)
Other Comprehensive Income		(194.773)	(488.764)
Total Comprehensive Income		38.268.540	2.425.484
Attributable to			
- Non-Controlling Interest		36.600	10.755
- Equity Holders of the Parent		38.231.940	2.414.729

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Statements of Consolidated Changes in Equity
For the Periods Ended 31 December 2017 and 2016**

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

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

Current period - 31 December 2017 (Audited)

	Paid in Capital	Adjustment to Share Capital	Share Premiums/ Discounts	Retained Earnings		Legal Reserves	Retained Earnings	Net Income for the Year	Attributable to Equity Holders of the Parent	Noncontrolling Interest	Total Equity
				Actuarial Losses on Defined Employment Termination Benefit Obligation							
1 January 2017	2.837.014	93.298.657	7.529	(1.335.578)	26.695.093	159.378.512	2.903.493	283.784.720	65.255	283.849.975	
Transfers	-	-	-	-	1.034.075	1.869.418	(2.903.493)	-	-	-	
Total Comprehensive Income	-	-	-	(194.773)	-	-	38.426.713	38.231.940	36.600	38.268.540	
Dividend Paid	-	-	-	-	-	(9.145.440)	-	(9.145.440)	(9.994)	(9.155.434)	
Balances as of End Period	2.837.014	93.298.657	7.529	(1.530.351)	27.729.168	152.102.490	38.426.713	312.871.220	91.861	312.963.081	

Previous period - 31 December 2016 (Audited)

	Paid in Capital	Adjustment to Share Capital	Share Premiums/ Discounts	Retained Earnings		Legal Reserves	Retained Earnings	Net Income for the Year	Attributable to Equity Holders of the Parent	Noncontrolling Interest	Total Equity
				Actuarial Losses on Defined Employment Termination Benefit Obligation							
1 January 2016	2.837.014	93.298.657	7.529	(846.814)	25.795.815	138.626.096	21.698.774	281.417.071	25.725	281.482.796	
Transfers	-	-	-	-	899.278	20.799.496	(21.698.774)	-	-	-	
Total Comprehensive Income	-	-	-	(488.764)	-	-	2.903.493	2.414.729	10.755	2.425.484	
Dividend Paid	-	-	-	-	-	(47.080)	-	(47.080)	(11.225)	(58.305)	
Balances as of End Period	2.837.014	93.298.657	7.529	(1.335.578)	26.695.093	159.378.512	2.903.493	283.784.720	65.255	283.849.975	

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Statements of the Consolidated Cash Flows
For the Periods Ended 31 December 2017 and 2016**

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

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

	NOTES	Audited 1 January - 31 December 2017	Audited 1 January - 31 December 2016
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net Profit for the Period		67.117.275	41.457.212
- Profit for the Period from Continued Operations		38.463.313	2.914.248
Adjustments to Reconcile Net Profit:		40.347.438	31.382.174
Adjustments for Depreciation and Amortization	11, 12, 21	25.585.850	26.413.258
Adjustments Related to (Reversal of) Impairment		(85.906)	(665.542)
- Adjustments Related to (Reversal of) Doubtful Receivables		(17.822)	99.714
- Adjustments Related to (Reversal of) Provision for Inventories		(68.084)	(765.256)
Adjustments for Changes in Provisions		935.268	2.392.558
- Adjustments Regarding Provisions for (Reversal of) Employee Benefits	223.029	2.267.802	-
- (Reversal of) General Provisions		(2.293.500)	-
- (Reversal of) Other Provisions		3.005.739	124.756
Adjustments for Interest Income and Expenses		5.326.723	1.893.839
- Adjustments for Interest Income		(1.723.306)	(732.524)
- Adjustments for Interest Expense	24	9.978.023	7.586.638
- Due Date Charges on term Purchases	22	2.508.804	1.442.108
- Due Date Charges on term Sales	22	(5.436.798)	(6.402.383)
Adjustments for Tax Expenses	25	9.280.795	1.512.999
Gains from Sales of Tangible Assets		(695.292)	(164.938)
- Gain (Loss) on Sale of Property, Plant and Equipment		(695.292)	(164.938)
Changes in Net Working Capital:		(7.174.392)	6.164.210
Change in Trade Receivables		(11.909.473)	(4.473.456)
- Trade Receivables from Related Parties		(3.751.546)	1.581.944
- Trade Receivables from Third Parties		(8.157.927)	(6.055.400)
Changes in Regarding Decrease (Increase) in Other Receivables on Operations		1.334.705	1.820.306
- Changes in Regarding Decrease (Increase) in Other Receivables from Third Parties on Operations		1.334.705	1.820.306
Changes in Inventories		(9.859.077)	(3.404.170)
Changes in Prepaid Expenses		(3.439.590)	(840.418)
Change in Trade Payables		16.493.478	4.964.808
- Trade Payables from Related Parties		199	(641.341)
- Trade Payables from Third Parties		16.493.279	5.606.149
Changes in Employee Benefits		76.538	(428)
Changes in Regarding Decrease (Increase) in Other Payables on Operations		376.059	1.090.328
- Changes in Regarding Decrease (Increase) in Other Payables from Related Parties on Operations		3.630	3.343
- Changes in Regarding Decrease (Increase) in Other Payables from Third Parties on Operations		372.429	1.086.985
Changes in Other Net Working Capital		(247.032)	7.007.240
- Other Increases/Decreases in Net Working Capital		(247.032)	7.007.240
Cash Flows from Operating Activities		71.636.359	40.460.632
Interest Paid		(8.526.322)	(5.381.653)
Interest Received		5.443.937	6.885.088
Taxes Paid	25	(1.436.699)	(506.855)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds From Sale of Tangible and Intangible Assets		1.163.902	367.154
- Cash Inflows Related to Proceeds from Sale of Tangible		1.163.902	367.154
Purchases of Tangible and Intangible Assets		(11.544.160)	(9.287.011)
- Cash Outflows Related to Purchases Tangible Assets	11	(11.511.594)	(9.226.073)
- Cash Outflows Related to Purchases Intangible Assets	12	(32.566)	(60.938)
Advances Given		(1.627.240)	(468.227)
- Other Advances Given		(1.627.240)	(468.227)
Interest Received		1.465.965	296.195
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows Related to Borrowings		1.375.000	7.500.000
- Cash Inflows Related to Borrowings		1.375.000	7.500.000
Cash Outflows Related to Borrowings		(26.269.932)	(26.468.326)
- Cash Outflows Related to Borrowings		(26.269.932)	(26.468.326)
Dividends Paid		(9.155.434)	(58.305)
Interest Paid		(3.999.035)	(3.687.254)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES			
		18.526.341	9.651.438
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
	4	15.148.601	5.497.163
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD			
	4	33.674.942	15.148.601

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

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.**Notes to the Consolidated Financial Statements
As at 31 December 2017**

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

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NOTE 1 - GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

Kartonsan Karton Sanayi ve Ticaret A.Ş.'s (the "Company" or "Kartonsan") principal activity is the production and trade of coated cardboard. Kartonsan is registered with the Capital Markets Board of Turkey ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE") since 1985. All shares are quoted on ISE. Kartonsan's 24.79% shares are free floating. The Company's ultimate controlling party is PAK Family members through PAK Group Companies (NOTE 18).

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

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

Company	Subject of Activity	Partnership Structure of the Company	
		31 December 2017	31 December 2016
Selka İç ve Dış Ticaret A.Ş. ("Selka")	Trade of coated cardboard	99,37%	99,37%
Dönkasan Dönüştürülen Atık Kağıt San. ve Tic. A.Ş. ("Dönkasan")	Production and trade of scrap paper	100,00%	100,00%

Hereafter, the Company its subsidiary and joint venture will be referred as the "Group" in the consolidated financial statements and notes thereto.

As of 31 December 2017 the number of employees of the Group is 313 (31 December 2016: 320) excluding the subcontracted employees.

These consolidated financial statements have been approved for issue by the Board of Directors meeting numbered YK/2018-04 on 15 February 2018 and signed on its behalf by Haluk İber General Manager and Board Member and Ünal Bozkurt, Vice Chairman of the Board of Directors.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS**2.1 Basis of Presentation****2.1.1 Applied Financial Reporting Standards**

The accompanying consolidated financial statements are prepared in accordance with Communiqué Serial II. No: 14.1. "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué consolidated financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The consolidated financial statements of the Group are prepared in accordance with as published of 2 June 2016 POASA "TAS Announcement about Taxonomy" and CMB announcement of 7 June 2016 relating to financial statements presentations

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the consolidated financial statements of the Group have been prepared accordingly.

The Group (and its subsidiaries and Joint Ventures registered in Turkey) maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC") tax legislation and the uniform chart of accounts issued by the Ministry of Finance and principles issued by CMB These consolidated financial statements are based on the statutory records which are maintained under historical cost conversion with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

2.1.2 Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in TRY.

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş.

Notes to the Consolidated Financial Statements As at 31 December 2017

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2.1.3 Comparatives and Restatement of Prior Periods' Financial Statements

In order to allow for the determination of the financial situation and performance trends The Group's consolidated financial statements have been presented comparatively with the previous year. When the presentation and classification of the consolidated financial statements change the comparative financial information is reclassified to enable conformity with the presentation of the current period financial statements.

2.1.4 Consolidation

Consolidation Principles

The consolidated financial statements include the accounts of the parent company its subsidiaries (collectively referred to as the "Group") on the basis set out in sections below. The financial statements of the groups included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with CMB Financial Reporting Standards applying uniform accounting policies and presentation. The results of subsidiaries and joint ventures are included or excluded from their effective dates of acquisition or disposal respectively.

Subsidiaries

Subsidiaries are companies over which the Company has power to control the financial and operating policies for the benefit of Kartonsan either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the voting rights. Otherwise by having the power to exercise control over the financial and operating policies.

The balance sheets and statements of income of the subsidiaries are consolidated by way of full consolidation method on a line by line basis and the carrying value of the investment held by the Kartonsan and its subsidiaries is eliminated against the related equity. Intercompany transactions and balances between Kartonsan and its subsidiaries are eliminated on consolidation. The cost of and the dividends arising from shares held by Kartonsan in its subsidiaries are eliminated from equity and income for the period respectively. Group includes the subsidiaries in the consolidation scope since control on the activities are transferred to Group and the subsidiaries excludes from consolidation scope when control on the activities disappeared. The non-controlling interest shares in the net assets and operating results of subsidiaries are separately classified in the consolidated balance sheets and statements of income as "Non-controlling Interest".

The details of the subsidiaries to be consolidated by way of consolidation method are as follows:

Company	Equity	Share Rate of the Company			
		31 December 2017		31 December 2016	
		Direct and Indirect Ownership Rate	Effective Ownership Rate	Direct and Indirect Ownership Rate	Effective Ownership Rate
Selka	1.250.000	99,37%	99,37%	99,37%	99,37%
Dönkasan	93.152	100,00%	100,00%	100,00%	100,00%

2.1.5 Significant Accounting Judgments, Estimates and Assumptions

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

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

Deferred Income Tax Assets

Deferred income tax liabilities or assets are recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements which are prepared in accordance with TAS. The Group recognised deferred income tax assets over carry forward tax losses and investment incentives to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The Group considered its future profit projections and the maturity dates of the tax losses generated in the current period while recognizing deferred income tax assets (Note 25). Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Investment Incentive

As explained in Note 13. Based on the assessments made and the tax law numbered 5520 article 32/A, the Group recognised deferred income tax asset for the corporate tax exemption of 15% over the investment which is covered by incentive certificate (Note 25).

Where the final investment amount covered by the incentive certificate is different from the amounts that were initially estimated such differences will impact the deferred income tax asset.

	31.12.2017		31.12.2016	
	Investment Amount	Deferred Tax Asset	Investment Amount	Deferred Tax Asset
Deferred (beginning)	128.807.801	19.321.170	128.808.644	19.321.297
Expenditure Amount/Adjustment	10.854.602	1.628.190	(843)	(127)
Used as tax discount	(6.881.864)	(1.032.279)	-	-
Balance (ending)	132.780.539	19.917.081	128.807.801	19.321.170

2.2 New and Revised International Financial Reporting Standards**New and Revised International Financial Reporting Standards**

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

IFRS 15 Revenue from Contracts with Customers

The new standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

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Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Company does not expect that application of these amendments to IFRS 2 will have significant impact on its financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 “First Time Adoption of International Financial Reporting Standards”

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters within the context of ‘Annual Improvements to IFRSs 2012-2014 Cycle’ related to disclosures for financial instruments, employee benefits and consolidation of investment entities.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of/from investment property to other asset groups. A change in management’s intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 40.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

On 8 December 2016, IASB issued IFRIC 22 Foreign Currency Transactions and Advance Consideration to clarify the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. This IFRIC is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 22.

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IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Company is assessing the potential impact on its financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty Over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. The Interpretation is effective from 1 January 2019 with earlier application is permitted. The Company is assessing the potential impact on its financial statements resulting from the application of IFRIC 23.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly international standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier. The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

2.3 Changes in Accounting Policies

Significant changes in accounting policies or significant errors are corrected, retrospectively; by restating the prior period consolidated financial statements.

