



ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.

ANNUAL REPORT 2004



To Our Esteemed Shareholders,

Welcome to our regular shareholders meeting for the year of 2004 operations. Please accept our endearment and regards of our Board of Directors.

General economic conditions have brought a progress at a well rate in our Country, especially industrial capacity utilization and export have increased and inflation has declined to 10-12 %.

Together with the stability achieved in the economy and overall production increase, Turkish Lira has been overvalued and import has increased which is giving the way the result to an unfair rivalry, decreasing productivity and decreasing profits in many sectors as well as paper industry.

Despite all these negative conditions Alkim Kağıt has almost completed its investment of capacity by increasing it to 90.000 ton/year.

At the offset-coated paper facilities:

- Paper quality has been much more increased with the utilization of most advanced technologies.
- Capacity utilization has been increased in comparison with the last year.
- Productivity of human resources has increased as a result of continuous training.

Our Investments:

For 90,000 ton of capacity:

- Engines and reductors of impulsion system has been changed.
- Pressured screen system has been bought.
- cleaner system have been modified.
- Steam Condensed System has been manufactured.
- DCS system has been renewed.
- Steam hoods have been completely renewed.
- 3 refiners have been bought.
- 1 Deflaker has been bought.
- 1 control system and a high density pulper have been bought.
- 2 paper pulp silos have been built.
- Ventilating pump has been built.

As a result of investments, quality increase of coated paper has reflected to sales. In 2004, 40 % of production is coated paper.

In the year 2005

- To reach a capacity utilization of 85-90 % in accordance with the capacity increased in the year 2004.
- To reach a 60 % level of coated paper production.
- To decrease the stock amounts.
- To develop the electronic-business system with our retailers.
- To apply the automation at the combined system.

Overview

There is a big demand to our off-set, photocopy and coated paper products. Positive results have been achieved through the application of local distributorships system instead of regional distributorships.

Our capital has been increased to 52.5 million New Turkish Lira with a 50% capital increase from the reserves and the benefits of our shareholders have been protected.

Ministry of Finance has announced the application of inflation accounting system as from 2004 and also stated the depreciation rates.

The overvaluation of Turkish Lira against foreign currencies (USD,EUR etc) has negatively affected our export revenue and profitability. Despite this, we have continued the export activities so that our quality paper products would be recognized in the market. More than 50 % of white paper export of Turkey has been made by our Company.

An investment of 4.5 million YTL for the capacity increase and quality improvement has been initiated in our factory and a depreciation amount of 5.2 million YTL and a seniority pay of 401 thousand YTL have been allocated.

Our projections for 2005:

- We expect to create an added value for our customers and our company through starting the use of the e-business systems of which the preparations and studies have been largely completed in 2004. (We assume all these will be improving with our new portal)
- As a result of investments, we believe that we will reach the positive financial results and profitability in 2005, by means of;
 - The quality of coated paper reaching to the top level together with offset-photocopy
 - Declining costs, increasing productivity as a result of capacity increase.
- We would like to thank our most valuable resource, employees, for their great contribution and present our best wishes and regards to our shareholders.

CİHAT KORA M.REHA KORA FERİT KORA A.HALUK KORA
Chairman Vice Chairman Member Member

HÜSEYİN A.KORA MİTHAT KORA KADRİ ÖNEL NİHAT ERKAN İSMAİL ALTILAR
Member Member Member Member Member



1. INTRODUCTION

1.1 PERIOD OF THE REPORT : 01.01.2004 – 31.12.2004

1.2 TITLE OF THE COMPANY : ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.

1.3 BOARD OF DIRECTORS :

A) The names of the Board of Directors who were selected for 2 years and of Supervisory Board who were selected for 1 year under the articles 7 and 9 of the Articles of Association, are listed below:

<u>Title</u>	<u>Name / Last Name</u>	<u>Term of Duty</u>	
Chairman of the Board of Directors	CİHAT KORA	13.04.2004	13.04.2006
Vice Chairman of the Board of Directors	M.REHA KORA	13.04.2004	13.04.2006
Member of the Board of Directors	FERİT KORA	13.04.2004	13.04.2006
Member of the Board of Directors	A.HALUK KORA	13.04.2004	13.04.2006
Member of the Board of Directors	HÜSEYİN KORA	13.04.2004	13.04.2006
Member of the Board of Directors	MİTHAT KORA	13.04.2004	13.04.2006
Member of the Board of Directors	KADRİ ÖNEL	13.04.2004	13.04.2006
Member of the Board of Directors	NİHAT ERKAN	13.04.2004	13.04.2006
Member of the Board of Directors	İSMAİL ALTILAR	13.04.2004	13.04.2006
Supervisor	M.YÜKSEL KADIOĞLU	13.04.2004	13.04.2005

B) Limit of authority:

It is specified in both Turkish Commercial Code and Articles of Association

1.4. Amendments on Articles of Association within the term:

1.4.1. The amendment of the article 6 of the Articles of Association was decided at the Extraordinary General Assembly Meeting held on 07.09.2004. This amendment of articles of association has been made due to capital increase. The amendment text is annexed hereto (ANNEX-1)

1.5. The capital and share distribution of the Company (Participation Share)

1.5.1 Capital Position

The capital of the company amounting to YTL 35,000,000 has been increased by YTL 17,500,000 to YTL 52,500,000. The shares amounting to 17,500,000 units representing the capital increased by 50 % from the internal sources have been distributed to the existing partners without charge. The shares corresponding to 20 % of the capital are being traded in the Istanbul Stock Exchange.

Paid in capital and dividend shares and dividend rates are shown below at an annual basis:

<u>Paid in Capital (YTL)</u>	<u>Year</u>	<u>Dividend Share</u>	<u>Dividend Rate</u>
11,200,000	1999	0.000003	0.33 %
14,000,000	2000	(no profit distribution affected)	
17,500,000	2001	0.000090	9 %
17,500,000	2002	0.000165	16.5 %
35,000,000	2003	(no profit distribution affected)	
52,500,000	2004	---	---

1.5.2. Stocks:

The stocks representing the company capital, each having a nominal value of 1.-YTL, are as follows with regard to group, arrangement and number of shares:

A GROUP	REGISTERED	1 ST ARRANGEMENT	3,750	SHARE	0.000071
B GROUP	REGISTERED	1 ST ARRANGEMENT	3,000	SHARE	0.000057
C GROUP	REGISTERED	1 ST ARRANGEMENT	3,138	SHARE	0.000060
D GROUP	REGISTERED	1 ST ARRANGEMENT	112	SHARE	0.000002
E GROUP	REGISTERED	1 ST ARRANGEMENT	1,190,000	SHARE	0.022667
F GROUP	BEARER	1 ST ARRANGEMENT	10,000,000	SHARE	0.190476
F GROUP	BEARER	2 ND ARRANGEMENT	2,800,000	SHARE	0.053333
F GROUP	BEARER	3 RD ARRANGEMENT	3,500,000	SHARE	0.066667
F GROUP	BEARER	4 TH ARRANGEMENT	17,500,000	SHARE	0.333333
F GROUP	BEARER	5 TH ARRANGEMENT	17,500,000	SHARE	0.333333
TOTAL			52,500,000	SHARE	

- ❖ Shares have been adjusted with the introduction of new Turkish Lira (YTL) as stated at the General Letter: 1606 of Istanbul Stock Exchange.

1.5.3. Associate Status:

Number of the shareholders including the owners of registered to name stocks is 13. Numbers of the shareholders including the owners of bearer stocks and of stocks offered to public are unknown.

Our shareholders owning more than 10 % of the association capital are listed below:

<u>Name, Last Name</u>	<u>Share Amount (1.- YTL/Share)</u>	<u>Percentage in Capital %</u>
ALKİM ALKALİ KİMYA A.Ş.	36.712.500	69,93
OFFERED TO PUBLIC	10.500.000	20,00
OTHERS (*)	5.287.500	10,07

(*) Alkim Alkali Kimya A.Ş. being the main partner of the company, in accordance with the decision given at the general meeting held on 15th April 2004, has applied to Capital Market Board to sell 12.51 % of the shares it owns on 16th June 2004 and has delivered the shares to Istanbul Stock Exchange Clearing and Saklama Bank in order to be sold until 16th June 2005. Thus, share percentage of Alkim Kimya A.Ş. has declined to 69.93 % from 79.93 %.

1.6. Securities

Within the term of activity no securities such as bond, revenue sharing certificate, financial bond, bonus certificate and alike have been issued.

1.7. Field of Activity of the Association:

Our company acts in the paper manufacturing sector. Our products of Offset, Coated, Photocopy and Office papers are used by both domestic and foreign press, printing houses, stationary and news press.