2.4 Changes in Accounting Estimates and Errors

The effect of changes in accounting estimates are recognized in financial statements prospectively and correlating with profit and loss in the periods explained below:

- The effect of changes in accounting estimates affecting the current period is recognised in the current period; or
- The effect of changes in accounting estimates affecting current and future periods is recognised in the current and future periods.

The significant estimates used in preparation of interim financial statements of the period between 1 January and 31 December 2017 are consistent with the estimates in preparation of financial statements of the period between 1 January and 31 December 2016. Material changes in accounting policies or material errors are corrected, retrospectively; by restating the prior periods' consolidated financial statements.

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2.5 Summary of Significant Accounting Policies

Offsetting

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

Revenue Recognition

Revenues are recognised on an accrual basis at the fair values incurred or to be incurred when the amount of revenue can be reliably measured and it is probable that the future economic benefits associated with the transaction will flow to the Group. Net sales represent the invoiced value of goods sold less sales returns and discounts.

The Group's sales of goods are coated cardboard and scrap paper sales and the revenues from sale of goods are accounted for when the following criteria are met:

- The Group transfers to the buyer the significant risks and rewards of ownership of the goods,,
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,
- The amount of revenue can be measured reliably,
- It is probable that the economic benefits associated with the transaction will flow to the entity,
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

The Group's service revenues consist of revenues from roll-stoning. The Group sells electricity under its auto producer license. The revenues from rendering services are recognized when the amount of revenue can be measured reliably by reference to the stage of completion of the transaction. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable. Interest income is recognised on a time-proportion basis using the effective interest rate method which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset (Note 23). When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The difference between the fair value and the nominal amount of the consideration is recognised in the period on an accrual basis.

Inventories

The Group raw material inventories mainly comprise of chemical materials, operating supplies and scrap paper, while finished goods comprise of coated cardboard ready for sale.

Inventories are valued at the lower of cost or net realizable value. The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of conversion of inventories include costs directly related to the units of production, such as direct labour. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods.

The costs of inventories are determined on monthly moving weighted average method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale (Note 9).

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Tangible Assets

Property, plant and equipment are stated in the consolidated financial statements at their acquisition costs less accumulated depreciation and any impairment losses if exists.

Depreciation is calculated using the straight-line method to reduce the cost of each item to its residual value over their useful lives taking into consideration the following rates.

Type	2017 Rate (%)	2016 Rate (%)
Buildings	2 - 2,5	2 - 2,5
Leasehold Improvements	4 - 6,67	4 - 6,67
Plant, Machinery and Equipment	6,67 - 25	6,67 - 25
Furniture and Fixtures	20 - 33	20 - 33
Vehicles	20 - 25	20 - 25
Special Costs	20	20
Other Tangible Assets	10 - 20	10 - 20

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating profit. Repairs and maintenance are charged to the income statement during the financial period in which they are incurred. If repairs and maintenance clearly improves an item of property, plant and equipment, they are recognized in the carrying amount of that item (Note 11).

Intangible Assets

The Group's intangible assets comprise of acquired computer software. Intangible assets are stated at their acquisition costs less accumulated amortization and any impairment losses if exists; acquisition cost being the restated cost to the equivalent purchasing power of the intangible assets acquired and the historical cost for intangible assets acquired subsequent. Intangible assets are amortized over their estimated useful lives using the straight-line method. The amortization rates are between 33% and 20%. The estimated useful lives and amortization method are reviewed annually for the possible effects of any changes in estimates and changes in estimates are accounted for prospectively (Note 12).

Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset other than deferred tax asset and financial assets at fair value may be impaired. When an indication of impairment exists, the Group estimates the recoverable values of such assets. Impairment exists if the carrying value of an asset or a cash generating unit is greater than its recoverable amount which is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. An impairment loss is recognized immediately in profit or loss. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets.

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

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Finance Lease:

Leases of property, plant and equipment where the Group substantially assumes all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included as finance lease obligations. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset

Operating lease:

An operating lease is a lease that lessor does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term. The Group's most important operating lease is for its headquarters. The rent expense relating to the headquarters amounting to TRY 619,296 (2016: TRY 563,304) is accounted for under operating expenses.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less which does not entertain significant value change (Note 4).

Trade Receivables

Trade receivables are amounts due from customers for merchandise sold or services performed. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 6).

Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Note 6).

Foreign Currency Transactions

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

Earnings per Share

Earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares in issue during the year.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued by giving them retroactive effect for the year in which they were issued and for each earlier year (Note 26).

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Subsequent Events

Subsequent events are those events, favourable and unfavourable, that occur between the balance sheet date and the date when the financial statements are authorised for issue.

When there is new evidence that such events existed at the balance sheet date or such events arose after the balance sheet date, the Group discloses such events in the notes financial statements

The Group adjusts the amounts recognized in the financial statements to reflect the adjusting events after the date of balance sheet (Note 29).

Provisions, Contingent Liabilities and Contingent Assets

The Group provides for its obligations in the financial statements when it is a present obligation from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits and a reliable estimate can be made of the amount of the obligation. Contingent liabilities are assessed to determine whether it become probable that an outflow of resources embodying economic benefits will be required. If it became probable that that an outflow of resources embodying economic benefits will be required to settle the contingent liabilities, such contingent liabilities are provided for in the financial statements in the period when the probability changed except for the cases where the amount of the obligation cannot be measured with sufficient reliability.

The Group discloses the contingent liabilities in the notes to the financial statements when an outflow of resources embodying economics become probable but the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent asset is disclosed in the notes where an inflow of economic benefits is highly probable.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, it is virtually certain that reimbursement will be received and the amount of the reimbursement is calculated reliably. The reimbursement shall be treated as a separate asset (Note 14, 15)

Related Parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, their families and companies controlled by/or affiliated with them, affiliates and joint ventures are considered and referred to as related parties. The balances and transactions with related parties are disclosed in Note 5.

Government Grants and Assistance

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants are recognised in profit or loss over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. Income from government grants are accounted for as a reduction to related expenses (Note 13).

Income Taxes

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. The tax expense for the period comprises current income tax expense and deferred tax expense (or deferred tax income).

Current Income Tax

Current income tax payable is calculated on the taxable income for the period. Taxable income excludes income which is taxable or expenses which are deductible in other years and permanently non-deductible or non-taxable item, therefore it differs from the reported income in the statement of comprehensive income. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

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Deferred Income Tax

Deferred income tax liabilities or assets are recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred income tax liabilities and assets are not recognised on temporary differences if they arise from the initial recognition of an asset or liability that does not affect either accounting nor taxable profit or loss except for goodwill and business combinations.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets are reviewed at each balance sheet date. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred income tax asset to be utilised.

Deferred income tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The tax impact of the Group's estimated methods to recover the carrying amounts of its assets or to settle its liabilities are taken into consideration in the calculation of deferred income taxes (Note 25).

Current and Deferred Income Taxes

Current and deferred taxes are recognised as income or an expense and included in profit or loss, except to the extent that the tax arises from a transaction or event which is recognised directly in equity (in such case deferred income tax relating to the transaction or event is also recognized in equity) or initial recognition of a business combination. Tax effects in the business combinations, goodwill determination and the determination of excess of purchase consideration over the acquirer's interest in the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities are taken into consideration.

Taxes in the financial statements include the changes in the current and deferred income taxes. The Group calculates current and deferred income taxes on the current period results.

Offsetting Income Tax Assets and Liabilities

Current period tax liabilities are offset by current income taxes paid in advance on the balance sheet. Deferred tax assets and liabilities are also netted. (Note 25).

Retirement and Employment Termination Benefits

In accordance with Turkish Labour Law, employment termination benefits are provided in the financial statements when the termination indemnities become eligible. In accordance with revised TAS 19 "Employee Benefits", such payments are classified as defined retirement plans.

The provision for employment termination benefits in the consolidated financial statements is the present value of the future liability which will be paid for the retired personnel calculated using a discount rate adjusted for the inflation. The interest cost associated with the provision for employment termination benefits is accounted for as part of the employment termination expenses in the current period results (Note 16).

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Cash Flow Statement

Cash and cash equivalents are carried at cost in the balance sheet. Cash flow statement includes cash and cash equivalents include cash in hand, bank deposits and investments with high liquidity. In the cash flow statement, cash flows for the period are presented under operating, investing and financing activities (Note 4).

Investment Properties

The Group's property for investment consists of land.

Investment properties are properties held to earn rentals or for capital and are carried at their cost values in the financial statements.

Investment properties are eliminated from the balance sheet on disposal or when the investment property is permanently withdrawn from use. Gains or losses arising from disposal of investment properties are recognised in the profit or loss (Note 10).

Equity and Dividends

Ordinary shares are classified as equity. Dividends payable are recognized as an appropriation of profit in the period in which they are declared. (Note 18).

NOTE 3 - SEGMENT REPORTING

The principal activity of the Group which is established in Turkey is production and trade of coated cardboard. The Group's principal activities, the nature and economic characteristics of the products, production processes, risk-based classification of customers and methods used to distribute products are similar. Furthermore, the Group's structure has been established to manage one business activity rather than managing different business activities under separate segments. Therefore, the business activities of the Group are considered as one operating segment and Group's operating results, determination of funds to be allocated to these operations and assessment of the performance of operations are evaluated within this context.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in Hand	110.114	103.214
Banks		
- Demand Deposits - TRY	2.238.495	1.197.460
- Demand Deposits- Foreign Currency	846.573	361.997
- Time Deposits - TRY	20.130.973	4.969.503
- Time Deposits – Foreign Currency	10.539.924	8.517.930
Credit Card Receivables	-	-
Total	33.866.079	15.150.104

Average maturity of time deposits is 23 days as of 31 December 2017 (31 December 2016: 1 day).

The annual interest rate of time deposits that are TRY denominated and amounted to TRY 20.130.973 (31 December 2016: TRY 4.969.503) as of 31 December 2017 is equal to 14.75% (31 December 2016: 9.25%). The annual interest rate of foreign currency time deposits amounted to TRY 20.130.973 as of 31 December 2017 is equal to 0.24% (31 December 2016: TRY 8.517.930 equal to 0.22%).

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The Company's Cash and Cash Equivalents as the end of the period are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cash and Cash Equivalent	33.866.079	15.150.104
Interest Accrual (-)	(191.137)	(1.503)
Cash Flow Statement Cash and Cash Equivalents	33.674.942	15.148.601

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	31 December 2017	31 December 2016
a) Trade Receivables from Related Parties		
Mel Macedonian Paper Mills S.S.A	4.472.469	720.923
Total	4.472.469	720.923
b) Prepaid Expenses to Related Parties		
Mel Macedonian Paper Mills S.S.A	3.222.637	1.680.271
Total	3.222.637	1.680.271
c) Payable to Related Parties		
Ece Plaza Yönetim Hizmetleri A.Ş.	30.999	30.267
Pak Holding A.Ş.	5.139	5.577
Pak Gıda Üretim ve Paz. A.Ş.	-	95
Total	36.138	35.939
d) Short-Term Payables (NOTE 7)		
Oycan İthalat İhracat ve Ticaret A.Ş.	-	6.427.000
Total	-	6.427.000
e) Payables to Shareholders		
Shareholders (Dividend)	15.706	12.076
Total	15.706	12.076

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f) Sales to Related Parties

	1 January - 31 December 2017	1 January - 31 December 2016
Mel Macedonian Paper Mills S.S.A	9.653.973	5.317.094
Hüseyin Kalkavan İnş. San. Tic. A.Ş.	287	-
Total	9.654.260	5.317.094

g) Purchases from Related Parties

	1 January - 31 December 2017	1 January - 31 December 2016
Mel Macedonian Paper Mills S.S.A	21.655.906	11.368.883
Oycan İth. İhr. ve Tic. A.Ş. ^(*)	296.802	1.182.141
Ece Plaza Yönetimi A.Ş. ^(**)	934.536	834.797
Hüseyin Kalkavan İnş. San. Tic. A.Ş.	72.475	-
Pak Holding A.Ş. ^(***)	19.841	19.792
Pak Gıda A.Ş.	7.035	7.161
Total	22.986.595	13.412.774

^(*) Consist of the reflection of legal consultancy services.^(**) Consist of rent and dues of Pak İş Merkezi.^(***) Consist of interests related to loan.**h) Key Management Benefits**

	1 January - 31 December 2017	1 January - 31 December 2016
Key Management Benefits	2.280.725	2.204.862

Key management benefits between the 2017 and 2016 reporting periods are short-term benefits and include wages and salaries, premiums, termination rights and other payments. Post-employment benefits, share-based payments and other long-term benefits are not available in top management benefits at the reporting period 2017 and 2016.