2. ACTIVITIES

2.A. INVESTMENTS

December 31, 2004

Name of Investment in Progress	Total Amount Projected YTL	Total Expenditures YTL	Capitalized Amount YTL	Beginning Date	Completion Date	Completed Ratio (%)
Water well	350,000	343,596		05.04.2004	Ongoing	98
Revision and Speed Increasing of Paper Machineries	300,000	282,204		02.11.2004	Ongoing	94
Investment of DCS System	300,000	246,517		10.08.2004	Ongoing	82
Construction of Roll Warehouse	165,000	148,858		08.11.2004	Ongoing	90
Pulp Mixer	55,000	47,869		29.03.2004	Ongoing	87
Revision of Pulper	55,000	34,240		01.11.2004	Ongoing	62
Printing Machine	30,000	28,678		10.09.2004	Ongoing	96
Infrastructure Works of K.O.S.B.	12,000	9,073		08.01.2004	Ongoing	76
Doctor System	66,183	66,183	66,183	12.03.2004	31.10.2004	100
Pressured Screen System	245,283	245,283	245,283	30.12.2003	31.10.2004	100
Rope Treading System	249,304	249,304	249,304	24.02.2004	31.10.2004	100
Dry End Pulper	50,089	50,089	50,089	21.04.2004	31.10.2004	100
High Densitiy Cleaner	120,064	120,064	120,064	21.04.2004	31.10.2004	100
Other Expenditures	21,450	21,450	21,450	15.07.2004	31.10.2004	100
High Densitiy Pulper	158,688	158,688	158,688	06.01.2004	31.10.2004	100
Pulper Tube System	207,558	207,558	207,558	02.03.2004	31.10.2004	100
Turbine Heat Exchanger	110,213	110,213	110,213	26.05.2004	31.07.2004	100
Paper Machine Modification and Speed Optimizasion	2,224,144	2,224,144	2,224,144	01.06.2004	31.10.2004	100
Rope Treading System	67,092	67,092	67,092	23.09.2004	31.10.2004	100
Broke Pulper System	8,493	8,493	8,493	19.10.2004	31.10.2004	100
	4,795,561	4,669,596	3,528,561			

2.B) ACTIVITIES FOR PRODUCTION OF GOODS AND SERVICES

2.B.1) The net production capacity of our facilities for 2004 is 60,000 ton/year. The net production amount and capacity utilization ratio by years are as given below:

CAPACITY

Overall production in 2003: 50,152 Tones	60,000 tones	Capacity Utilization Percentage: 84 %
Overall production in 2004: 47,425 Tones	60,000 tones	Capacity Utilization Percentage: 79 %

2.B.2) The good and service production amounts realized by the company annually for separate main production groups:

	Unit	Amount by 31.12.2004	Amount by 31.12.2003
a-) Offset paper	Ton	20,330	20,322
b-) Coated Paper	Ton	16,487	10,299
c-) Photocopy paper	Ton	10,608	19,531
TOTAL		47,425	50,152

2.B.3) The good and service sale amounts realized by the company annually for separate main production groups:

	Unit	Amount by 31.12.2004	Amount by 31.12.2003
a-) Offset paper	Ton	20,678	18,826
b-) Coated Paper	Ton	16,559	9,362
c-) Photocopy paper	Ton	10,721	19,098
TOTAL		47,958	47,286

2.B.4) IMPROVEMENTS IN SELLING ACTIVITIES

Total of sales realized in the 2004 activity period is 47,958 tones. 37,088 tones of these sales were realized as domestic market sales (77%), and 10,870 tones of them were realized as export sales (23%). Our total net sales for 2004 is 62,117,475.-YTL. Of the product sale distribution in 2004, 43 % is offset paper, 35 % is coated paper, 22 % is photocopy paper.

SALES IN DOMESTIC MARKET

DESCRIPTION	AMOUNT OF SALE TON	PERCENTAGE TO DOMESTIC SALES	PERCENTAGE TO OVERALL SALES	AVERAGE SALE PRICE	NET SALES AMOUNT
		%	%	(YTL/TONE)	(YTL)
OFFSET	18,305	50	38	1,183	21,649,990
COATED	14,553	39	30	1,378	20,059,779
PHOTOCOPY	4,198	11	9	1,247	5,235,569
BLOCK NOTE	3	0	0	1,716	5,146
CONTINUOUS FORM	30	0	0	1,495	44,857
OTHER					481,230
TOTAL OF DOMESTIC MARKET	37,088	100	77		47,476,573

EXPORT SALES

DESCRIPTION	AMOUNT OF SALE TON	PERCENTAGE TO EXPORT SALES	PERCENTAGE TO OVERALL SALES	AVERAGE SALE PRICE	NET SALES AMOUNT
		%	%	(YTL/TONE)	(YTL)
OFFSET	2,320	21	5	1,261	2,924,976
COATED	2,006	18	4	1,370	2,748,604
PHOTOCOPY	6,523	61	13	1,370	8,939,393
CONTINUOUS FORM	20	0	0	1,395	27,894
OTHER					0
TOTAL OF EXPORT SALES	10,870	100	22		14,640,866

TOTAL TONNAGE	47,958	TOTAL SALE AMOUNT	62,117,475
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2-C) INFORMATION ON FINANCIAL STRUCTURE:

The table and explanations listed below are presented in annex in order to show the financial structure of the company.

2.C.1 DETAILED CONSOLIDATED BALANCE SHEET ADJUSTED TO INFLATION AND THE FOOTNOTES

(Amounts expressed in New Turkish Lira ("YTL") in terms of the purchasing power of the YTL at 31 December 2004)	Consolidated and adjusted to inflation (Communique XI /21)	
	AUDITED	AUDITED
ASSETS	31.12.2004	31.12.2003
I. CURRENT ASSETS	36.422.155	40.565.608
A. Liquid Assets	2.008.576	5.190.793
1. Cash	7.446	8.103
2. Banks	2.001.130	5.182.690
3. Other Liquid Assets	0	0
B. Marketable Securities	0	289
1. Share Stocks	0	0
2. Private Sector Bills, Notes And Bonds	0	0
3. Government Bonds and Treasury Bills	0	289
4. Other Marketable Securities	0	0
5. Provision For Diminution In Value Of Marketable Securities(-)	0	0
C. Short-Term Trade Receivables	11.861.441	10.660.800
1. Customers	6.823.223	6.518.290
2. Notes Receivables	5.335.984	4.282.515
3. Deposits And Guarantes Given	6.766	3.192
4. Other Short Term Trade Receivables	63.466	88.281
5. Rediscount Of Notes Receivables (-)	(361.328)	(223.885)
6. Provision For Doubtful Trade Receivables (-)	(6.670)	(7.593)
D. Other Short-Term Receivables	207.652	306.461
1. Due From Shareholders	0	0
2. Due From Investments	0	0
3. Due From Subsidiaries	0	0
4. Other Short Term Receivables	207.652	306.461
5. Rediscount Of Other Notes Receivables (-)	0	0
6. Provision For Other Doubtful Receivables (-)	0	0
E. Inventories	20.722.232	21.430.393
1. Raw Materials and Supplies	6.888.656	7.945.242
2. Semi-finished goods	4.164.148	2.112.204
3. Work-in progress	0	0
4. Finished Goods	3.193.422	5.085.472
5. Trade goods	42.120	22.381
6. Other Inventories	4.239.181	991.493
7. Provision For Diminution In Value Of Inventories (-)	0	0
8. Advances Given	2.194.705	5.273.601
F. Other Current Assets	1.622.254	2.976.872
II. NON CURRENT ASSETS	71.345.877	72.316.640
A. Long-Term Trade Receivables	0	0
1. Customers	0	0
2. Notes Receivable	0	0
3. Deposits And Guarantees Given	0	0
4. Other Long Term Trade Receivables	0	0
5. Rediscount Of Notes Receivable (-)	0	0
6. Provision For Doubtful Receivables (-)	0	0
B. Other Long-Term Receivables	0	0
1. Due From Shareholders	0	0
2. Due From Investments	0	0
3. Due From Subsidiaries	0	0
4. Other Long Term Receivables	0	0
5. Rediscount Of Other Notes Receivables(-)	0	0
6. Provision For Doubtful Receivables (-)	0	0
C. Financial Non-Current Assets	13.484	0
1. Investment Securities	0	0
2. Provision For Diminution In Value Of Investment Securities (-)	0	0
3. Associated Companies	13.484	0
4. Capital Commitments to Investments (-)	0	0
5. Provision For Diminution In Value Of Investments (-)	0	0
6. Subsidiaries	0	0
7. Capital Commitments To Subsidiaries (-)	0	0
8. Provision For Diminution In Value Of Subsidiaries (-)	0	0
9. Other Non Current Financial Assets	0	0
D. Property, Plant and Equipment	70.971.906	71.912.933
1. Land	1.496.240	1.496.240
2. Land Improvements	623.145	567.520
3. Buildings	9.540.103	9.581.316
4. Machinery and Equipment	77.185.237	73.397.674
5. Motor Vehicles	1.255.408	1.255.408
6. Furniture And Fixture	1.576.312	1.442.831
7. Other Fixed Assets	0	0
8. Accumulated Depreciation (-)	(21.845.574)	(16.671.956)
9. Construction in progress	1.141.035	245.504
10. Advances Given	0	598.396
E. Intangible Assets	360.487	398.857
1. Establishment costs	0	16.839
2. Rights	360.487	382.018
3. Research And Development Expenses	0	0
4. Other Intangible Assets	0	0
5. Advances Given	0	0
F. Other Non-Current Assets	0	4.850
TOTAL ASSETS	107.768.032	112.882.248

(Amounts expressed in New Turkish Lira ("YTL") in terms of the purchasing power of the YTL at 31 December 2004)	Consolidated and adjusted to inflation (Communique XI /21)	
LIABILITIES	AUDITED	AUDITED
	31.12.2004	31.12.2003
I. CURRENT LIABILITIES	14.995.314	19.048.218
A. Short-Term Borrowings	8.177.410	9.222.266
1. Bank Borrowings	1.976.024	696.632
2. Principal installments of and interest on long-term borrowings	6.201.386	8.525.634
3. Principal Installment And Interest On Bills	0	0
4. Bonds and Notes Issued	0	0
5. Other Short Term Borrowings	0	0
B. Trade Payables	5.654.500	7.296.804
1. Suppliers	4.448.771	5.990.554
2. Notes Payable	1.235.812	1.312.922
3. Deposits And Guarantees Received	0	0
4. Other Trade Payables	2.500	0
5. Rediscount On Notes Payables (-)	(32.583)	(6.672)
C. Other Current Liabilities	610.218	835.731
1. Due To Shareholders	0	0
2. Due To Investments	0	0
3. Due To Subsidiaries	0	0
4. Accrued Expenses	0	0
5. Taxes And Withholdings Payable	296.037	299.532
6. Deferred Payables to Government	0	0
7. Other Current Liabilities	314.181	536.199
8. Rediscount of Notes Payable (-)	0	0
D. Advances Taken	528.763	76.200
E. Provisions For Payables and Expense Accruals	24.423	1.617.217
1. Provision For Taxes	0	1.582.082
2. Provision For Other Payables and Accruals	24.423	35.135
II. LONG TERM LIABILITIES	4.525.403	5.923.414
A. Long-term Borrowings	3.173.181	4.805.084
1. Bank Borrowings	3.173.181	4.805.084
2. Bonds Issued	0	0
3. Other Marketable Securities Issued	0	0
4. Other Financial Borrowings	0	0
B. Trade Payables	0	8.195
1. Suppliers	0	8.195
2. Notes Payable	0	0
3. Deposits And Guarantees received	0	0
4. Other Trade Payables	0	0
5. Rediscount Of Notes Payable (-)	0	0
C. Other Long-Term Liabilities	0	0
1. Due To Shareholders	0	0
2. Due To Investments	0	0
3. Due To Subsidiaries	0	0
4. Deferred Payables to Government	0	0
5. Other Long Term Liabilities	0	0
6. Rediscount Of Other Payables (-)	0	0
D. Advances Received	0	0
E. Provision For Payables And Expense Accruals	1.352.222	1.110.135
1. Provision For Employment Termination Benefits	1.352.222	1.110.135
2. Provision For Other Payables And Expense Accruals	0	0
III. SHAREHOLDERS' EQUITY	88.247.315	87.910.616
A. Share Capital	52.500.000	35.000.000
B. Capital Commitments (-)	0	0
C. Share Premium	0	0
D. Revaluation Surplus	0	0
1. Surplus on fixed assets	0	0
2. Surplus on investments	0	0
3. Surplus on common stocks	0	0
E. Reserves	2.289.905	5.015.038
1. Legal Reserves	815.050	815.050
2. Statutory Reserves	0	0
3. Special Reserves	0	0
4. Extraordinary Reserves	1.474.855	4.199.988
5. Cost Increase Fund	0	0
6. Gains on sale of investments and fixed assets to be added to share capital	0	0
7. Prior year income	0	0
F. Net Income	336.699	4.361.891
G. Loss For The Period	0	0
H. Prior Year Losses (-)	0	(15.805.722)
1. Years' Losses	0	(15.805.722)
2. Years' Losses	0	0
I. Inflation adjustment differences for shareholders' s equity	33.120.711	59.339.409
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	107.768.032	112.882.248



1. Nature of operations of the Company

The nature of the operations of Alkim Kağıt Sanayi ve Ticaret A.Ş. (the "Company") is the manufacturing and sale of offset, coated and photocopy papers.

2. Shareholders with a nominal share of 10% or more in capital

Shareholders	31 December 2004		31 December 2003	
	Participation %	Share Amount YTL	Participation %	Share Amount YTL
Alkim Alkali Kimya A.Ş.	69,93	36.712.500	79,93	27.975.000
Publicly offering	20,00	10.500.000	20,00	7.000.000
Other (**)	10,07	5.287.500	0,07	25.000
	100,00	52.500.000	100,00	35.000.000
* Adjustment to share capital		33.120.711		57.138.341
		85.620.711		92.138.341

(*)Adjustment to share capital represents the restatement effect of the inflation in accordance with the Capital Market Board ("CMB") Communiqué XI/20 "Communiqué concerning the rules and regulations for the presentation and preparation of financial statements during high inflationary periods" ("Inflation Communiqué"), article 14.

(**) In accordance with the decision given at the General Assembly held on 15th April 2004, Alkim Alkali Kimya A.Ş., the major shareholder of the Company, has applied to Capital Market Board to sell 12,51 % of the shares it owns on 16th June 2004 and has delivered the shares to Istanbul Stock Exchange Clearing and Saving Bank in order to be sold until 16th June 2005. Thus, share percentage of Alkim Kimya A.Ş. has declined to 69,93 % from 79,93 %.

3. Privileges given to shares representing the capital

a. Privileges given for Board of Directors' selection

Three of the board members are selected from candidates introduced by the shareholders who own Group A Second Order shares, two of them are selected from the candidates of shareholders owning Group B Second Order, two are selected from the candidates introduced by shareholders owning Group C Second Order shares, one board member is selected from candidates of shareholders owning Group E Second Order shares, and one board member is selected from candidates of shareholders owning Group F Second Order shares.

b. Privileges given for auditor selection

One or more auditors at most for three years from the third parties or among shareholders are selected by the General Assembly. The number of these auditors cannot be more than three. One of the auditors should be selected from the F group shareholders' candidates.

c. Privileges related with voting rights

In the meetings of General Assembly, the shareholders of type A, B, C, D and E type shares have 100 voting rights for each share, the shareholders of type F shares have one voting right for each share.

4. Registered share capital limit

The Company is not subject to registered capital system.

5. Capital increases during the year and their resources

The registered capital of the Company has been increased from YTL 35.000.000 to YTL 52.500.000. YTL 14.774.867 of this capital increase originated from the change in revaluation reserve, where YTL 2.725.133 is from the increase in extraordinary reserves. This capital increase has been registered on 19 October 2004. (2003: At the extraordinary General Assembly meeting on 30 June 2003, it was decided to increase the capital of the Company to YTL 35.000.000 from YTL 17.500.000. YTL 11.742.002 of this increase is originated from the revaluation reserve, where YTL 5.757.998 is originated from share premiums.)

6. Bonds and other securities issued during the year other than share certificates

None (2003: None)

7. Bonds and other securities issued which matured during the year

None (2003: None)

8. Movements in property, plant and equipment during the year

- a) Total cost of fixed assets purchased, constructed or produced is YTL 4.884.283 (2003: YTL 6.204.090)
- b) Total cost of fixed assets sold or used as scrap is YTL 49.075 (2003: YTL 65.515)
- c) Revaluation increases on fixed assets in the current period: None (2003:None)
- d) Description, total amount, beginning and completion dates and completion percentage of construction in progress are as follows:

31 December 2004

Description	Total Amount Projected YTL	Total Expenditures YTL	Beginning Date	Completion Date	Completed Ratio (%)
Water well	350.000	343.596	05.04.2004	Ongoing	98
Revision and Speed Increasing of Paper Machineries	300.000	282.204	02.11.2004	Ongoing	94
Investment of DCS System	300.000	246.517	10.08.2004	Ongoing	82
Construction of Roll Warehouse	165.000	148.858	08.11.2004	Ongoing	90
Pulp Mixer	55.000	47.869	29.03.2004	Ongoing	87
Revision of Pulper	55.000	34.240	01.11.2004	Ongoing	62
Printing Machine	30.000	28.678	10.09.2004	Ongoing	96
Infrastructure Works of K.O.S.B.	12.000	9.073	08.01.2004	Ongoing	76
	1.267.000	1.141.035			

31 December 2003

Description	Total Amount Projected YTL	Total Expenditures YTL	Beginning Date	Completion Date	Completed Ratio (%)
Distribution - Modernisation	7.169.631	245.504	26.02.2003	Ongoing	78



9. Total amount of investment allowances to be utilised in the current and future periods

The investment incentive amount used in the current period is YTL 362.031. (2003: YTL 1.273.969)
The amount to be used in the future periods is YTL 1.688.448. (2003: none)

10. Due from and to shareholders, investments and subsidiaries

	31 December 2004 YTL				31 December 2003 YTL			
	Payables		Receivables		Payables		Receivables	
	Commercial	Non-commercial	Commercial	Non-commercial	Commercial	Non-commercial	Commercial	Non-commercial
Alkim Alkali Kimya A.Ş.	1.403	-	-	-	48.256	-	-	-
Alkim Sigorta Aracılık Hiz Ltd.Şti.	240.973	-	-	-	245.679	-	-	-
	<u>242.376</u>	-	-	-	<u>293.935</u>	-	-	-

11. The methods of valuation on inventories and on other balance sheet items, depreciation and inventory calculation, changes in these methods and other accounting policies compared to previous periods, the effects of such changes on the financial statements, potential effects of possible developments on going concern and proper period assumptions and their reasons

The Capital Markets Board (“CMB”) has set out rules and regulations relating to the preparation and presentation of financial statements and reports by Communiqué XI/1, as amended and supplemented by other Communiqués. The Communiqué XI/20; “Communiqué concerning the rules and regulations for the presentation and preparation of the financial statements during high inflationary periods” (“Inflation Communiqué”), and the Communiqué XI/21; “Communiqué concerning the rules and regulations for the preparation of the consolidated financial statements” (“Consolidation Communiqué”) came into effect on 1 January 2003. All these rules and regulations will hereafter be referred to as Generally Accepted Accounting Standards issued by the CMB. The Company implemented the Inflation Communiqué and Consolidation Communiqué for the first time in the preparation of its financial statements as at 31 December 2003 and the opening financial statements as at 31 December 2002.