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) İlişkili olmayan taraflardan ticari alacaklar	31 December 2017	31 December 2016
Receivables	52.577.109	44.260.507
Notes Receivables	1.110.468	1.269.143
Less: Unearned Finance Expense	(390.474)	(451.042)
Less: Provision for Doubtful Receivables	(1.138.585)	(1.156.407)
Total	52.158.518	43.922.201

Average maturity of trade receivables are 22 days (31 December 2016: 29 days), the effective interest rates are as follows:

	31 December 2017	31 December 2016
TRY Receivables	%14,00	%11,00

The maximum credit risk at the balance sheet date is the net book value of the receivables described above. Group holds mortgages and other guarantees obtained for trade receivables that are about TRY 34.095.261 at the end of reporting period 2017 (31 December 2016: TRY 21.126.212).

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

	31 December 2017	31 December 2016
1 January	1.156.407	1.056.693
Increase During the Year	53.592	232.525
Collections	(71.414)	(132.811)
Total	1.138.585	1.156.407

b) Trade Payables to Third Parties	31 December 2017	31 December 2016
Payables	42.548.749	26.055.470
Less: Unaccrued Finance Expense	(197.620)	(159.090)
Total	42.351.129	25.896.380

NOTE 7 - SHORT TERM FINANCIAL LIABILITIES

	31 December 2017	31 December 2016
Short-Term Borrowings	-	24.993.131
Short-Term Leasing Liabilities	101.947	-
Other Financial Borrowings	-	3.748
Total	101.947	24.996.879

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Short-term borrowings during the period is as follows:

	31 December 2017		31 December 2016	
	TRY	Interest Rate (%)	TRY	Interest Rate (%)
EURO Financial Borrowings	-	-	18,566.131	0,75
TRY Financial Borrowings	-	-	6.427.000	11,15
Total	-		24.993.131	

Short-term leasing liabilities during the period is as follows:

	31 December 2017			31 December 2016		
	Minimum Financial Leasing Payment	Interest	Total Liability	Minimum Financial Leasing Payment	Interest	Total Liability
Financial Leasing Payables	107.156	(5.209)	101.947	-	-	-
Total	107.156	(5.209)	101.947	-	-	-

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

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

a) Other Short Term Receivables from Third Parties	31 December 2017	31 December 2016
VAT Receivables from Tax Office	697.296	2.003.182
Receivables from Personnel	30.374	59.296
Deposits and Guarantees Given	1.167	1.064
Total	728.837	2.063.542

b) Other Long Term Receivables from Third Parties	31 December 2017	31 December 2016
Deposits and Guarantees Given	14.920	14.920
Total	14.920	14.920

c) Deposits and Guarantees Given

	31 December 2017	31 December 2016
Taxes, Dues and Fees Payable	2.400.435	2.213.083
SSI Premiums Payable	1.305.172	987.163
Order Advances Received	379.902	523.506
Other Miscellaneous Payables	25.038	14.366
Total	4.110.547	3.738.118

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NOTE 9 - INVENTORIES

	31 December 2017	31 December 2016
Raw Materials and Supplies	35.557.631	19.356.926
Work-in-Process	901.762	622.724
Finished Goods	28.706.672	38.861.113
Trade Goods	8.022.398	4.488.623
Provision for Impairment on Inventories (-)	(3.528)	(71.612)
Total	73.184.935	63.257.774

Cost of inventories is about TRY 291.357.285 and they were recognised within cost of sales at the reporting period between 1 January - 31 December 2017 (1 January - 31 December 2016: TRY 179.394.391) (NOTE 19 ve 21).

Movements in provision for impairment on inventories:

	31 December 2017	31 December 2016
1 January	(71.612)	(836.868)
Realized Due to Sale of Inventory	71.612	836.868
Current Period Provisions (-)	(3.528)	(71.612)
Total	(3.528)	(71.612)

The table value of related cost, net realizable value and the provision of the impaired inventories are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Cost	(133.999)	(886.996)
Net Realizable Value	130.471	815.384
Provision	(3.528)	(71.612)

There are no inventories pledged as security for the liabilities.

NOTE 10 - INVESTMENT PROPERTIES

The amount of the property investment is TRY 229.270 (31 December 2016: TRY 229.270), there is no movement relating to investment properties during the period (1 January - 31 December 2016: None).

Investment properties are carried at cost in the financial statements. The fair value of the investment properties is TRY 249.000. The fair values of the investment properties were estimated by the Group management taking into consideration the values determined in the appraisal report dated 22 February 2008 prepared by TSKB Gayrimenkul Değerleme A.Ş., which is licensed by CMB. The fair

value determined by TSKB Gayrimenkul Değerleme A.Ş. is TRY 249.000 and the Group management is in the opinion that there are no changes in the fair value of the investment properties since 22 February 2008.

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NOTE 11 - TANGIBLE ASSETS

	1 January 2017	Additions	Disposals	Transfers	31 December 2017
Cost:					
Land	24.059.097	-	-	-	24.059.097
Land Improvements	6.929.997	-	-	88.493	7.018.490
Buildings	47.268.731	-	-	4.255.702	51.524.433
Plant, Machinery and Equipment	503.681.167	5.989.725	(485.448)	(3.087.827)	506.097.617
Vehicles	1.337.429	28.705	-	-	1.366.134
Furniture and Fixtures	13.546.845	726.161	-	-	14.273.006
Leasehold Improvements	374.939	94.575	-	-	469.514
Other Tangible Assets	1.319.166	28.083	(208.512)	-	1.138.737
Construction in Progress	134.004	4.644.345	-	(1.256.368)	3.521.981
	598.651.375	11.511.594	(693.960)	-	609.469.009
Accumulated Depreciation:					
Land Improvements	(4.829.255)	(218.436)	-	-	(5.047.691)
Buildings	(23.929.539)	(1.393.867)	-	(826.033)	(26.149.439)
Plant, Machinery and Equipment	(355.184.403)	(22.745.530)	209.423	825.607	(376.894.903)
Vehicles	(585.784)	(63.946)	-	-	(649.730)
Furniture and Fixtures	(10.689.388)	(651.139)	-	426	(11.340.101)
Leasehold Improvements	(297.412)	(26.627)	-	-	(324.039)
Other Tangible Assets	(159.445)	(95.512)	15.927	-	(239.030)
	(395.675.226)	(25.195.057)	225.350	-	(420.644.933)
Net book value	202.976.149				188.824.076

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	1 January 2016	Additions	Disposals	Transfers	31 December 2016
Cost:					
Land	24.059.097	-	-	-	24.059.097
Land Improvements	6.549.687	-	-	380.310	6.929.997
Buildings	47.219.982	-	-	48.749	47.268.731
Plant, Machinery and Equipment	496.051.980	2.396.651	(8.000)	5.240.536	503.681.167
Vehicles	1.524.704	1.525	(188.800)	-	1.337.429
Furniture and Fixtures	12.531.424	1.063.995	(48.574)	-	13.546.845
Leasehold Improvements	302.939	72.000	-	-	374.939
Other Tangible Assets	1.259.714	74.553	(15.101)	-	1.319.166
Construction in Progress	186.250	5.617.349	-	(5.669.595)	134.004
	589.685.777	9.226.073	(260.475)	-	598.651.375
Accumulated Depreciation:					
Land Improvements	(4.626.410)	(202.845)	-	-	(4.829.255)
Buildings	(22.888.205)	(1.041.334)	-	-	(23.929.539)
Plant, Machinery and Equipment	(331.267.368)	(23.920.035)	3.000	-	(355.184.403)
Vehicles	(517.974)	(83.536)	15.726	-	(585.784)
Furniture and Fixtures	(10.098.162)	(630.291)	39.065	-	(10.689.388)
Leasehold Improvements	(272.977)	(24.435)	-	-	(297.412)
Other Tangible Assets	(63.667)	(96.245)	467	-	(159.445)
	(369.734.763)	(25.998.721)	58.258	-	(395.675.226)
Net Book Value	219.951.014				202.976.149

As of December 31, 2017, the amount of leased assets is TL 393.898. (December 31, 2016; None)

TRY 24.720.102 of depreciation expense was included in cost of sales (1 January - 31 December 2016: TRY 25.329.680). TRY 268.420 of depreciation expense was included in marketing expense (1 January - 31 December 2016: TRY 279.067). TRY 206.535 of depreciation expense was included in general administrative expense (1 January - 31 December 2016: TRY 389.974). (NOTE 20)

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NOTE 12 - INTANGIBLE ASSETS

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights and Computer Software	3.304.961	32.566	-	3.337.527
	3.304.961	32.566	-	3.337.527
Accumulated Amortization:				
Accumulated Amortization:	(2.099.418)	(390.793)	-	(2.490.211)
	(2.099.418)	(390.793)	-	(2.490.211)
Net Book Value	1.205.543			847.316
	1 January 2016	Additions	Disposals	31 December 2016
Cost				
Rights and Computer Software	3.244.023	60.938	-	3.304.961
	3.244.023	60.938	-	3.304.961
Accumulated Amortization:				
Rights and Computer Software	(1.684.881)	(414.537)	-	(2.099.418)
	(1.684.881)	(414.537)	-	(2.099.418)
Net Book Value	1.559.142			1.205.543

All of the amortization expense amounted to TRY 390.793 was included in cost of sales (1 January - 31 December 2016: TRY 414.537)

NOTE 13 - GOVERNMENT GRANTS AND ASSISTANCE

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

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

The group applied to the Ministry of Economy in August 2016 to make the investment incentive document a completion visa. The Ministry of Economy assessed Completion Expertise in July 2017. The conclusion of the Completion Expertise is expected to be communicated to the Group. For this reason, there is no ongoing investment under the incentive certificate.

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Based on the assessments made and the tax law numbered 5520, article 32/A. the Group recognised deferred income tax asset amounting to TRY 19.917.081 (31 December 2016: TRY 19.321.170) for the corporate tax exemption of 15% over the investment amounting to TRY 132.780.539 31 December 2016: TRY 128.807.801) which is covered by incentive certificate (Note 26).

	31.12.2017		31.12.2016	
	Investment Amount	Deferred Tax Assets	Investment Amount	Deferred Tax Assets
Outstanding Balance (Beginning of Period)	128.807.801	19.321.170	128.808.644	19.321.297
Investment Amount/Adjustment	10.854.602	1.628.190	(843)	(127)
Tax Deduction	(6.881.864)	(1.032.279)	-	-
Balance (Ending of Period)	132.780.539	19.917.081	128.807.801	19.321.170

NOTE 14 – PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**a) Other Short Term Provisions**

	31 December 2017	31 December 2016
Lawsuit Provision	2.694.667	-
Provision for Export Discount	650.335	256.596
Provision for Commissions	733.427	620.588
Provision for Export Discount	271.342	466.848
Total	4.349.771	1.344.032

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

	31 December 2017	31 December 2016
1 January	1.344.032	1.219.276
Payments and Released Provisions	(1.344.032)	(1.219.276)
Additional Provisions	4.349.771	1.344.032
Total	4.349.771	1.344.032

b) Long Term Provisions

Other Long Term Provision	31 December 2017	31 December 2016
Other Long Term Payments and Released Provisions ⁽¹⁾	-	2.293.500
Total	-	2.293.500

⁽¹⁾ Provisions that are represent intentionally accounted for under the division agreement under the business combination. Since the reserves allocated for the subsidiary in the period have been removed, previously booked reserves have been canceled and the financial statements have been reflected.

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c) Contingent Assets and Liabilities

As per the letters obtained from the lawyers authorized to represent the Group court cases on trial against or in favour of the Group as of 31 December 2017 are as follows:

1- The Group filed a lawsuit against İstanbul Metropolitan Municipality on İstanbul 4th Administrative Court with file number 2012/2331 for the cancellation of the implementation of the Zoning Law Article 18 in the area where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/5000 dated 16 August 2012. İstanbul 4. Administrative Court decided to cancel the 1/5000 scale plan regarding the part of the plaintiff's parcel. The said decision was appealed by the respondent administration and the decision of the Council of State was disrupted. The lawsuit is still in progress. As per the assessments made the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

The Group filed a lawsuit against İstanbul Büyükşehir Belediyesi ve Küçükçekmece Belediyesi on İstanbul 5. İdare Mahkemesinde with file number 2014/2369 for the cancellation of the implementation of Nazım İmar Plan where the Group's immovable at Küçükçekmece County Sefaköy district is located and its basis the Execution Zoning Plan around Küçükçekmece County Halkalı District scaled 1/1000 dated May 19, 2014. The lawsuit was sent to İstanbul 4th Administrative Court and the main file number 2014/1127 was set. İstanbul 4. Administrative Court decided to cancel the 1/1000 scale plan regarding the part of the plaintiff's parcel. The defendant was appealed by the administration and the decision was disrupted by the Council of State. The lawsuit is still in progress. As per the assessments made the Group does not anticipate any cash outflows relating to this lawsuit and hence did not provide provision in the financial statements.