“CMB’s Communiqué XI/25 at 15 November 2003; “Communiqué for Accounting Policies in Capital Markets”, came into effect for the first interim financials after 1 January 2005. Also, Communiqué XI/27; “Communiqué for the changes in the Communiqué for Accounting Policies in Capital Markets”, states that the application of “International Financial Reporting Standards” is permitted under this Communiqué.

Consequently, the Company will prepare its financial statements in accordance with International Financial Reporting Standards, starting from the first interim period after 1 January 2005.

Principles applied to the financial statements are as follows:

a) Principles applied in the financial statements adjusted in accordance with inflation:

Adjustments made to financial statements for the restatement of the changes in the general purchasing power of the New Turkish lira at the period-end is based on the Inflation Communiqué. These principles require that financial statements prepared in the currency of hyperinflationary economy and financial statements prepared in accordance with the generally accepted accounting standards issued by the CMB be stated in terms of the measuring unit current at the balance sheet date, and that corresponding figures for previous periods be restated in the same terms. One other characteristic that necessitates the application of this communiqué is: the hyperinflationary period begins if the yearly price index at the balance sheet date exceeds the price index at the beginning of the previous three-year period (including the related period) by more than two times, and the price index at the balance sheet date of the related accounting period increases by 10 % or more compared to the beginning of that period. According to the decision of the CMB dated 25 February 2005 no.7/242, financial statements for the year ending 31 December 2004 are required to be adjusted in accordance with inflation. Inflation adjustments are to be performed in accordance with the "Wholesale price index" (" WPI" TEFE") announced by the government's Statistical Institute ("SSI" "DİE").

The indices and conversion factors used to restate these consolidated financial statements are as follows::

<u>Dates</u>	<u>Indices</u>	<u>Conversion Factors</u>
31 December 2004	8403,8	1.0000
31 December 2003	7382,1	1.138
31 December 2002	6478,8	1.297

The main procedures for the above mentioned restatement for the preparation of consolidated financial statements are as follows:

- Financial statements prepared in the currency of a hyperinflationary economy are stated in terms of the measuring unit current at the balance sheet date.
- Monetary assets and liabilities that are carried at amounts current at the balance sheet date are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date.
- Non-monetary assets and liabilities that are not carried at amounts current at the balance sheet date and components of shareholders' equity are restated by applying the relevant conversion factors. Additions to property, plant and equipment in the year of acquisition are restated by applying the relevant conversion factors.
- Comparative financial statements are prepared by using the inflation indices that show the purchasing power on the balance sheet date.
- All items in the statement of income are restated by applying the relevant conversion factors (monthly, yearly average) in order to be presented at the purchasing power of the balance sheet date.
- The effect of inflation on the net monetary asset position of the Company is included in the statement of income as loss on net monetary position

The Company presented its shareholders' equity items in the financial statements with their historical costs and classified the total restatement difference as "Inflation Adjustment to the Shareholders' Equity" as a separate item, in line with the CMB Communiqué XI/26, which amends CMB Communiqué XI/20, article 14. The Company has decided to deduct prior year losses of YTL11.443.831 stated in the 31 December 2003 standalone financial statements from the "extraordinary reserves", "legal reserves" and "adjustments due to inflation restatement" accounts respectively in 31 December 2004 consolidated financial statements. This decision was taken in the General Assembly of the Company on 13 April 2004. A summary of this account as of 31 December 2004 and 2003 is given below:



	<u>31 December 2004</u>	<u>31 December 2003</u>
Adjustment to share capital	43.858.192	57.138.341
Adjustment to legal reserves	275.431	275.431
Adjustment to extraordinary reserves	430.919	<u>1.925.637</u>
	44.564.542	59.339.409
Prior year losses	(11.443.831)	-
Adjustment to share capital	33.120.711	<u>59.339.409</u>

b) Principles applied to the preparation of consolidated financial statements

The title and the capital of the associate consolidated to the financial statements of the Company in line with the equity method and the share of Alkim Kağıt Sanayi ve Ticaret A.Ş. ("Parent Company"), are as follows:

	<u>Nominal Share Capital</u>	<u>Direct Share of the Parent Company(%)</u>
Alkim Sigorta Aracılık Hiz.Ltd.Şti. ("Alkim Sigorta")	10.000	50,00

The investments in associates are recognized using the equity method. These investments are the firms that the Company has a voting right between 20% and 50% or exercises significant influence on their operations although no controlling power exists.

c) Liquid Assets

Liquid assets are cash, banks and other liquid assets.

d) Inventories

Cost elements included in the inventories are comprised of all material purchases, labor and appropriate factory overhead costs. The cost of inventories is determined on a weighted average basis. Inventories are subject to the inflation adjustment with respect to the inventory valuation policy.

e) Receivables and payables

Receivables and payables arising from sales and purchases, with due dates after the balance sheet date, are discounted by the internal rate of return of treasury bonds or by the market interest rate.

f) Property, Plant and Equipment

Property, plant and equipment and intangible assets are carried at cost less accumulated depreciation, in each case restated to equivalent purchasing power at 31 December 2004 in line with article 11 of the Inflation Communiqué. Depreciation and amortisation are provided retroactively on the restated amounts of property, plant and equipment and intangible assets on a straight-line basis.

The depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows.:

	<u>Useful life</u>
Buildings	25-50 years
Land improvements	50 years
Machinery and equipment	5-13-20 years
Vehicles	5-10 years
Furniture and fixtures	5-10 years

g) Foreign currency transactions

Transactions in foreign currencies are translated into Turkish lira at the exchange rates prevailing at the dates of such transactions. Foreign currency denominated receivables in the balance sheet are translated to YTL at the Central Bank of Turkey's ("CBT") buying rate, and foreign currency denominated payables in the balance sheet are translated at the CBT selling rate prevailing at the balance sheet dates (Note 30). Exchange gains or losses arising from the settlement and translation of foreign currency items are included in the determination of net current income.

h) Provision for employment termination benefits

Under Turkish Labour Law, accrued service costs for the employees qualifying for employment termination benefits are transferred to the results of the period in which they are accrued. The amount payable consists of one month's salary per year of employment at the rate of pay applicable at the date of termination limited to YTL1.574,74 (31 December 2003: YTL1.389,95) for each year of service at 31 December 2004.

i) Taxation on income

In Turkey, corporate tax rate is 33% for 2004. This rate will be 30% for the following years. Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances. No further tax is payable unless the profit is distributed.

In accordance with Tax Law No: 5024 "Law Related to Changes in Tax Procedure Law, Income Tax Law and Corporate Tax Law" published in the Official Gazette on 30 December 2003 to amend the tax base for non-monetary assets and liabilities, effective from 1 January 2004, the income and corporate taxpayers will prepare the tax financial statements by adjusting the non-monetary assets and liabilities for the changes in the general purchasing power of the Turkish lira.

Dividends paid to non-resident corporations having a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 10%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 33% on their corporate income. Advance tax 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.

Capital gains derived from the sale of equity investments and immovable held for not less than two years are tax exempt until 31 December 2004, if such gains are added to paid-in capital in the year in which they are sold.

Capital expenditures, with some exceptions, over YTL6.000 are eligible for an investment incentive allowance of 40%, which is deductible from taxable income prior to the calculation of corporate income tax, without the requirement of an investment incentive certificate; the amount of allowance is not subject to withholding tax. Investment allowances utilised within the scope of investment incentive certificates granted prior to 24 April 2003 are subject to withholding tax at the rate of 19,8%, irrespective of profit distribution.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing during



which time 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 based on their findings.

There is no taxation on income for the Company for the year ended 31 December 2004. (2003: YTL 1.627.697)

j) Sales

In the case of domestic sales, sales revenue is recognised at the time of dispatch of the goods, and in the case of foreign sales, revenue is recognised on the issue of the customs bill of dispatch.

k) Other monetary balance sheet items

Other monetary balance sheet items are recorded with their carrying values.

12. Subsequent events

Effective from 1 January 2005, the ceiling for employment termination benefits has been increased to YTL1.648,90.

13. Contingent losses and gains

The Company has receivables amounting to YTL 6.670 subject to lawsuits in progress with the Company as litigant. (2003: YTL 7.593)

14. Changes in accounting estimates which have a material effect on the profitability ratios of the Company and their monetary effects

None (2003: None)

15. Total amount of guarantees or mortgages on assets

For the paper factory in Kemalpaşa, the Group has a second degree mortgage amounting to YTL 5.000.000, established on 12 December 2001 in favour of Türkiye İş Bank İzmir Branch, due to its borrowing (31 December 2003: YTL 5.000.000).