2- Laws 2016/455 E and 2015/445 E were filed against Kocaeli Metropolitan Municipality General Directorate of İSU for Kocaeli Asliye Commercial Court for the cancellation of accrual of pollution charges amounting to TL 1.587.697 and TL 732.559 accrued by the Kocaeli Metropolitan Municipality. Case no. 2016/455 E pollution detection is ongoing at field examinations and expert level. The case no 2015/445 is verdicted against the Company. Management of the Group requested appeal for the case 2015/445 E, the decision is expecting. Therefore cases that numbered 2016/455 E and 2015/445 E are treated as similar cases, (In case of trial no 2015/445 E, the first-instance court decided against the Group) management of the Groups have made provision TL 2.694.667 that includes principal and interest in the consolidated financial statements.

d) Ratio of the Collaterals, Pledges and Mortgages to Equity

The details of collaterals, pledges and mortgages received ("CPM") of the Group at 31 December 2017 and 2016 are as follows:

	Original Currency	31 December 2017		31 December 2016	
		Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
CPM Received	TRY	23.215.720	23.215.720	20.644.070	20.644.070
	EUR	11.810.000	53.328.055	4.885.000	18.122.862
	GBP	800.000	4.064.240	450.000	1.943.505
	USD	1.680.000	6.336.792	350.000	1.231.720
Total			86.944.807		41.942.157

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The details of collaterals, pledges and mortgages given ("CPM") of the Group at 31 December 2017 and 2016 are as follows:

	Original Currency	31 December 2017		31 December 2016	
		Original Amount	TRY Equivalent	Original Amount	TRY Equivalent
A. CPM given on behalf of the Company's legal personality Total amount					
	TRY	9.146.923	9.146.923	8.573.089	8.573.089
	USD	-	-	135.300	476.148
	Euro	75.000	338.662	5.212.500	19.337.854
B. CPM given for continuation of ordinary economic activities on behalf of third parties		-	-	-	-
C. Total amount of other CPM given Total amount					
i. Total amount of CPM given on behalf of the majority shareholder		-	-	-	-
ii. Total amount of CPM given to on behalf of other group companies which		-	-	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of B		-	-	-	-
Total			9.485.585		28.387.091

The ratio of other CPMS given by the Group to equity of the Group is 0% as of 31 December 2017 (2016: % 0).

NOTE 15 - COMMITMENTS

The Group's commitments at 31 December 2017 and 2016 are as follows:

a) Raw Materials Purchase Agreements

	31 December 2017	31 December 2016
In One Year	8.092.084	3.755.242
Toplam	8.092.084	3.755.242

b) Machinery and Equipment Purchase Agreements

	31 December 2017	31 December 2016
In One Year	8.131.260	447.593
Toplam	8.131.260	447.593

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c) Service Purchase Agreements

	31 December 2017	31 December 2016
In One Year	3.028.670	1.446.560
Total	3.028.670	1.446.560

NOTE 16 - EMPLOYEE BENEFITS**Short Term Provisions for Employee Benefits**

	31 December 2017	31 December 2016
Provision for Personnel Premiums	182.889	461.283
Provision for Personnel Unused Vacations	462.010	423.987
Total	644.899	885.270

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

	31 December 2017	31 December 2016
1 January	885.270	551.204
Provision Expense	644.899	885.270
Payment	(885.270)	(551.204)
Total	644.899	885.270

Long Term Provisions for Employee Benefits

	31 December 2017	31 December 2016
Provisions of Termination Benefits	8.638.813	7.930.046
Total	8.638.813	7.930.046

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

Under the Turkish Legislations, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). After the changes in legislation made on 23rd May 2002, certain transitional clauses relating to the length of the service prior to the retirement have been removed.

The amount payable consists of one month's salary limited to a maximum of TRY 4,732.48 (31 December 2016: TRY 4,297.21) for each period of service at 31 December 2017. The liability is not funded, as there is no funding requirement.

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Provision for termination benefits is calculated by estimating the present value of the contingent liability arising from the retirement of employees. CMB Financial Reporting Standards require to be developed actuarial valuation methods by the Group in order to estimate provision for termination benefit. Actuarial assumptions were used in the calculation of total liabilities are as follows:

	31 December 2017	31 December 2016
Discount Rate	3,69	2,30
Rate Used to Estimate the Probability of Retirement	97,41	97,10

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The amount payable consists of one month's salary limited to a maximum of TRY 5,001.76 for each period of service as of 1 January 2018 (1 January 2017: TRY 4,426.16). The maximum liability is revised semi-annually.

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

	31 December 2017	31 December 2016
1 January	7.930.046	5.385.355
Service Cost	999.695	2.221.530
Interest Cost	1.079.851	872.305
Actuarial Loss (NOTE 18)	245.367	610.955
Payments	(1.616.146)	(1.160.099)
Total	8.638.813	7.930.046

NOTE 17 - PREPAID EXPENSES AND OTHER CURRENT ASSETS**a) Short Term Prepaid Expenses**

	31 December 2017	31 December 2016
Advances Given	858.864	721.733
Prepaid Expenses*	2.269.936	509.843
Total	3.128.800	1.231.576

* Prepaid expenses contain insurance, maintenance and subscription expenses. Insurance policies of previous period were renewed in January 2016 but insurance policies of current year were renewed in January 2017.

c) Other Current Assets

	31 December 2017	31 December 2016
Other	248.294	1.262
Total	248.294	1.262

c) Long Term Prepaid Expenses

	31 December 2017	31 December 2016
Advances Given to Tangible and Intangible Assets	3.729.744	2.102.504
Total	3.729.744	2.102.504

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NOTE 18 - CAPITAL, RESERVES AND OTHER EQUITY ITEMS**a) Paid-in capital and adjustment to paid-in capital**

Kartonsan's shareholders and their respective shareholding ratios at 31 December 2017 and 2016 are as follows:

	31 December 2017	Share (%)	31 December 2016	Share (%)
Pak Holding A.Ş.	975.590	34,39	975.590	34,39
Asil Gıda ve Kimya San. ve Tic. A.Ş.	593.059	20,90	593.059	20,90
Pak Gıda Üretim ve Pazarlama A.Ş.	564.903	19,91	564.903	19,91
Oycan İthalat İhracat ve Ticaret A.Ş.	403	0,01	403	0,01
Other Shareholders (Public Share)	703.059	24,79	703.059	24,79
Paid-in Capital	2.837.014	100,00	2.837.014	100,00
Adjustment to Paid-in Capital	93.298.657		93.298.657	
Total	96.135.671		96.135.671	

The number of shares representing the Group's paid-in capital is in accordance with the Extraordinary General Assembly decision on 28 June 2006 which was registered on 5 July 2006 and published in the Trade Registry Gazette dated 10 July 2006 numbered 6595, the capital increase registered on 27 December 2007 and the capital increase due to business combination on 2 October 2007 is as follows:

In Accordance with the Company's Articles of Association

Number of Shares	283.701.421
Nominal Value of Each Share	0,01
Total Nominal Amount	2.837.014,21

200 of the shares representing the capital are Group A (Privileged) shares. Such shares have privileges in dividend distribution. In accordance with Article 25th of the Company's Articles of Association, dividend is distributed to Group A shareholders as 5% of the amount which is the net profit distributable as 1st dividend after 10% of the paid-in capital is deducted

b) Restricted Reserves

In accordance with the Turkish Commercial Code ("TCC"), the legal reserves consist of first and second reserves. The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

The reserves mentioned above must be classified in "Restrictive Reserves" in compliance with CMB Financial Reporting Standards. The details of restricted reserves as of 31 December 2017 and 31 December 2016 are as follows:

	31 December 2017	31 December 2016
Legal Reserves	25.413.825	24.379.750
Profit on Sale of Participation Shares and Real Estate Sale		
Exemptions to Be Added to Capital	2.315.343	2.315.343
Total	27.729.168	26.695.093

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c) Profit Distribution

In accordance with the decision taken at the meeting of Capital Markets Board (CMB) dated 27 January 2010 numbered 02/51, the decision taken in accordance with the ring of corporations operations in 2009 obtained from the distribution of profits based on the identification of, the shares traded public companies will be made for dividend distribution in any profit distribution is not required

in this context, the distribution of profits Communiqué Serial: II-19.1 Communiqué No, principles set forth in the Commercial Code, regulations, articles of association contained in the provisions and by companies that are publicly disclosed dividend policy in the framework is decided.

In accordance with the Turkish Commercial Code (TCC) numbered 6102, separate other capital reserves profit to be transferred to the next year, profit distribution to the board of directors association employees and persons outside shareholders must not be determined, if capital reserves and profit share specified in main agreement dividend distribution policy does not separates. In addition share of the profits will not be distributed to such persons if share of the profit specified for shareholders in dividend distribution policy does not pay in cash.

Total amount of dividends projected to be distributed may be distributed as long as net distributable profit in statutory statements and other liabilities meet. In other words upper limit of the amount of the dividend to be distributed is distributable amount of profit distribution liabilities in statutory statements. Equity inflation adjustment differences and the carrying amount of extraordinary reserves could have been utilised in issuing bonus shares cash dividend distribution and offsetting accumulated losses. However equity inflation adjustment differences are subject to corporate income tax when utilised in cash dividend distribution.

Total amount of the Group's net distributable profit and other liabilities may be subject to profit distribution as of 31 December 2017 is TRY 183.057.616 (31 December 2016: TRY 154.810.418). Total amount of the Group's other liabilities may be subject to profit distribution is limited to total amount of the Group's statutory statements. In the current year the Group realised a loss of TRY 41.432.998 Total amount of the Group's other liabilities may be subject to profit distribution in statutory statements as of 31 December 2017 is TRY 105.134.287 (31 December 2016: TRY 73.700.762). In calculation of the distributable profit equity inflation adjustment differences and profit on real estate sale exemption that will be added to capital have not been taken into consideration.

d) Other Comprehensive Income/Expense Not to Be Reclassified to Profit or Loss

The movement of the actuarial losses that are accounted for under equity is as follows:

	31 December 2017	31 December 2016
1 January	(1.335.578)	(846.814)
Actuarial Losses	(245.367)	(610.955)
Actuarial Losses- Tax Effect (NOTE 25)	50.594	122.191
Total	(1.530.351)	(1.335.578)

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NOTE 19 - SALES AND COST OF SALES

Sales	1 January - 31 December 2017	1 January - 31 December 2016
Domestic Sales	448.339.613	287.491.185
Foreign Sales	89.142.145	70.796.729
Other Sales	3.229.372	3.519.011
Sales Returns (-)	(1.290.410)	(1.861.601)
Sales Discounts (-)	(24.868.812)	(14.744.085)
Other Discounts (-)	(35.075.003)	(24.746.663)
Net Sales	479.476.905	320.454.576
Cost of Sales	1 January - 31 December 2017	1 January - 31 December 2016
Raw Materials and Supplies Expenses	(291.357.285)	(179.394.391)
General Production Overhead Expenses	(44.595.019)	(34.229.699)
Depreciation and Amortization	(25.110.895)	(25.744.217)
Employee Benefits	(25.250.015)	(25.814.526)
Change in Work-in Process and Finished Goods	9.875.403	(4.150.609)
Cost of Trade Goods Sold	(21.352.820)	(11.455.811)
Cost of Other Sales	(2.960.885)	(3.127.912)
Cost of Sales	(400.751.516)	(283.917.165)
Gross Profit	78.725.389	36.537.411

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NOTE 20 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES**a) General Administrative Expenses**

	1 January - 31 December 2017	1 January - 31 December 2016
Employee Benefits	(7.556.795)	(6.665.946)
Provisions of Termination Benefits	(2.079.545)	(3.093.834)
Outsourced Benefits and Services	(1.349.260)	(1.254.056)
Depreciation and Amortization	(206.535)	(389.974)
Taxes, Duties and Charges	(313.339)	(160.769)
Donation and Aid Expenses	(24.056)	(68.700)
Other Expenses	(1.740.317)	(1.550.426)
Total	(13.269.847)	(13.183.705)

b) Marketing Expenses

	1 January - 31 December 2017	1 January - 31 December 2016
Transportation Expenses	(15.124.874)	(11.400.194)
Employee Benefits	(2.042.899)	(1.714.915)
Export Expenses	(1.182.889)	(653.243)
Depreciation and Amortization Expenses	(268.420)	(279.067)
Other Expenses	(1.725.376)	(1.222.708)
Total	(20.344.458)	(15.270.127)

NOTE 21 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Raw Materials and Supplies Expenses	(291.357.285)	(179.394.391)
Outsourced Benefits and Services	(45.944.279)	(35.483.755)
Employee Benefits	(34.849.709)	(34.195.387)
Depreciation and Amortization	(25.585.850)	(26.413.258)
Change in Work-in Process and Finished Goods	9.875.403	(4.150.609)
Cost of Trade Goods Sold	(21.352.820)	(11.455.811)
Transportation Expenses	(15.124.874)	(11.400.194)
Cost of Other Sales	(2.960.885)	(3.127.912)
Provisions of Termination Benefits	(2.079.545)	(3.093.834)
Export Expenses	(1.182.889)	(653.243)
Taxes, Duties and Charges	(313.339)	(160.769)
Donation and Aid Expenses	(24.056)	(68.700)
Other Expenses	(3.465.693)	(2.773.134)
Total	(434.365.821)	(312.370.997)