(*)The related mortgage values are not inflation adjusted

16. Total amount of insurance coverage on assets

	31 December 2004	31 December 2003
	<u>YTL</u>	<u>YTL</u>
Property, Plant and Equipment	120.601.835	114.908.864
Inventories	14.157.813	13.822.901
Liquid Assets	805.000	916.414
	<u>135.564.648</u>	<u>129.648.179</u>

17. Total amount of mortgages and guarantees received

Total guarantees received from the dealers is YTL 4.565.128. (2003: YTL 4.159.650)

18. Total amount of off-balance sheet commitment and contingent liabilities

As of 31 December 2004, the Company has given letters of guarantee : for its imported goods to related customs authorities amounting to YTL 1.104.060 (2003: YTL 1.164.273); for its borrowing from Türkiye İş Bank amounting to YTL 3.161.118 (2003: YTL 3.742.631); for tender deposits to Tekel Tütün İşletmeleri amounting to YTL 295.532 (2003: 79.848); to Tedaş A.Ş amounting to YTL 218.800 (2003: YTL 201.611); to Ministry of National Education amounting to YTL 27.360 (2003: none); to SEKA amounting to YTL 38.435 (2003: none)

19. Blocked deposits at banks

None (2003: None)

20. Market value of marketable securities and financial assets carried at cost and carrying value of marketable securities and financial assets shown under market value

None (2003: None)

21. The amount and issuers of marketable securities and investments issued by shareholders, investments and associates

None (2003: None)

22. Details and amounts of “other” items in balance sheets which exceed 20% of the respective component or 5% of the total assets

a) “Other Short-Term Receivables” under Other Short-Term Receivables group

	31 December 2004 <u>YTL</u>	31 December 2003 <u>YTL</u>
Value Added Tax (“VAT”) return	196.408	297.026
Receivables from personnel	11.244	9.264
Other	-	<u>171</u>
	<u>207.652</u>	<u>306.461</u>

b) “Other Inventories” within under Inventories group

	31 December 2004 <u>YTL</u>	31 December 2003 <u>YTL</u>
Scrap papers	<u>4.239.181</u>	<u>991.493</u>

Scrap papers, which are waste of production, are reutilized in the manufacturing process.

c) Other Current Assets

	31 December 2004 <u>YTL</u>	31 December 2003 <u>YTL</u>
Transferred VAT	910.312	420.443
Prepaid expenses	436.963	453.858
Personnel advances given	117.043	57.617
Prepaid taxes and funds	101.929	1.819.589
Other VAT	44.497	217.696
Other	<u>11.510</u>	<u>7.669</u>
	<u>1.622.254</u>	<u>2.976.872</u>



d) "Other Current Liabilities" under Other Current Liabilities group

	31 December 2004 YTL	31 December 2003 YTL
Payables to personnel	269.684	318.503
Other VAT	44.497	217.696
	<u>314.181</u>	<u>536.199</u>

e) Other Income and Profit from Operations

	31 December 2004 YTL	31 December 2003 YTL
Foreign exchange gains	4.444.402	9.017.012
Rediscount interest income	2.533.731	2.791.375
Other	612.948	373.500
	<u>7.591.081</u>	<u>12.181.887</u>

f) Other Operating Expenses and Losses

	31 December 2004 YTL	31 December 2003 YTL
Foreign exchange losses	1.426.631	4.633.861
Rediscount expense	2.555.113	2.894.807
Other	27.719	140.084
	<u>4.009.463</u>	<u>7.668.752</u>

g) Other Extraordinary Income and Profits

	31 December 2004 YTL	31 December 2003 YTL
Insurance claims	160.333	46.519
Others	29.667	9.951
	<u>190.000</u>	<u>56.470</u>

23. Total amounts and receivable from and payable to personnel classified in "Other Receivables" and "Other Short- or Long-term Payables" which exceeds 1% of total assets

None (2003: None)

24. Receivables from shareholders, participations and affiliated companies

None (2003: None)

25. Provisions for doubtful receivables for overdue and non-overdue receivables

As of 31 December 2004, the Company has provided an amount of YTL 6.670 provision for overdue receivables (2003: YTL 7.593)

26. Breakdown of investments and subsidiaries having an indirect shareholding and management relationship with the Company, participation rates and amounts of these investments and subsidiaries

As stated in note 11 to the consolidated balance sheet, the Company consolidates its subsidiaries and investments in accordance with the CMB consolidation communiqué.

27. Bonus shares obtained through investments and subsidiaries

None (2003: None)

28. Rights on immovable and their respective values

None (2003: None)

29. Revaluation of property, plant and equipment in the last three years

Due to application of the Inflation Communiqué, revaluation funds resulting from inflation, have been eliminated in the restatement process of these financial statements.

30. Receivables and payables denominated in foreign currencies

31 December 2004

	Currency Type	Foreign Currency Amount	Exchange Rate	YTL
<u>ASSETS</u>				
Cash	USD	21,00	1,3421	28
	EUR	3,05	1,8268	6
Bank	USD	1.080.121,80	1,3421	1.449.631
	EUR	230.052,84	1,8268	420.261
	GBP	862,40	2,5765	2.222
Trade receivables	EUR	1.321.998,62	1,8268	2.415.027
	USD	792.531,19	1,3421	1.063.656
Notes receivables	EUR	592.821,00	1,8268	1.082.965
Deposits and guarantees given	USD	50,00	1,3421	67
Advances given (*)	USD	1.140.782,00		1.559.722
	EUR	209.619,00		398.294
	GBP	92.157,00		<u>92.157</u>
				<u>8.484.036</u>

31 December 2004

	Currency Type	Foreign Currency Amount	Exchange Rate	YTL
<u>LIABILITIES</u>				
Short-term Loans	USD	1.012.523,32	1,3486	1.365.489
	EUR	297.122,37	1,8356	545.398
Short-term loan installments	USD	4.528.591,95	1,3486	6.107.259
	EUR	51.278,48	1,8356	94.127
Short-term trade payables	USD	2.401.171,88	1,3486	3.238.220
	EUR	432.983,95	1,8356	794.785
	GBP	43.266,00	2,5900	112.059
	SEK	1.856,00	0,2039	378
	CHF	20,25	1,1882	24
Long term loans	USD	2.352.944,54	1,3486	<u>3.173.181</u>
				<u>15.430.920</u>



31 December 2003				
Currency Type	Foreign Currency Amount	Exchange Rate	31 December 2004 Purchasing Power YTL	
ASSETS				
Cash	USD	21,00	1,3958	33
	EUR	13,05	1,7450	26
Bank	USD	3.069.421,25	1,3958	4.877.377
	EUR	4.047,04	1,7450	8.040
	GBP	48,58	2,4766	137
Trade receivables	EUR	1.831.105,98	1,7450	3.637.664
	USD	61.225,83	1,3958	97.289
Notes receivables	USD	78.414,00	1,3958	124.602
	EUR	40.561,13	1,7450	80.579
Deposits and guarantees given	USD	50,00	1,3958	79
Advances given (*)	USD	3.033.161,00		5.252.144
	EUR	166.683,00		334.113
	GBP	25.400,00		<u>73.503</u>
				<u>14.485.586</u>

31 December 2003				
Currency Type	Foreign Currency Amount	Exchange Rate	31 December 2004 Purchasing Power YTL	
LIABILITIES				
Short Term Loans	EUR	138.145,70	1,7534	275.763
Short-Term loan installments	USD	5.010.342,07	1,4025	7.999.941
	EUR	263.350,28	1,7534	525.694
Short term trade payables	USD	2.835.420,36	1,4025	4.527.275
	EUR	501.578,68	1,7534	1.001.239
	GBP	25.400,04	2,4895	71.987
	CHF	20,25	1,1239	26
Long term loans	USD	2.946.022,39	1,4025	4.703.871
	EUR	50.703,12	1,7534	101.212
Long term trade payables	USD	5.133,00	1,4025	<u>8.196</u>
				<u>19.215.204</u>

(*) Order advances given are accounted using the Central Bank of Turkey Republic exchange rates of the date of transaction take place.

31. Liabilities such as guarantees, commitments, bails, advances and endorsements given in favour of shareholders, investments and subsidiaries

None (2003:None)

32. Average number of employees by categories during the year

	<u>31 December 2004</u> <u>Number of employee</u>	31 December 2003 <u>Number of employee</u>
Total employees at the beginning of the period	226	226
White collar (not a trade union member)	39	39
Blue collar (not a trade union member)	187	187
Total employees at the end of the period	228	226
White collar (not a trade union member)	40	39
Blue collar (not a trade union member)	188	187

33. Other significant matters that may have a material effect on the consolidated financial statements

Through the enactment of the Law numbered 5083 concerning the "Currency of the Republic of Turkey" in the Official Gazette dated 30 January 2004, New Turkish lira ("YTL") and the New Kuruş ("YKr") have been introduced as the new currency of the Republic of Turkey, effective from 1 January 2005. The hundredth part of the YTL is the YKr. When the prior currency, Turkish lira ("TL"), values are converted into YTL, one million TL (1.000.000 TL) shall be equivalent to one YTL (1 YTL). Accordingly, the currency of the Republic of Turkey is simplified by removing 6 zeroes from the TL.

All references made to Turkish lira or lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments shall be considered to have been made to YTL at the conversion rate indicated above. Consequently, effective from 1 January 2005, the YTL replaces the TL as a unit of account in keeping and presenting of the books, accounts and financial statements.

As stated in the announcement of the Capital Markets Board dated 30 November 2004, financial statements of the period ending 31 December 2004, including the prior period financial data that will be used for comparison purposes, are demonstrated in YTL, and prior period financial statements are presented in YTL currency for comparative purposes only.

34. Explanation added for convenience translation into English

As indicated in Note 11, the accompanying consolidated financial statements are prepared and presented in accordance with the accounting and reporting principles issued by the Turkish Capital Markets Board, which differ from the accounting principles generally accepted in the countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). The effects of such differences have not been quantified. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with the accounting principles generally accepted in such countries and the IFRS.