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

<u>Other Income from Operating Activities</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Interest Eliminated from Sales	5.436.798	6.402.383
Foreign Exchange Gain (Trade Receivables and Payables)	7.757.363	3.615.980
Incentive, Premium ve Compensation Income	2.265.406	79.023
Provisions No Longer Required	2.364.914	132.774
Late Interest Income	67.707	434.826
Profit on Sales of Property, Plant and Equipment	502.157	223.589
Other	1.238.298	590.849
Total	19.632.643	11.479.424

<u>Other Expenses from Operating Activities</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Lawsuit Provisions	(2.694.667)	-
Tax and Penalty Payments Required by Constitution Law	-	(2.661.452)
Interest Eliminated from Purchases	(2.508.804)	(1.442.108)
Foreign Exchange Gain (Trade Receivables and Payables)	(3.108.273)	(2.935.671)
Tangible Assets Damage Costs	(454.006)	-
Other	(950.839)	(831.512)
Total	(9.716.589)	(7.870.743)

NOTE 23 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

<u>Income from Investing Activities</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Interest Income	1.655.599	297.698
Foreign Exchange Gain (Other than trade receivables and payables)	1.384.604	406.054
Profit on Sales of Property, Plant and Equipment	695.292	164.937
Total	3.735.495	868.689

<u>Expenses from Investing Activities</u>	<u>1 January - 31 December 2017</u>	<u>1 January - 31 December 2016</u>
Foreign Exchange Loss (Trade Receivables and Payables)	(1.040.502)	(557.064)
Total	(1.040.502)	(557.064)

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NOTE 24 - FINANCIAL EXPENSE

	1 January - 31 December 2017	1 January - 31 December 2016
Credit Card Commissions	(5.860.736)	(3.733.620)
Foreign Exchange Expenses	(3.691.000)	(2.168.000)
Interest Expense	(313.812)	(1.519.254)
Other	(112.475)	(165.764)
Total	(9.978.023)	(7.586.638)

NOTE 25 - TAXES ON INCOME (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2017	31 December 2016
Current Income Tax Payable	3.381.430	452.998
Less: Prepaid Taxes and Funds	(1.351.418)	(367.717)
Current Income Tax Liability	2.030.012	85.281

Tax expenses at the comprehensive income statement as of 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current Income Tax Expense (-)	(3.381.430)	(452.998)
Deferred Tax Income	(5.899.365)	(1.060.001)
Total Tax Expense	(9.280.795)	(1.512.999)

a) Corporate Income Tax

Corporate Income Tax Law numbered 5520 was published in the official gazette numbered dated 13 June 2006 and most clauses has come into effect from 1 January 2006. In Turkey, the corporation income tax rate of the fiscal year 2015 is 20% (The corporate tax rate will be 22% in 2018-2019 and 2020) (December 31, 2016: 20%).

Corporation income tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (such as participation exemption, investment discount exemption, etc.) and allowances (such as AR-GE allowances). No further tax is payable unless the profit is distributed.

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 15%. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Law No.6009 published on 1 August 2010 allows for unused investment allowances to be used in future periods without limitation. However, the determination of the tax base that can be used for 25% of the earnings for the period. 20% corporate tax is calculated on earnings after deducting investment incentives. The arrangements made with the Law No.6009 came into force in 1 August 2010 to be applied on income for the year 2010.

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The law was published in the Official Gazette on 30 December 2003, related to change in Tax Procedure Law, Income Tax Law and Corporate Tax Law ("Law No. 5024"), income and corporate taxpayers who determined earnings on the basis of the balance sheet are required to apply to the inflation adjustment for their financial statements starting from January 1, 2004. Accordance with the law, the cumulative inflation rate of the last 36 months must be 100% and the inflation rate of the last 12 months must exceed 10% in order to apply to inflation adjustment. After 2004, these conditions were not met, thus there has not been an inflation adjustment.

Corporations are required to pay advance corporation income tax quarterly at the rate of 20% on their corporate income. Advance tax is to be declared by the 14th day of the second month following each calendar quarter end and is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns by the 25th of the fourth month following the close of the financial year to which they relate.

The tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments within 5 years.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses can not be carried back to offset profits from previous periods.

Expected and actual tax expense reconciliations for the period between 1 January and 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Profit Before Tax	47.744.108	4.427.247
Tax Expense of the Group	(9.548.822)	(885.449)
Investment Incentive	595.911	(127)
Expenses Not Deductible for Tax Purposes	(169.467)	(630.851)
Effect of Changes in Discount Rate the Exception of Value Increase	(926.490)	-
Other	768.073	3.428
Total Tax (Expense)/Income	(9.280.795)	(1.512.999)

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b) Deferred Income Taxes

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities using principal tax rates as of 31 December 2017 and 31 December 2016 are as follows.

	Cumulative Temporary Differences		Deferred Income Tax Assets/(Liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Investment Incentive	(132.780.539)	(128.807.801)	19.917.081	19.321.170
Carry Forward Tax Losses	(305.241)	(30.448.026)	61.048	6.089.605
Provision for Employee Benefits	(8.638.813)	(7.930.046)	1.781.293	1.586.010
Inventories	97.442	(398.196)	(21.438)	79.639
Unearned Financial Income	(179.757)	(253.042)	39.547	50.608
Provision for Doubtful Receivables	(146.977)	(111.806)	29.396	22.361
Lawsuit Provision	(2.694.667)	-	592.827	-
Tangible and Intangible Assets	65.679.835	69.253.082	(11.713.324)	(11.071.148)
Other, net	(1.014.181)	(3.400.378)	223.120	680.076
Net			10.909.550	16.758.321

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

	31 December 2017	31 December 2016
1 January	16.758.321	17.696.131
Related with Income Statement	(5.899.365)	(1.060.001)
Actuarial Losses that Accounted for Under Equity (NOTE 18)	50.594	122.191
Total	10.909.550	16.758.321

NOTE 26 - EARNINGS PER SHARE

	1 January - 31 December 2017	1 January - 31 December 2016
Net Income for the Period	38.426.713	2.903.493
Weighted Average Number of Shares	2.837.014	2.837.014
Earnings per Share	13,54477	1,02343

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NOTE 27 - FINANCIAL INSTRUMENTS**a) Classification of Financial Instruments**

	31 December 2017	31 December 2016
Krediler ve alacaklar		
Cash and Cash Equivalents	33.866.079	15.150.104
Trade Receivables	56.630.987	44.643.124
Total	90.497.066	59.793.228

Financial Liabilities Valued by Effective Interest Rate

	31 December 2017	31 December 2016
Trade Payables	42.387.267	25.932.319
Borrowings	101.947	24.996.879
Total	42.489.214	50.929.198

b) Fair Value of Financial Instruments

Company has no fair value of financial asset and liability as of 31 December 2017 and 31 December 2016.

NOTE 28 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**28.1 Financial Risk Factors**

The Group is exposed to market risk (foreign currency exchange risk and interest rate risk), borrowing risk and liquidity risks because of its activities.

The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the group's financial performance.

a) Market Risk**aa) Foreign Currency Risk**

The Company is exposed to foreign exchange risk arising from foreign currency mainly USD and EUR. Foreign exchange risk arises from recorded assets and liabilities. The management analyses the group's foreign currency position and takes necessary precautions when needed.

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Foreign currency position tables at the end of reporting period 2017 and 2016 are as follows:

31 December 2017

	TRY Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	23,238.711	170.563	4.758.192	218.441
2a. Monetary Financial Assets	11.412.620	439.762	2.149.685	9.251
2b. Non-Monetary Financial Assets				-
3. Other	3.922.429	47.806	828.726	-
4. Total Current Assets (1+2+3)	38.573.760	658.131	7.736.603	227.692
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	3.387.807	820.356	65.000	-
8. Total Non-Current Assets (5+6+7)	3.387.807	820.356	65.000	-
9. Total Asset (4+8)	41.961.567	1.478.487	7.801.603	227.692
10. Trade Payables	23.165.725	2.575.675	2.913.968	49.171
11. Financial Liabilities	101.947	-	22.536	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	23.267.672	2.575.675	2.936.504	49.171
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)	23.267.672	2.575.675	2.936.504	49.171
19. Net Asset/Liability position of/off-the balance sheet derivatives (19a-19b)				
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	18.693.895	(1.097.188)	4.865.099	178.521
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	18.693.895	(1.097.188)	4.865.099	178.521
22. Fair value of financial derivate used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated asset	-	-	-	-
23. Hedged portion of foreign currency denominated liabilities	-	-	-	-
23. Exports	95.382.452	4.585.454	17.915.152	2.006.779
24. Imports	102.443.654	7.519.096	17.981.948	139

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31 December 2016

	TRY Equivalent (Functional currency)	USD	EUR	Other
1. Trade Receivables	14.878.393	944.398	2.876.272	204.724
2a. Monetary Financial Assets	8.891.923	30.717	2.349.605	15.521
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	2.059.246	14.146	541.649	-
4. Total Current Assets (1+2+3)	25.829.562	989.261	5.767.526	220.245
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	2.102.504	597.438	-	-
8. Total Non-Current Assets (5+6+7)	2.102.504	597.438	-	-
9. Total Asset (4+8)	27.932.066	1.586.699	5.767.526	220.245
10. Trade Payables	10.950.201	1.673.722	1.334.555	20.612
11. Financial Liabilities	18.583.000	-	5.000.000	-
12a. Other Monetary Liabilities	-	-	-	-
12b. Other Non-Monetary Liabilities	-	-	-	-
13. Total Current Liabilities (10+11+12)	29.533.201	1.673.722	6.334.555	20.612
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-
16b. Other Non-Monetary Liabilities.	-	-	-	-
17. Total Non-Current Liabilities (14+15+16)	-	-	-	-
18. Total Liabilities (13+17)	29.533.201	1.673.722	6.334.555	20.612
19. Net Asset/Liability position of/off-the balance sheet derivatives (19a-19b)	-	-	-	-
19a. Total Hedged Assets	-	-	-	-
19b. Total Hedged Liabilities	-	-	-	-
20. Net Foreign Exchange Asset/(Liability) Position (9-18+19)	(1.601.135)	(87.023)	(567.029)	199.633
21. Net Asset/(Liability) Position of Monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	(1.601.135)	(87.023)	(567.029)	199.633
22. Fair value of financial derivate used in hedging	-	-	-	-
23. Hedged portion of foreign currency denominated assets	-	-	-	-
24. Hedged portion of foreign currency denominated liabilities	-	-	-	-
25. Exports	68.504.354	18.603.026	46.996.362	2.904.966
26. Imports	44.925.703	12.624.368	32.301.335	-

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Foreign currency sensitivity analysis tables at the end of reporting period 2017 and 2016 are as follows:

	31 December 2017			
	Gain/(Loss)		Equity	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TRY by 10%:				
1. Net Asset/Liability in USD	(415.600)	415.600	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	(415.600)	415.600	-	-
If EUR appreciated/(depreciated) against TRY by 10%:				
4. Net Asset/(Liability) in EUR	2.194.426	(2.194.426)	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	2.194.426	(2.194.426)	-	-
If other foreign currencies appreciated (Depreciated) against TRY by 10%				
7. Net Asset/(Liability) in other foreign currencies	90.564	(90.564)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	90.564	(90.564)	-	-
Total (3+6+9)	1.869.390	(1.869.390)	-	-

	31 December 2016			
	Kâr/(zarar)		Özkaynaklar	
	Appreciation of Foreign Currency	Depreciation of Foreign Currency	Appreciation of Foreign Currency	Depreciation of Foreign Currency
If USD appreciated/(depreciated) against TRY by 10%:				
1. Net Asset/Liability in USD	(31.692)	31.692	-	-
2. Hedged amount (-)	-	-	-	-
3. Net Effect-of USD (1+2)	(31.692)	31.692	-	-
If EUR appreciated/(depreciated) against TRY by 10%:				
4. Net Asset/(Liability) in EUR	(214.594)	214.594	-	-
5. Hedged amount (-)	-	-	-	-
6. Net Effect-of EUR (4+5)	(214.594)	214.594	-	-
If other foreign currencies appreciated (Depreciated) against TRY by 10%				
7. Net Asset/(Liability) in other foreign currencies	86.173	(86.173)	-	-
8. Hedged amount (-)	-	-	-	-
9 Net Effect-of Other Foreign Currencies (7+8)	86.173	(86.173)	-	-
Total (3+6+9)	(160.113)	160.113	-	-

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a) Interest Rate Risk

None.

b) Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk mainly arises from trade receivables. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the financial position of customers is reviewed taking into consideration of the historical experiences and other factors. Ongoing credit evaluation is performed on the financial condition of accounts receivable based on the group policies and procedures and, where appropriate, doubtful provision is booked and net position is disclosed on the balance sheet.