2-C-2 CONSOLIDATED AND INFLATION ADJUSTED INCOME STATEMENT AND THE FOOTNOTES

(Amounts expressed in New Turkish Lira ("YTL") in terms of the purchasing power of the YTL at 31 December 2004)	Consolidated and adjusted to inflation (Communique XI /21)	
	AUDITED	AUDITED
	31.12.2004	31.12.2003
A. Gross Sales	62.563.545	69.147.350
1. Domestic Sales	47.621.422	44.129.108
2. Foreign Sales	14.802.036	24.738.287
3. Other Sales	140.087	279.955
B. Sales Discounts (-)	(446.070)	(733.584)
1. Sales returns (-)	(144.591)	(311.196)
2. Sales discounts (-)	(301.479)	(422.388)
3. Other deductions (-)	0	0
C. Net Sales	62.117.475	68.413.766
D. Cost Of Goods Sold (-)	(56.441.589)	(57.126.517)
GROSS SALES PROFIT OR LOSS	5.675.886	11.287.249
E. Operating Expenses (-)	(5.917.253)	(6.877.906)
1. Research And Development Expenses (-)	(83.950)	(94.670)
2. Marketing, Sales And Distribution Expenses (-)	(2.876.732)	(3.859.732)
3. General And Administrative Expenses (-)	(2.956.571)	(2.923.504)
OPERATING PROFIT OR LOSS FROM MAIN OPERATIONS	(241.367)	4.409.343
F. Other Income And Profit From Operations	7.766.675	12.649.579
1. Dividend Income From Subsidiaries	0	0
2. Dividend Income From Affiliated Companies	0	0
3. Interest And Other Dividend Income	175.594	467.692
4. Other Income And Profit From Operations	7.591.081	12.181.887
G. Other Operating Expenses and Losses (-)	(4.009.463)	(7.668.752)
H. Financial Expense (-)	(2.867.068)	(4.057.618)
1. Short Term Borrowing Expense (-)	(2.291.188)	(2.953.223)
2. Long Term Borrowing Expense (-)	(575.880)	(1.104.395)
OPERATING PROFIT OR LOSS	648.777	5.332.552
I. Extraordinary Income And Profit	190.000	522.709
1. Reversals of Provisions	0	0
2. Prior Period Income and Gains	0	466.239
3. Other Extraordinary Income And Profit	190.000	56.470
J. Extraordinary Expense And Loss (-)	(690.434)	(375.387)
1. Unused Capacity (-)	(628.321)	(338.731)
2. Prior Period Expense and Losses (-)	0	0
3. Other Extraordinary Expense And Loss (-)	(62.113)	(36.656)
K. Net Monetary Gain	188.356	509.714
PROFIT OR LOSS FOR THE PERIOD	336.699	5.989.588
L. Tax and Legal Obligations	0	(1.627.697)
NET PROFIT FOR THE PERIOD	336.699	4.361.891

1. Total amount of Depreciation and amortization expenses for the period

Total amortization and depreciation expense amount to YTL5.276.688 (2003: YTL4.847.709)

a) Depreciation expenses:

* Depreciation expenses: YTL 5.176.402 (2003: YTL4.730.926)

* Depreciation expenses due to revaluation: None (*)

b) Amortization expenses: YTL 100.286 (2003: YTL116.783)

(*)Since the revaluation surplus on property, plant and equipment has been eliminated as part of the restatement process in accordance with the Inflation Communiqué, depreciation/amortisation expenses resulting from the revaluation fund do not form part of the income statement disclosures

2. Rediscount and provision expenses for the period

	1 January 31 December 2004 YTL	1 January 31 December 2003 YTL
Current tax provision	-	1.627.697
Provision for employee termination benefit expenses	401.679	405.294
Rediscount expenses - net	21.382	103.432
	423.061	2.136.423

3. Financial expenses for the period

Current period financial expenses amounting to YTL 2.867.068 are expensed in the consolidated financial statements. (2003: YTL4.057.618)

4. Amounts related to shareholders, subsidiaries and investments in total financial expenses for the period

None (2003: None)

5. Sales to and purchases to from shareholders, affiliates and subsidiaries

1 January -31 December 2004			
Related Parties	Shareholders/ affiliates/ subsidiaries and group of companies	Purchases YTL	Sales YTL
Alkim Alkali Kimya A.Ş.	Shareholder	26.989	2.602
Alkim Sigorta	Associate	58.045	10

1 January -31 December 2003			
Related Parties	Shareholders/ affiliates/ subsidiaries and group of companies	Purchases YTL	Sales YTL
Alkim Alkali Kimya A.Ş.	Shareholder	283.431	75.983



6. Interest, rent and other charges paid to and received form shareholders, affiliates and subsidiaries

1 January -31 December 2004			
	Shareholders/ affiliates/ subsidiaries and group of companies	Purchases YTL	Sales YTL
Related Party			
Alkim Alkali Kimya A.Ş.	Shareholder	47.074	54.789

1 January -31 December 2003			
	Shareholders/ affiliates/ subsidiaries and group of companies	Purchases YTL	Sales YTL
Related Party			
Alkim Alkali Kimya A.Ş.	Shareholder	15.933	55.630

7. Total salaries and other benefits paid to members of the Board of Directors and other members of senior management such as the general manager, general coordinator and vice general manager in the current period

YTL 631.608 (2003: YTL604.434)

8. Depreciation computation methods and effects of changes in these methods as increases or decreases

None (2003: None)

9. Inventory cost calculation systems

As stated in balance sheet note 11, the Company uses the moving average method for the valuation of goods, semi-finished goods and raw materials (Balance sheet note 11-c). Inventory cost captures the expenses like labour expenses, general production costs and purchasing costs.

10. Reason for not performing full or partial physical stock count, if applicable

Physical stock count was performed at 31 December 2004.

11. Total amount of by, product sales, scrap, waste materials and services which are included in domestic and foreign sales those exceeding 20% of gross sales

Product Type	1 January 31 December 2004 YTL	1 January 31 December 2003 YTL
Offset paper (domestic)	21.750.356	22.198.081
Coated paper (domestic)	20.094.276	13.171.708
Photocopy paper(foreign)	8.794.528	20.662.305
Photocopy paper(domestic)	5.230.478	8.174.471
Offset paper (foreign)	2.902.057	2.100.996
Coated paper (foreign)	2.759.441	1.210.555

12. Incentives and subsidies related to sales, if applicable

None (2003: None)

13. The amounts and resources of prior period income and losses

None (2003: None)

14. Profit and dividend as per ordinary and privileged shares

	<u>31 December 2004</u>	<u>31 December 2003</u>
Net profit	336.699	4.361.891
Number of shares	52.500.000.000	35.000.000.000
Profit per share (YTL)	0,006	0,125

According to the CMB's declaration number 7/242 dated 25 February 2005, the entities have to distribute the lower of profit calculated in accordance with the CMB's regulations or the net distributable profit stated on the statutory financial statements, If net losses incur for the period in either set of financial statements, then there should be no dividend distribution.

According to Inflation Communiqué; at least 30% of current year profit of inflation adjusted financial statements should be distributed to shareholders. Depending on the decision taken in the General Assembly, such dividend may be distributed either in cash and/or as bonus shares.

The Company's statutory net loss for the fiscal year 1 January-31 December 2004 is YTL1.099.375. The lower of net income in the statutory financial statements or in the financial statements, prepared in accordance with the Inflation and Consolidation Communiqué, is taken into consideration during profit distribution. Since there is a net loss, there will not be a profit distribution.

15. Changes in the amount of goods produced and services rendered by the Company during the period for each main production group

<u>Product Type</u>	<u>1 January 31 December 2004 Amount (kg)</u>	<u>1 January 31 December 2003 Amount (kg)</u>
Offset paper paper	20.330.557	20.321.937
Coated paper	16.487.380	10.298.702
Photocopy paper	10.608.220	19.531.884

16. Changes in the sale amounts of goods and services by main production groups

<u>Product Type</u>	<u>1 January 31 December 2004 Amount (kg)</u>	<u>1 January 31 December 2003 Amount (kg)</u>
Offset paper (domestic)	20.678.150	18.825.854
Coated paper	16.558.695	9.361.745
Photocopy paper	10.720.938	19.098.300

a- CONSOLIDATED FUNDS FLOW STATEMENT ADJUSTED TO THE INFLATION

(Amounts are stated in YTL with purchasing power of 31 December 2004)			
	Current Period		Previous Period
	31.12.2004		31.12.2003
	YTL		YTL
A - SOURCES OF FUNDS		10.652.738	36.536.167
1 - Funds provided from Operations		6.418.444	13.791.692
a) Operating Profit	837.133		5.330.667
b) Depreciation (+)	5.276.688		4.845.995
c) Other Expenses not Requiring Fund Outflow (+)	330.534		6.405.417
d) Other Income not Providing Fund Inflow (-)	-25.911		-2.790.389
2 - Sources From Extraordinary Operations		190.000	522.525
a) Extraordinary Profit	190.000		522.525
b) Expenses not Requiring Fund Outflow (+)	0		0
c) Income not Providing Fund Inflow (-)	0		0
3. Decrease in Current Assets		4.044.294	19.922.251
4. Decrease in Amounts of Fixed Assets		0	47.893
5. Increase in Short Term Foreign Sources		0	2.251.806
(Debt and the Accrued Expenses not included)			
6. Increase in Long Term Foreign Sources		0	0
(Debt and the Accrued Expenses not included)			
7. Increase in Share Capital (In Cash or Other Assets)		0	0
8. Premiums on Common Stock		0	0
B - USES OF FUNDS		10.652.738	36.536.167
1. Funds Outflow Related to Operating Activities		0	0
a) Operating Loss	0		0
b) Depreciation (+)	0		0
c) Expenses not requiring Outflow of Funds (+)	0		0
d) Income Not requiring Inflow of Funds (-)	0		0
2. Fund Usage Related to Extraordinary Operations		690.434	375.254
a) Extraordinary Loss	690.434		375.254
b) Expenses Not requiring Outflow of Funds	0		0
c) Income Not requiring Inflow of Funds (-)	0		0
3. Taxes and Similar Charges Paid		1.582.082	4.572.154
4. Dividends Paid		0	3.408.910
5. Increase in Current Assets		0	7.458.453
6. Increase in Non-Current Assets		4.305.925	6.952.488
(Revaluation not included)			
7. Decrease in Short Term Liabilities		2.434.199	9.814.138
8. Decrease in Long Term Liabilities		1.640.098	3.954.770
9. Decrease in Capital			0
CHANGES IN NET WORKING CAPITAL			
1- Increase in NET Working Capital			
2- Decrease in NET Working Capital		-90.549	-4.331.910