31 December 2017	Trade Receivables		Other Receivables		Deposits at Bank	Total
	Related Parties	Other	Related Parties	Other		
Maximum credit risk exposure at the reporting date (A+B+C+D) ⁽¹⁾	4.472.469	52.158.518	-	743.757	33.755.965	91.130.709
- <i>Secured portion of the maximum risk by guarantees</i>	-	<i>34.095.262</i>	-	-	-	<i>34.095.262</i>
A. Net book value of financial assets not due not impaired	4.472.469	28.128.104	-	743.757	33.755.965	67.100.295
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	24.030.414	-	-	-	24.030.414
C. Net book value of impaired assets	-	-	-	-	-	-
- <i>Past due (gross book value)</i>	-	<i>1.138.585</i>	-	-	-	<i>1.138.585</i>
- <i>Impairment (-)</i>	-	<i>(1.138.585)</i>	-	-	-	<i>(1.138.585)</i>
- <i>Portion of the net value with guarantees</i>	-	-	-	-	-	-
- <i>Not Due (gross book value)</i>	-	-	-	-	-	-
- <i>Impairment (-)</i>	-	-	-	-	-	-
- <i>Portion of the net value with guarantees</i>	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

⁽¹⁾ The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

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31 December 2016	Trade Receivables		Other Receivables		Deposits at Bank	Total
	Related Parties	Other	Related Parties	Other		
Maximum credit risk exposure at the reporting date (A+B+C+D) ^(*)	720.923	43.922.201	-	2.078.462	15.046.890	61.768.476
- Secured portion of the maximum risk by guarantees	-	21.126.212	-	-	-	21.126.212
A. Net book value of financial assets not due not impaired	720.923	24.138.930	-	2.078.462	15.046.890	41.985.205
B. Net book value of financial assets whose terms are renegotiated, otherwise that would be past due or impaired	-	19.783.271	-	-	-	19.783.271
C. Net book value of impaired assets	-	-	-	-	-	-
- Past due (gross book value)	-	1.156.407	-	-	-	1.156.407
- Impairment (-)	-	(1.156.407)	-	-	-	(1.156.407)
- Portion of the net value with guarantees	-	-	-	-	-	-
- Not Due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Portion of the net value with guarantees	-	-	-	-	-	-
D. Off-balance sheet items with credit risk	-	-	-	-	-	-

^(*) The factors that increase in credit reliability such as guarantees received (mortgages) are not considered in the balance.

Trade receivables amounted to TRY 24.030.414 is overdue but not impaired as of 31 December 2017 (31 December 2016: TRY 19.783.271). Trade receivables consists of independent receivables pays their past debts without delay Also receivables of TRY 1.994.759 (31 December 2016: TRY 4.415.733) were secured. The maturity analysis of the assets which are past due but not impaired is as follows:

	31 December 2017	31 December 2016
Past due by 1-30 Days	22.697.968	17.126.487
Past due by 1-3 Months	1.332.446	2.343.614
Past due by 3-12 Months	-	313.170
Past due by 1-5 Years	-	-
Past due by over 5 Years	-	-
Total	24.030.414	19.783.271

c) Liquidity Risk

Liquidity risk comprises the risks arising from the inability to fund the increase in the assets, the inability to cover the liabilities due and the operations performed in illiquid In the framework of liquidity risk management, funding sources are being diversified, and sufficient cash and cash equivalents are held.

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Analysis that shows the due dates of the non-derivative financial liabilities at the balance sheet as of 31 December 2016 and 2015 are as follows:

31 December 2017	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	Over 5 Years (IV)
Non-Derivative Financial Liabilities:						
Bank Loans	-	-	-	-	-	-
Financial Borrowings	101.947	107.156	107.156	-	-	-
Trade Payables	42.387.267	42.584.887	42.584.887	-	-	-
Payables for Employee Benefits	323.402	323.402	323.402	-	-	-
Other Payables	4.126.253	4.126.253	4.126.253	-	-	-
Total	46.938.869	47.141.698	47.141.698	-	-	-

31 Aralık 2016	Book Value	Total Contractual Cash Outflow (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	Over 5 Years (IV)
Non-Derivative Financial Liabilities:						
Bank Loans	18.569.879	18.586.747	18.586.747	-	-	-
Financial Borrowings	6.427.000	6.427.000	-	6.427.000	-	-
Trade Payables	25.932.319	26.091.409	26.091.409	-	-	-
Payables for Employee Benefits	246.864	246.864	246.864	-	-	-
Other Payables	3.750.194	3.750.194	3.750.194	-	-	-
Total	54.926.256	55.102.214	48.675.214	6.427.000	-	-

28.2 Capital Risk Management

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

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

The Group controls its capital using the net debt/total capital ratio. This ratio is calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing and trade payables as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders' equity plus the net debt amount as presented in the balance sheet.

As of 31 December 2016 and 2015 net debt/total capital ratio is as follows:

	31 December 2017	31 December 2016
Total Liabilities	62.602.364	67.464.385
Less: Cash and Cash Equivalents (NOTE 4)	(33.866.079)	(15.150.104)
Total Liabilities	28.736.285	52.314.281
Total Shareholders' Equity	312.963.081	283.849.975
Total Capital	341.699.366	336.164.256
Net Debt/Total Capital Ratio	%8,41	%15,56

NOTE 29 - EVENTS AFTER BALANCE SHEET DATE

None.

2017 Profit Distribution Table

KARTONSAN KARTON SANAYİ VE TİCARET A.Ş. 2017 PROFIT DISTRIBUTION TABLE

Based on the statements provided in the Article No: 25 of the Company's Articles of Association, the profit distribution proposal for 2017 is presented at the table below for your examination and approval.

1 -	Paid-in/Issued Capital		2,837,014.21
2 -	General Legal Reserves (According to Legal Records)		2,593,834.25
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation		5% of the remaining profit after legal reserves and 10% of the paid-in capital are deducted from the net profit is distributed to the (Group A) privileged shareholders.	
		According to CMB	According to Legal Records (LR)
3 -	Profit for the Period	47,744,108.00	43,331,465.24
4 -	Taxes (-)	9,280,795.00	1,898,466.83
5 -	Net Profit for the Period ⁽¹⁾	38,426,713.00	41,432,998.41
6 -	Losses in Prior Years (-)	0.00	0.00
7 -	General Legal Reserves (-)	0.00	0.00
8 -	NET DISTRIBUTABLE PROFIT FOR THE PERIOD	38,426,713.00	41,432,998.41
9 -	Donations during the Year (+)	132,262.00	
10 -	Net Distributable Profit for the Period Including Donations	38,558,975.00	
11 -	First Dividend to Shareholders	1,927,948.75	
	Cash	1,927,948.75	
	Bonus Shares	0	
	Total	1,927,948.75	
12 -	Dividends Distributed to Owners of Privileged Shares	1,913,763.68	
13 -	Other Dividends Distributed	1,913,763.68	
	To the Members of the Board of Directors	1,913,763.68	
14 -	Dividends Distributed to Owners of Redeemed Shares	0	
15 -	Second Dividend to Shareholders	12,439,237.59	
16 -	General Legal Reserves	1,805,286.30	
17 -	Statutory Reserves		
18 -	Special Reserves		
19 -	EXTRAORDINARY RESERVES (2)	18,426,713.00	21,432,998.41
20 -	Other Resources to be Distributed	0.00	0.00

⁽¹⁾ Net period profit is TL 38,463,313 (47,744,108-9,280,795) of which amount TL 36,600 belongs to the non-controlling shares; thus, the net profit that belongs to the parent company, TL 38,426,713 is taken into consideration.

RATIO OF DIVIDENDS TABLE

	GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
GROSS	A	1,913,773.81		4.98032	956,886.9041926	95,688,690.42%
	B	14,367,176.21		37.38851	5.0641926	506.42%
	TOTAL	16,280,950.02				

	GROUP	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
		CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	A	1,626,707.74		4.23327	813,353.8685637	81,335,386.86%
	B	12,212,099.78		31.78024	4.3045637	430.46%
	TOTAL	13,838,807.52				

Other Disclosures Required by the Regulations

1) GENERAL INFORMATION

a) The Company's Field of Activity

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

Head Office:

Prof. Dr. Bülent Tarcan Cad. Engin Pak İş Merk. (Pak Business Center) No: 5 Kat: 3 Gayrettepe/Beşiktaş/İSTANBUL
Tel: (0-212) 273 20 00 Fax: (0-212) 273 21 70 Website: www.kartonsan.com.tr

Factory:

Yaylacık Mahallesi, Karamürsel Caddesi, No: 300 41140 Kullar/Başiskele/KOCAELI
Tel: (0-262) 349 61 50 Fax: (0-262) 349 33 00

Sales Office:

Mareşal Fevzi Çakmak Cad. No: 1 Sefaköy/İSTANBUL
Tel: (0-212) 598 95 35 Fax: (0-212) 598 95 36

Tax Office	: Large Taxpayers
Tax Registration No	: 5260057491
Trade Registration No	: 95869/41270
Central Registration System No	: 0526005749100010
Company's Paid-in Capital	: TL 2,837,014.21
Company's Paid-in Capital	: 283,701,421 Shares
Shares Representing Company's Paid-in Capital	:
A Type Shares	: 200 Shares
B Type Shares	: 283,701,221 Shares

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

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

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

Title of Shareholder	31.12.2017 Number of Shares	31.12.2017 Stake (%)	31.12.2016 Number of Shares	31.12.2016 Stake (%)
Pak Holding A.Ş.	975,590	34.39	975,590	34.39
Asil Gıda ve Kimya San. ve Tic. A.Ş.	593,059	20.90	593,059	20.90
Pak Gıda Üretim ve Pazarlama A.Ş.	564,903	19.91	564,903	19.91
Oycan İthalat İhracat ve Ticaret A.Ş.	403	0.01	403	0.01
Other Shareholders (Free Float)	703,059	24.79	703,059	24.79
Total Capital	2,837,014	100.00	2,837,014	100.00

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

Other Disclosures Required by the Regulations

In accordance with the relevant articles of the Articles of Association of the Company, the regulations concerning the Board of Directors and Audit Committee are as follows:

Board of Directors

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

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

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

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

The Duties and Authorities of the Board of Directors and Transfer of these Rights

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

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

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

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

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

Article: 9/A- Canceled

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

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

Meetings of the Board of Directors

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

Other Disclosures Required by the Regulations

Financial Rights of Board Members

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

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

Auditors

Article 13- The General Assembly elects either one or two auditors for a period of one year. The Company complies with Turkish Commercial Code, Capital Markets Law, Capital Market Board and related legislation for following issues: electing auditors, auditors' tenure, their duty, authorization and responsibility, registration operations and other issues related to auditor.

Compensation of Auditors

Article: 14- The Auditors receive monthly or annual compensation as determined by the General Assembly.

The Company's Annual General Meeting relating to the 2016 fiscal year activities was held on 30 March 2017. In the Annual General Meeting, each of the individuals that were appointed to serve for one year as Members of the Board of Directors and Independent Auditors are listed below.

The information regarding Members of the Board of Directors, Audit Committee and Independent Auditor who served duty during the fiscal period and appointed within the fiscal period are shown below.

BOARD OF DIRECTORS

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ünal Bozkurt	Chairman of the Board of Directors	29.03.2016	30.03.2017	30.03.2017	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	29.03.2016	30.03.2017	30.03.2017	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	29.03.2016	30.03.2017	30.03.2017	1 Year
Sinan Ercan Gülçur	Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Babür Gökçek	Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Mehmet İmregün	Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Hatice Canan Pak İmregün	Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Ali Ersin Güredin	Independent Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Tamer Koçel	Independent Board Member	29.03.2016	30.03.2017	30.03.2017	1 Year
Haluk İber	Board Member and General Manager	29.03.2016	30.03.2017	30.03.2017	1 Year

The Board of Directors held 19 meetings in the year ending 31.12.2017. All decisions taken during the year were put in force.

Name Surname	Title	Term of Office Beginning	Term of Office End	Appointment	Term of Office
Gürel Yeminli Mali Müşavirlik ve Bağımsız Denetim Hizmetleri A.Ş.	Independent Auditor	01.01.2017	31.12.2017	30.03.2017	01.01.2017-31.12.2017

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

Other Disclosures Required by the Regulations

AUDIT COMMITTEE

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President of the Audit Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Tamer Koçel	Member of the Audit Committee	13.04.2016	11.04.2017	11.04.2017	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Tamer Koçel	President of the Corporate Governance Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Aslı Balkır	Member of the Corporate Governance Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Süleyman Kaya	Member of the Corporate Governance Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Bülent Yılmaz	Member of the Corporate Governance Committee*	13.04.2016	11.04.2017	11.04.2017	1 Year

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

THE EARLY DETECTION OF RISK COMMITTEE

Name Surname	Title	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President of the Risk Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Mehmet İmregün	Member of the Risk Committee	13.04.2016	11.04.2017	11.04.2017	1 Year
Sinan Ercan Gülçur	Member of the Risk Committee	13.04.2016	11.04.2017	11.04.2017	1 Year

c) Information on Affiliates and Subsidiaries:

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

Selka İç ve Dış Ticaret A.Ş.

Shareholder Name/Title	Number of Shares	Stake (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	1,242,088.75	99.37
Other Natural and Legal Partners	7,911.25	0.63
TOTAL	1,250,000.00	100

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

Shareholder Name/Title	Number of Shares	Stake (%)
Kartonsan Karton Sanayi ve Ticaret A.Ş.	93,152	100
TOTAL	93,152	100

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

Other Disclosures Required by the Regulations

2) MARKET PROFILE, OPERATIONS AND EXPECTATIONS

a) Market Profile and Implemented Sales Policies

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

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

b) Investment and Dividend Policies

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

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

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

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

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

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

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

The dividend distribution takes place within the legal term.