b- CONSOLIDATED CASH FLOWS STATEMENT ADJUSTED TO THE INFLATION

YTL	Current Period 31.12.2004	Prior Period 31.12.2003
A. CASH AT THE BEGINNING OF THE PERIOD	5.190.793	18.046.851
B. CASH INFLOWS WITHIN THE PERIOD	74.680.422	83.952.640
1. Cash From Sales	63.451.062	69.984.780
a) Net Sales	62.117.475	68.389.587
b) Decrease in Trade Receivables	1.358.402	2.640.993
c) Increase in Trade Receivables (-)	-24.815	-1.045.800
2. Cash From Other Operations	5.371.599	12.645.108
3. Cash Obtained from Extraordinary Income and Profit	198.452	522.525
4. Cash Obtained from Increase in Short Term Liabilities (not related to purchase)	4.763.778	800.227
a) Securities Issued	0	0
b) Credits Obtained	5.038.043	536.516
c) Other Increases	115.000	263.711
5. Cash Obtained from Increase in Long Term Liabilities (not related to purchase)	0	0
a) Securities Issued	0	0
b) Credits Obtained	0	0
c) Other Increases	0	0
6. Cash Obtained From Share Capital Increase	0	0
7. Cash Obtained From Share Premium	0	0
8. Other Cash Received From Cash Inflows	895.531	0
C. CASH OUTFLOWS WITHIN THE PERIOD	77.862.639	96.808.698
1. Cash Used in Costs	43.257.458	51.643.085
a) Cost of Sales	51.191.589	57.106.326
b) Increase in inventories	2.370.735	5.002.334
c) Decrease in Trade Payables	185.255	240.948
d) Increase in Trade Payables (-)	-1.642.304	-1.479.827
e) Expenses not Requiring Cash Payments Such as Depreciation and Provisions (-)	-5.250.000	-5.132.380
f) Decrease in Inventories (-)	-3.597.817	-4.094.316
2. Cash Outflows Due to Operating Expenses	5.771.799	6.738.915
a) Research and Development Expenses	83.950	94.636
b) Marketing, Selling and Distribution Expenses	2.876.732	3.858.369
c) General and Administrative Expenses	2.956.571	2.922.470
d) Expenses not Requiring Cash Payments Such as Depreciation and Provisions (-)	-145.454	-136.560
3. Cash Outflows Related to Other Expenses and Losses	4.711.954	4.632.223
a) Ordinary Expenses and Losses	7.668.752	7.666.041
b) Other Expenses and Losses not Requiring Cash Payments (-)	-2.956.798	-3.033.818
4. Cash Outflows Due to Financial Expenses	3.995.032	4.056.184
5. Cash Outflows due to Extraordinary Expenses and Losses	100.582	375.254
a) Extraordinary Expenses and Losses	100.582	375.254
b) Expenses and Losses Not Requiring Cash Payments (-)	0	0
6. Cash Outflows Due to investment in fixed assets	4.872.200	6.952.488
7. Repayment of Short Term Liabilities	10.230.500	7.992.454
a) Current Maturities of Marketable Securities	0	0
b) Principal Payments of Marketable Securities	10.230.500	7.992.454
c) Other Payments	0	0
8. Repayment of Long Term Liabilities (Not related with purchases)	0	3.886.438
a) Current Maturities of Marketable Securities	0	0
b) Principal Payments of Marketable Securities	0	3.886.438
c) Other Payments	0	0
9. Taxes and Other Similar Charges Paid	4.259.657	4.572.154
10. Dividends Paid	0	3.408.910
11. Other Cash Outflows	663.457	2.550.592
D. CASH AT THE END OF PERIOD (A+B-C)	2.008.576	5.190.793
E. INCREASE OR DECREASE IN CASH (B-C)	-3.182.217	-12.856.058



c- CONSOLIDATED COST OF SALES TABLE ADJUSTED TO THE INFLATION

YTL	Current Period 31 December 2004		Previous Period 31 December 2003	
COST OF PRODUCTION		55.069.296		59.064.783
Direct material costs	30.650.763		30.432.295	
Direct labor costs	2.052.586		2.182.095	
General Production expenses	22.365.947		26.450.393	
Change in work in progress				
1- Beginning inventory (+)	2.112.204		4.527.975	
2- Ending inventory (-)	-4.164.148		-2.112.204	
Change in raw material				
1- Beginning inventory (+)	7.945.242		5.595.846	
2- Ending inventory (-)	-6.888.656		-7.945.242	
COST OF PRODUCED GOODS		54.073.938		59.131.158
E- Change in products				
1- Beginning inventory (+)	5.085.472		3.014.121	
2- Ending inventory (-)	-3.193.422		-5.085.472	
COST OF GOODS SOLD		55.965.988		57.059.807
TRADE OPERATIONS				
Beginning trade goods (+)				
Trade goods purchases (+)	475.601		66.710	
Ending trade goods (-)				
COST OF TRADE GOODS SOLD		475.601		66.710
COST OF SERVICES SOLD				
COST OF SALES		56.441.589		57.126.517

2.E RATIOS OF THE OPERATING PERIOD

The basic ratios determining the structure of assets and liabilities of the company and those indicating the financial status, profitability and loan paying position are presented in the following tables in Million/ TL in comparison with the previous period.

1. ASSETS

			2004		%	2003		%
1.1	Current Assets	/	Assets	36.422.155 / 107.768.032	33,8	40.565.608 / 112.882.248	35,9	
1.1.1	Stocks	/	Current Assets	20.722.232 / 36.422.155	56,9	21.430.393 / 40.565.608	52,8	
1.1.2	Receivables	/	Current Assets	12.069.093 / 36.422.155	33,1	10.967.261 / 40.565.608	27,0	
1.2	Fixed Assets	/	Assets	71.345.877 / 107.768.032	66,2	72.316.640 / 112.882.248	64,1	
1.2.1	Net fixed Assets	/	Current Assets	71.332.393 / 71.345.877	100	72.311.790 / 72.316.640	100	

2.LIABILITIES

			2004		%	2003		%
2.1	Shareholders' equity	/	Liabilities and equity	88.247.315 / 107.768.032	81,9	87.910.616 / 112.882.248	77,9	
2.2	Short- term liabilities of funds	/	Liabilities and equity	14.995.314 / 107.768.032	13,9	19.048.218 / 112.882.248	16,9	
2.3	Long- term liabilities of funds	/	Liabilities and equity	4.525.403 / 107.768.032	3,9	5.923.414 / 112.882.248	5,2	
2.4	Profit for the period	/	Liabilities and equity	336.699 / 107.768.032	0,3	5.989.588 / 112.882.248	5,3	
2.5	Net profit for the year	/	Liabilities and equity	336.699 / 107.768.032	0,3	4.361.891 / 112.882.248	3,9	

3.ASSETS AND LIABILITIES

			2004		%	2003		%
3.1	Short-terms liabilities of funds	/	current assets	14.995.314 / 36.422.155	41,2	19.048.218 / 40.565.608	47,0	
3.2	Fixed assets	/	shareholders' equity	71.345.877 / 88.247.315	80,8	72.316.640 / 87.910.616	82,3	

4.RATIOS OF PAYING LIABILITIES

The ratios of the Corporation's paying liabilities are as follows:

		2004		2003	
<u>Current assets</u>	=	<u>36.422.155</u>	= 2,43	<u>40.565.608</u>	= 2,13
<u>Short-term liabilities</u>		<u>14.995.314</u>		<u>19.048.218</u>	
<u>Buyers +Other receivables</u>	=	<u>12.069.093</u>	= 0,80	<u>10.967.261</u>	= 0,57
<u>Short-term liabilities</u>		<u>14.995.314</u>		<u>19.048.218</u>	



5. RATIOS OF INCOME STATEMENT

Basic rational relations are provided in YTL by using the income statement.

		2004		%	2003		%
Costs of sales	/ Net sales	56.441.589	/ 62.117.475	90,9	57.126.517	/ 68.413.766	83,5
Marketing&sales expenses	/ Net sales	2.876.732	/ 62.117.475	4,6	3.859.732	/ 68.413.766	5,6
Gen.administ.expenses	/ Net sales	2.956.571	/ 62.117.475	4,8	2.923.504	/ 68.413.766	4,3
Net profit for the year	/ Net sales	336.699	/ 62.117.475	0,5	4.361.891	/ 68.413.766	6,4

2.F ADMINISTRATIVE OPERATIONS

2.F.1 Top managers:

TITLE	NAME AND SURNAME
General Manager	: K. Kıvanç Türkel
Ass. General Manager	: Yılmaz Kaya Aylanç
Factory Manager	: M.Tekin Salt
Ass.Factory Manager	: Ersin Cebesi
Ass.Factory Manager	: Timur Toplu

2.F.2 Status of Personnel and Severance Pay

Average number of our personnel per month as of 2004 is 227.