Unless a resolution to the contrary is taken at the General Assembly, the Company shall continue to distribute dividends by striking a balance between the possible expectations of the shareholders and the Company's growth strategies.

Our Company decided to revise its Dividend Policies in 2014 to comply with Capital Market Legislation and announced revised policies to the public as indicated below. The dividend policy which will be applied in 2014 and beyond is presented below.

Other Disclosures Required by the Regulations

Dividend Policy

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

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

Principles Regarding Calculation, Payment Method and Distribution of Dividend

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

- a) The dividend is distributed to all shareholders equally with respect to their shares as of dividend distribution date without considering issue and acquisition dates (Rights related to A group shares' privileges mentioned in the Company's articles of association are reserved).
- b) It is a policy to distribute the dividend in cash with one installment depending on the decision taken in the Annual General Meeting in which dividend distribution is determined. However, the decision to carry out the payment through installments or bonus shares may be taken in the general meeting in line with the proposal of the Board of Directors on the condition that it is in line with Capital Market Legislation, the Turkish Commercial Code, the Capital Market Board's principles for dividend distribution and the principles of capital increases.
- c) The dividend is calculated in accordance with article 25 of the company's articles of association. The dividend is distributed by the end of the fiscal period in which general meeting is held and the dividend distribution decision is taken.

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

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

- a) A 5% legal capital reserve is set aside until reaching 1/5 of the paid-in capital.
- b) First dividend is set aside and distributed from the remaining part at the amount determined by the Capital Market Board.
- c) The following amounts are set aside after deducting 10% of the paid-in capital from the amount used as a basis for the first dividend, once the 5% capital reserve is set aside and the first dividend amount is distributed:
 - i) 5% to (A) type bearer shareholders,
 - ii) The remaining part to the Board of Directors, excluding independent members. This amount is determined in the Annual General Meeting.

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

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

3) FINANCIAL RESOURCES AND RISK MANAGEMENT POLICIES

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

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

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

4) FORECASTS REGARDING THE DEVELOPMENT OF OPERATIONS

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

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

The Company operates in the coated cardboard sector. Recycled paper is main raw material in production, with small amounts of cellulose and other coated chemicals are also used. Most of the cardboard is used as packing materials in the food, pharmacy, cosmetics and detergent sectors.

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

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

Other Disclosures Required by the Regulations

6) DEVELOPMENTS ON INVESTMENTS AND INCENTIVE UTILIZATION

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

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

The Company produces coated cardboard at its factory in Kullar, Kocaeli and generates the electricity required by the plant under an electricity generation license. The Company's theoretical annual coated cardboard production capacity is calculated to be approximately 250,000 tons (31.12.2016: 250,000 tons per annum). Production and sales volumes for 2017 and 2016 are presented below. As of 31 December 2017, the net capacity utilization ratio stood at approximately 85% (31 December 2016: 82%).

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

	31 December 2017	31 December 2016
Net Production Volume		
Coated Cardboard (Tons)	210,861	203,957
Electricity Production (x1,000 Kwh)	146,913	141,746

8) INFORMATION RELATED TO SALES

A comparison of the Company's consolidated sales volumes for the years 2017 and 2016 is set out below:

	31 December 2017	31 December 2016
Sales Volume		
Coated Cardboard (Tons)	237,952	209,126
Electricity (x1,000 Kwh)	19,225	21,855
Scrap Paper (Tons)	4,154	3,610

Consolidated net sales figure of the Company amounted to TL 479,476,905 in 2016 compared to TL 320,454,576 in 2016.

Other Disclosures Required by the Regulations

9) FINANCIAL RATIOS RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

LIQUIDITY RATIOS		31 December 2017	31 December 2016
Current Ratio	Current Assets/Short Term Liabilities	3.17	2.24
Acid Test Ratio	(Current Assets-Inventories)/Short Term Liabilities	1.81	1.13
Inventories/Current Assets	Inventories/Current Assets	0.43	0.49
Working Capital	Current Assets (excluding Cash and Liquid) - Short Term Liabilities (Excluding Financial Loans)	83,282,886	80,633,589
Cash Ratio	(Cash and Liquid Assets)/Short Term Liabilities	0.63	0.26

FINANCIAL STRUCTURE RATIOS

Financial Leverage	(Short Term + Long Term Liabilities)/Total Assets	0.17	0.19
Total Liabilities/Shareholders' Equity		0.2	0.24
Short Term Liabilities/Shareholders' Equity		0.17	0.20
Long Term Liabilities/Shareholders' Equity		0.03	0.04
Fixed Assets/Shareholders' Equity		0.65	0.79
Financial Borrowing/Shareholders' Equity		-	0.09

PROFITABILITY RATIOS

Asset Turnover Ratio	Net Sales/Total Assets	1.28	0.91
Gross Profit Margin	Gross Profit/Net Sales	0.16	0.11
Return on Assets	Net Profit/Total Assets	0.1	0.01
Net Profit/Net Sales		0.08	0.01
Profit Before Tax/Net Sales		0.1	0.01
Return on Equity		0.123	0.010
Operating Profit/Sales Revenues		0.11	0.04
Earnings per Share		13.54	1.02
Cash Assets		33,866,079	15,150,104
Financial Liabilities		101,947	24,996,879
Net Financial Position		33,764,132	(9,846,775)
Trade Receivables		56,630,987	44,643,124
Other Receivables		743,757	2,078,462
Inventories		73,184,935	63,257,774
Trade Payables		42,387,267	25,932,319
Other Payables		4,449,655	3,997,058

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

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

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

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

Other Disclosures Required by the Regulations

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

The Company employed 313 individuals, except for personnel of contractor firms, as of 31 December 2015 (31 December 2016: 320 individuals).

Workers employed at the Company's factory are members of the Selülöz-İş trade union. The Company signs collective labor agreement with the authorized labor union for a 2-year period. All rights and benefits outlined in detail in collective labor agreements were offered to workers in their entirety. A collective labor agreement covering the period of 1 September 2016 - 31 August 2018 was signed in 6 March 2017.

12) INFORMATION ON DONATIONS DURING THE YEAR

The Company undertakes contributions to foundations, associations and schools active in the fields of sport, education and culture. In the Annual General Meeting held in 2017, the upper limit for donations was set at TL 750,000 (2016: TL 750,000).

Details of the donations and assistance provided by the Company in 2017 are as follows:

Donations (TL)	31 December 2017	31 December 2016
Donations to Foundations and Associations (In the field of education, sports and culture)	50,411	171,214
Donations to Universities, High Schools and Primary Schools	13,806	0
Social Donations	68,045	50,000
Total	132,262	221,214

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

The Company is audited by the Audit Committee and an Independent Auditor, and all transactions and activities are checked for compliance with legislation and the Company's policies. The Early Detection of Risk Committee was formed in 2013 and started to operate. The Committee held 6 meetings within 2017 and presented the report which it had prepared to the Board of Directors. Explanations concerning financial risks are provided in the footnotes to the financial statements. Early Detection of Risk Committee submitted the report regarding 2017 that they prepared to the Board of Directors.

14) INFORMATION CONCERNING RESEARCH AND DEVELOPMENT ACTIVITIES

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

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

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

16) RELATED PARTY TRANSACTIONS

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

Other Disclosures Required by the Regulations

17) DISCLOSURE POLICY

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

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

THE COMPANY DISCLOSURE POLICY

Objective

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

I- DISCLOSURE POLICY METHODS AND INSTRUMENTS

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

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

II- PRINCIPLES REGARDING MATERIAL EVENT DISCLOSURES TO THE PUBLIC

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

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

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

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

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

IV- PRINCIPLES REGARDING THE DISCLOSURE OF FUTURE EXPECTATIONS

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

Evaluations regarding the Company's future are disclosed to the public, at most 4 times each year, by the Company management. These announcements can be made in annual reports which are disclosed within the context of Capital Market Board's regulations regarding financial statements or in presentations undertaken with the purpose of informing investors, on the condition that they should be announced in the Public Disclosure Platform (KAP). Additional explanations are provided within the context of Capital Market Legislation if there is an important change in evaluations concerning the future, or there is important deviation from the realizations or previously announced points. This additional explanation also includes any reasons for these changes. Annual reports and announcements prepared within the scope of this article are announced on the Company's website on the first business day following the date of the announcement.

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

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

Other Disclosures Required by the Regulations

V- INDIVIDUALS WITH ADMINISTRATIVE RESPONSIBILITY AND THEIR RIGHTS

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

- a) Board Members,
- b) Individuals who may regularly access insider information directly or indirectly, and who hold authority to take decisions that will affect the Company's development and commercial targets in the future, even if they are not Board Members,
- c) Individuals who are closely related to a person who holds administrative responsibility,
 - c1) The wife and children of individuals who hold administrative responsibility, and those who reside in the same home as individuals who hold administrative responsibility,
 - c2) Individuals who hold administrative responsibility or individuals whose administrative responsibilities are undertaken by individuals mentioned in section c1, or legal entities, corporations, institutions and/or partnerships which are controlled by these individuals directly or indirectly; or entities, corporations, institutions or and partnerships that are established for the benefit of these individuals or entities, corporations, institutions and/or partnerships whose economic interest are the same as those of these individuals,
 - c3) Board Members of affiliated companies which comprise 10% or more of the Company's total assets as set out in the latest annual financial statements that are prepared according to Capital Market Legislation and individuals who have regular access to insider information, either directly or indirectly, and who hold authority to take administrative decisions which affect the Company's development in the future and its commercial goals, even if they are not Board Members.

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

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

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

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

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

VII- MEETINGS TO INFORM INVESTORS AND OTHER ISSUES

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

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

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

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

Other Disclosures Required by the Regulations

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

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

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

18) CORPORATE GOVERNANCE

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

SECTION I - CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE STATEMENT

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

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

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

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

SECTION II - SHAREHOLDERS

2.1. Investor Relations Unit

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

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

The Investor Relations Unit received 40 inquiries from investors during 2016 by e-mail and telephone. Responses to enquiries were given through e-mail and verbal communication.

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

Information Requests	Total	% Share
Information Concerning the Capital Increase and Registered Capital Ceiling	23	58%
Information Concerning the Financial Statements	6	15%
Reasons Behind Increase and Decreases in the Share Price	4	10%
Information on Dividend Payouts	4	10%
Information on the General Assembly and Shareholding Rights	3	7%
	40	100%

In 2016, most of the inquiries made by shareholders were concerned with net earnings, share price performance, the increase in the registered capital ceiling and the increase in capital. The remaining questions were concerned with financial statements and dividend distribution. The written and verbal questions forwarded to the Investor Relations Unit by shareholders in accordance with the Capital Markets Board legislation, cannot be answered in case the relevant information was not disclosed to the public. On the other hand, if it is disclosed to the public, the information is made accessible to shareholders.

Material Disclosure to the Public Disclosure Platform (KAP) is used as a general disclosure method. Material disclosures were included simultaneously on our website and the e-company platform of the Central Registry Agency of Turkey. During 2017, 15 material disclosures were carried out.

2.2. Exercise of Shareholders' Right to Information

In accordance with the Capital Markets Board's communiqué, the Company ensured that shareholders, stakeholders and the public would be informed through material disclosures sent to Public Disclosure Platform (KAP). These are also published on the Company's website (www.kartonsan.com.tr/tr/icerik.php?bolum=yatirimci&sira=18).

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

Other Disclosures Required by the Regulations

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

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

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

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

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

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

2.3. General Assembly Meetings

The Ordinary General Assembly for the 2016 fiscal year was simultaneously held physically and electronically on 30 March 2017. Media was not involved in the meeting. Partners, stakeholders and shareholders also attended the meeting. The General Assembly Meeting was held both physically and electronically with a quorum of 75.41%, which was achieved through representation of 213,611,785.- shares with a total nominal value of TL 2,139,351.21 out of a total of 213,935,121.- shares. Since the Company's Articles of Association do not provide for a special meeting quorum for the General Assembly Meeting, the meeting and resolution quorums were determined according to the provisions of the Turkish Commercial Code. The invitations for the meeting, including the agenda, were made within due time as stipulated by the law and the Company's Articles of Association, by being promulgated at least 21 days in advance of the general assembly meeting in the Turkish Trade Registry Gazette issue 9272 dated 27 February 2017, in the Milliyet and Dünya dailies dated 02 March 2017, and were posted on the Company's website (www.kartonsan.com.tr), Public Disclosure Platform (KAP), and Electronic General Meeting System of the Central Registry Agency (EGKS). Since the Company does not have registered shares, there was no special invitation form concerning any such shareholders.

The invitation declarations described the location, date and hour of the General Assembly Meeting, power of attorney samples for by proxy attendants in the Meeting, required points for attending the meeting, financial statements for the year 2016, and the date and location of the disclosure of reports by the Board of Directors, Independent Auditors. Furthermore, General Assembly documents together with the other documents prepared in accordance with the corporate governance principles were declared for the attention of investors in a special section on the corporate website. Such documents were presented to the examination of the shareholders 15 days prior to the General Assembly Meeting. The shareholders expressed their opinions and requests. Questions verbally directed by the shareholders in the meeting were responded to during the course of the meeting by the concerned individuals who were given

Other Disclosures Required by the Regulations

the platform by the meeting chair. The shareholders did not submit any written questions during the meeting. Therefore, any written response was not issued by Investor Relations Unit.

The shareholders did not request special auditor within the period.

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

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

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

Participants and minutes of general meetings are available at the Company's website (www.kartonsan.com.tr), the Central Registry Agency of Turkey's e-company application and the Public Disclosure Platform (KAP). They are open for the examination of shareholders.

2.4. Voting Rights and Minority Rights

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

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

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

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

2.5. Dividend Rights

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

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

In the General Assembly Meeting held on 30 March 2016, it is decided that cash gross dividends would be distributed on 31 May 2017.

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

2.6. Transfer of Shares

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

Other Disclosures Required by the Regulations

SECTION III - PUBLIC DISCLOSURE AND TRANSPARENCY

3.1. The Company Website and Its Content

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

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

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

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

3.2. Annual Report

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

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

The annual reports prepared by the Company also provide information on the outside activities of Board members and managers, and declarations of the Board members concerning their independence.

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

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

SECTION IV - STAKEHOLDERS

4.1. Informing Stakeholders

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

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

Protecting stakeholder rights with respect to the Company's activities and informing stakeholders concerning the Company policies and procedures are fundamental principles for the Company. For this purpose, providing information for shareholders, employees, suppliers, customers and public is carried out within the framework of Company disclosure policy. The Company's disclosure policy can be reached via the website (www.kartonsan.com.tr), through the e-company application of Central Registry Agency (<https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/sirketbilgileri/10916>) and through KAP Platform.

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

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

Other Disclosures Required by the Regulations

4.2. Stakeholders' Participation in the Management

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

4.3. Human Resources Policy

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

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

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

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

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

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

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

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

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

Other Disclosures Required by the Regulations

4.4. Code of Ethics and Social Responsibility

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

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

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

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

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

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

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

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

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

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

SECTION V - BOARD OF DIRECTORS

5.1. The Structure and Composition of Board of Directors

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

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

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

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

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

Other Disclosures Required by the Regulations

BOARD OF DIRECTORS

Name Surname	Title	Positions Outside the Company	In/Out of Group	Beginning	Term of Office	End	Re-Appointment
Ünal Bozkurt	Chairman of the Board of Directors	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Aslı Balkır	Vice Chairman of the Board of Directors	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Süleyman Kaya	Vice Chairman of the Board of Directors	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Sinan Ercan Gülçur	Board Member	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Babür Gökçek	Board Member	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Mehmet İmregün	Board Member	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Hatice Canan Pak İmregün	Board Member	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Ali Ersin Güredin	Independent Board Member	Academician	Out-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Tamer Koçel	Independent Board Member	Academician	Out-Group	29.03.2016	30.03.2017	30.03.2017	1 Year
Haluk İber	Board Member and General Manager	Board Member	In-Group	29.03.2016	30.03.2017	30.03.2017	1 Year

The General Meeting Information Document drawn up and publicly disclosed by the Company provides the resumés of the members of the Board of Directors. No changes occurred in the related information during the reporting period, nor any new members joined the Board of Directors. The said General Meeting Information Documents can be reached at our Company's website, the Central Registry Agency of Turkey's e-company application and the Public Disclosure Platform (KAP). (www.kartonsan.com.tr/yatirimci-iliskileri/genel-kurul-bilgilendirmeleri or <https://e-sirket.mkk.com.tr/esir/Dashboard.jsp#/belge-goruntuleme/10916>)

As required by Capital Markets Board regulations concerning independent directors, on 25 February 2016 the Kartonsan Corporate Governance Committee identified two candidates to serve as independent members of the Kartonsan Board of Directors and submitted their names to the board on the same date. Both persons have submitted their affidavits of independence to the Company and there was no evidence of any breach of that status during the reporting period. The affidavits which these independent directors have submitted to the Company read as follows:

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

- That neither I, nor my spouse, nor any relative of mine whether by blood or by marriage unto the third degree, have, within the most recent five years, entered into any direct or indirect relationship involving employment, capital, or any commercial interest of a significant nature, with the Company, or with any related parties of the Company, or with any corporate entity whose shareholders control, whether directly or indirectly, a 5% or greater interest in the Company's capital or management;
- That within the most recent five years, I have neither been employed by nor served as a director in any company, including companies involved in the Company's auditing, rating, or consulting functions, which controls all or any part of the Company's activities or organization within the framework of any agreement that has been entered into;
- That within the most recent five years, I have been neither a partner, nor an employee, nor a director in any firm which provides the Company with substantial amounts of any products or services;
- That any shareholding interest which I may have in the Company amounts to less than 1% of the Company's capital and that none of these shares entail any special rights | That I have no shareholding interest in the Company;
- That, as may be seen from my attached resume, I am possessed of the professional training, knowledge, and experience necessary to duly fulfill the duties I shall undertake as an independent member of the board of directors;

Other Disclosures Required by the Regulations

- That I am currently not a full-time employee of any public agency or organization;
- That I am a resident of Turkey as defined in the Income Tax Law;
- That I am possessed of ethical standards and of professional repute and experience sufficient to enable me to make a positive contribution to the Company's affairs, that I shall maintain my impartiality in any disputes that may arise among the Company's shareholders, and to come to decisions freely on the basis of all stakeholders' interests;
- That I will be able to devote to the Company's affairs an amount of my time sufficient to keep track of the conduct of the Company's activities and to fully satisfy the requirements of the duties I will be undertaking.

Date / Name / Signature

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

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

5.2. Operating Principles of the Board of Directors

The principles of the Board of Directors' operations are regulated in details with the article 9 of the Articles of Association. The said article is given below: **Article 9** - The management and representation of the Company belong to the Board of Directors. The Board of Directors carries out the duties defined in the Articles of Association and relevant legislation.

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

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

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

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

The article 11 of the Articles of Association regulates the Meetings of the Board of Directors as given below:

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

The Kartonsan Board of Directors has committed itself to the principle of conducting its activities transparently, accountably, fairly, and responsibly and it does so. In 2017, a total of 19 board meetings were held. All members attended these meetings except for those who had a valid excuse (reasons of health, travel abroad, etc.). Inasmuch as all the decisions that were taken during the reporting period were passed by a unanimous vote of those who were present, no notices of dissenting opinions were entered into the record.

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

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

Other Disclosures Required by the Regulations

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

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

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

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

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

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

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

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

The committees that were active in 2017 are indicated below:

AUDIT COMMITTEE

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President	Independent Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Tamer Koçel	Member	Independent Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year

CORPORATE GOVERNANCE COMMITTEE

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Tamer Koçel	President	Independent Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Aslı Balkır	Member	Vice Chairman of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Süleyman Kaya	Member	Vice Chairman of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Bülent Yılmaz*	Member	-	13.04.2016	11.04.2017	11.04.2017	1 Year

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

THE EARLY DETECTION OF RISK COMMITTEE

Other Disclosures Required by the Regulations

Name Surname	Title	Title in the Board of Directors	Term of Office Beginning	Term of Office End	Re-Appointment	New Term of Office
Ali Ersin Güredin	President	Independent Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Mehmet İmregün	Member	Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year
Sinan Ercan Gülçur	Member	Member of the Board of Directors	13.04.2016	11.04.2017	11.04.2017	1 Year

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

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

The operations of committees are governed by principles which have been set forth in writing. One of these principles is that all committees have the power to invite any Company manager to attend a committee meeting in order to have the benefit of that manager's views when such are deemed to be necessary. The Kartonsan Board of Directors allocates funding sufficient for committees to perform their functions.

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

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

All committees other than the Early Detection of Risk Committee are required to convene at the Company's headquarters at least four times a year and at least once every three months.

5.4. Risk Management and Internal Control Mechanisms

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

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

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

5.5. Strategic Goals of the Company

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

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

Other Disclosures Required by the Regulations

responsibly.

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

5.6. Financial Rights

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

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

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

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

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

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

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

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

In the report dated 27 February 2018, which was prepared by Kartonsan Karton Sanayi ve Ticaret A.Ş.'s Board of Directors, it was stated that;

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

The Company evaluated legal activities for the benefit of the holding company or its subsidiaries, and all precautions that were taken or avoided to be taken for the benefit of the holding company or its affiliated companies in 2017 under the holding company's guidance according to the terms and condition within our knowledge in all transaction made between our Company, the holding company and its subsidiaries in the period between 1 January 2017 - 31 December 2017. We declare that our Company recorded no losses and did not hold an advantage and did not balance the holding company's advantages or losses in connection to any transactions which occurred according to known terms and conditions in 2017."

Other Disclosures Required by the Regulations

20) COMPENSATION PROVIDED TO THE BOARD MEMBERS

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

Compensation Provided to the Members of the Board of Directors

- Attendance Fee

The amount is decided by the General Assembly.

The Payment of the Attendance Fee

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

- Dividend Payment

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

Compensation Provided to the Senior Managers

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

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

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

	31 December 2017	31 December 2016
Benefits Provided to Senior Managers	2,040,880	1,991,773
Benefits Provided to Board Members	239,845	213,089
Total	2,280,725	2,204,862

21) OTHER ISSUES

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

Information to Shareholders

Stock Market

Shares in Kartonsan A.Ş. are listed on the Borsa İstanbul A.Ş. (BIST)'s National Market under the KARTN ticker. Information regarding the shares is published in the economy sections of daily newspapers and the internet portals of investment companies.

Kartonsan's annual reports and other information may be obtained from the address below, as well as the website which can be accessed through www.kartonsan.com.tr

Kartonsan Investor Relations

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

Independent Auditor

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
Spine Tower Büyükdere Cad. No: 243 Kat: 25-26 34398 Sarıyer / İstanbul
Tel: (212) 285 01 50
Fax: (212) 285 03 40

Tax Affirmation

GÜRELİ YEMİNLİ MALİ MÜŞAVİRLİK VE BAĞIMSIZ DENETİM HİZMETLERİ A.Ş.
Spine Tower Büyükdere Cad. No: 243 Kat: 25-26 34398 Sarıyer / İstanbul
Tel: (212) 285 01 50
Fax: (212) 285 03 40

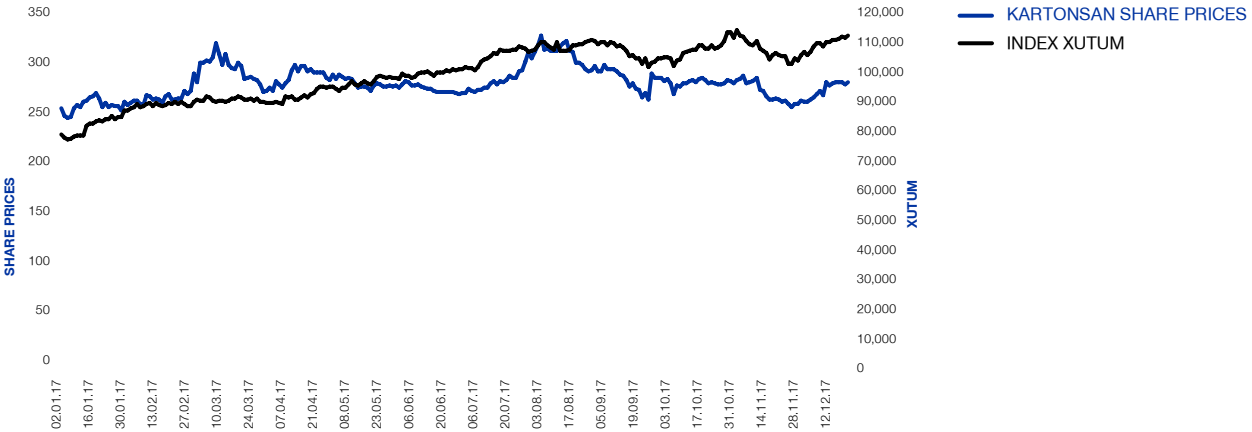
Ordinary General Assembly Meeting

Kartonsan A.Ş.'s Annual General Assembly Meeting will be held on 29 March 2018 at 10:30 in POINT HOTEL BARBAROS Esentepe Yıldız Posta Caddesi No: 29 Şişli - İstanbul.

Performance of Kartonsan Shares in 2017

Kartonsan's paid in capital was TL 2,837,014.21 as of year-end balance sheet. The Company's capital is divided into 283,701,421 shares, 200 of which are A and 283,701,221 of which are B shares.

PERFORMANCE OF KARTONSAN SHARES IN 2017 (COMPARED WITH BIST GENERAL INDEX)



The lowest share price within the year was TL 247.64 and the highest share price was TL 329. The average price in 2017 was TL 282.09. The lowest and highest prices of the shares are presented in the adjacent table.

Period	Lowest TL	Highest TL
02/01/17	247.64	321.41
03/04/17	270.70	299.95
03/07/17	266.00	329.00
02/10/17	258.80	289.10