12 personnel gave up working due to various reasons (death, military obligation, retirement, marriage etc) and recruitments were made. The distribution of the personnel to the working points as of the end of the year is as follows:

Average number of our personnel working in the year per category:

	31 December 2004 <u>Person</u>	31 December 2003 <u>Person</u>
Total employees at the beginning of the period	226	226
White collar (not a trade union member)	39	39
Blue collar (not a trade union member)	187	187
Total employees at the end of the period	228	226
White collar (not a trade union member)	40	39
Blue collar (not a trade union member)	188	187

2.F.3 Our company does not execute a Collective Labor Agreement

2.F.4 As of the end of 2004, provision for employment termination benefits of YTL 1.352.222 has been allocated.

2.F.5 Rights and benefits to the personnel

The working personnel is entitled to monthly salaries as well as traveling and food grants and children and family grants.

CONSOLIDATED PROFIT DISTRIBUTION LAYOUT-ADJUSTED ACCORDING TO INFLATION

	(YTL.)	
	Current Period 2004	Previous Period 2003
A- DISTRIBUTION OF PROFIT OF THE FINANCIAL YEAR		
1) PROFIT FOR THE FINANCIAL YEAR	336.699	3.831.591
2) LOSS OF PREVIOUS PERIODS (-)	0	-13.884.126
3) I. ORDER LEGAL RESERVE (-)	0	0
4) LEGAL RESERVE FOR SHARES AND SAVINGS (-)		
DISTRIBUTABLE PROFIT FOR THE YEAR	0	0
5) FIRST DIVIDEND FOR SHAREHOLDERS(-)	0	0
6) DIVIDENDS FOR PERSONNEL(-)		
7) DIVIDENDS FOR BOARD OF DIRECTORS(-)	0	0
8) SECOND DIVIDEND FOR SHAREHOLDERS(-)		
- Owners of Common Stock		
- Owners of preferred shares		
9) II ORDER LEGAL RESERVES (-)	0	0
10) STATUS RESERVES (-)		
11) EXTRAORDINARY RESERVES	0	0
12) OTHER RESERVES		
13) SPECIAL FUNDS		
B- DISTRIBUTION FROM RESERVES		
1) REALIZED RESERVES		
2) II.LINE LEGAL RESERVES(-)		
3) SHARES OF SHAREHOLDERS(-)		
-Owners of Common Stock		
-Owners of Preferred Shares		
4) SHARES OF THE PERSONNEL(-)		
5) SHARES OF BOARDS OF DIRECTORS(-)		
C- EARNINGS PER SHARE	0	0
D- DIVIDENDS PER SHARE	0	0

Profit Distribution statement has not been approved by the shareholders meeting yet.

**CONVENIENCE TRANSLATION INTO ENGLISH
OF CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH - SEE NOTE 34**

**ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2004**

1. We have examined the accompanying inflation adjusted consolidated balance sheet of Alkim Kağıt Sanayi ve Ticaret A.Ş. ("the Company") at 31 December 2004 and the related inflation adjusted consolidated statement of income for the year then ended. All these consolidated financial statements are expressed in terms of the purchasing power of the New Turkish lira at 31 December 2004. Our examination was made in accordance with generally accepted auditing principles issued by the Capital Market Board ("CMB") and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary under the circumstances.
2. In our opinion, the consolidated financial statements referred to in the first paragraph, present fairly, in all material respects, the consolidated financial position of Alkim Kağıt Sanayi ve Ticaret A.Ş. as at 31 December 2004 and the consolidated results of its operations for the year then ended in accordance with generally accepted accounting principles issued by the CMB (See Balance Sheet Note 11).
3. Additional paragraph for convenience translation into English:
The effects of differences between accounting principles issued by CMB, the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in the financial position and cash flows in accordance with accounting principles generally accepted in such countries and IFRS.

Başaran Nas Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi
a member of
PricewaterhouseCoopers

Originally issued and signed in Turkish

Murat Sancar, SMMM
Partner

Istanbul, 8 March 2005



M.YÜKSEL KADIOĞLU

Yeminli Mali Müşavir

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ALKİM KAĞIT SANAYİ VE TİCARET A.Ş. INDEPENDENT AUDITORS REPORT

Audited Company's

Corporate Name	: Alkim Kağıt Sanayi ve Ticaret A.Ş.
Headquarter	: Akdeniz Cad. No:14/5 Alsancak / İZMİR
Capital	: 52.500.000.000.000.-TL (52.500.000 YTL)
Nature of Activities	: First quality print on coated paper.
Name of the Auditor and Term of Office, weather a partner or a staff	: M.Yüksel KADIOĞLU (for 1 year) is not a partner or a staff.
Number of Board of Directors' meetings contributed	: Contributed to the Board of Directors' meeting three times.
Scope of the audit on Partners Accounts, Books and Documents, Date of the Audit and the Conclusion	: In accordance with Tax Legislations and Turkish Commercial Code, revision is made for the end of the 3, 6, 9 and 12. months and there are no matters to criticise.
In accordance with Turkish Commercial Code Article No.353 1st Paragraph 3rd clause, number of cash counts made and the results	: Company's cash counted 5 times and the amounts matches to the company records.
Audit dates and results in accordance with Turkish Commercial Code Article No.353 1st Paragraph 4th clause	: In audits made by the last day of each month, current letter of guarantees and securities' congruencies to the records tested.
Complainants and corruptions perceived and procedures	: No complainants perceived.

We have audited the accounts and transactions of ALKİM KAĞIT SANAYİ VE TİCARET A.Ş. for the period January 01, 2004-December 31, 2004 in accordance with Turkish Commercial Code, main agreement of the partnership, Generally Accepted Principles of Accounting and other legislations.

Balance Sheet referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the Income Statement for the period January 01, 2004 –December 31,2004 present the results of its operations.

Earnings before tax for the peroid January 01, 2004 – December 31, 2004 is 1.099.375,00 YTL as can be seen in the enclosed Balance Sheet and Income Statements.

We request the confirmation of the Balance Sheet and Income Statements and acquittal of Board of Directors to be voted in the General Board of Directors.

**Auditor
M.Yüksel KADIOĞLU**



CORPORATE MANAGEMENT ADAPTATION REPORT

1. DECLARATION TO APPLY THE CORPORATE MANAGEMENT PRINCIPLES

Our Company applies the corporate management principles announced by the Capital Market Board, in the period ending on 31 December 2004.

PART I - SHAREHOLDERS

2. Shareholder relations unit

A shareholders department has been formed within our Company. Mustafa Güreşti, Burhanettin İpek have been given the duties as responsible managers and Murat Balpınar is the personnel in the department. There has been no application by the shareholders and for that reason there has been no situation in need of answer.

3. Information Acquiring Rights of the Shareholders

Our company has not received an application by the shareholders in written aiming to use the information acquiring right. Our new designed portal has been used for this aim. Our articles of association does not include an article regarding the atama of a private auditor.

4. Info about General Assembly

Announcements in relation to the Ordinary General Assembly Meeting held on 13.04.2004 have been published on Milliyet and Radikal newspapers dated 26.03.2004. Announcements in relation to the Extraordinary General Assembly Meeting and Privileged Shareholders Extraordinary General Assembly Meeting held on 07.09.2004 have been published on Posta and Radikal newspapers dated 18.08.2004. All the relevant documents of the agenda, annual report, financial tables, profit distribution suggestion, agenda of the General Assembly Meeting, are presented to all the shareholders who wish to have. The questions of the shareholders are answered one by one, applying the equality principle. The result of the meeting is presented to Istanbul Stock Exchange and published at the web site. Shareholders have a right to vote on behalf of others. Every decision regarding the amendment of articles of association is reached at the general Assembly meeting. No time limit has been proposed to register to the share book so that registered to name shareholders will attend the meeting. Articles of association does not include an article in relation to important decisions to be taken at the General Assembly, such as diversification, huge amount asset selling, purchasing, renting.

5. Voting Rights and Minority Rights

In the meetings of General Assembly the shareholders of group A, B, C, D and E have 100 voting rights for each share, the shareholders of group F have 1 voting right for each share. Alkim Alkali Kimya A.Ş. has voted at the meeting. Minority rights have not been represented at the management.

6. Profit Distribution Policy and Profit Distribution Term

There is no privilege on the profit distribution. Our profit distribution policy is as stated in our articles of association, general expenses, compulsory accruals are deducted from the revenues of the year-end, and net profit stated at the balance sheet is distributed as follows, after offsetting from the previous year loss if any.

FIRST ALLOTMENT LEGAL RESERVE

- a) 5% legal reserve is allocated.

First Dividend

- b) From the residual, first dividend is allocated at the rate and amount stated by Capital Market Board.

From the residual, with the condition of not affecting the first dividend, an amount up to 3% of net profit is distributed to Board Members after the decision of General Assembly. That amount can not be more than 10% of the paid-in capital.

Second Dividend

- c) General assembly is authorized to distribute the residual amount from articles a and b, totally or partially as second dividend or allocate as extraordinary reserve.

SECOND ALLOTMENT LEGAL RESERVE

d) One tenth of the amount found after the deduction of 5% profit share of the paid-in capital from the decided profit distribution is allocated as second allotment legal reserve in accordance with the part 3, item 2 of article 466 of Turkish Commercial Code.

e) No decision may be taken to allocate other reserves, carry forward the profit, distribute profit to Board Members, employees, workers, privileged shareholders, institutions and foundations found for different aims, unless legal reserves and first dividend is allocated.

This policy is presented to shareholders in the general assembly meeting. No profit distribution has been realized in 2004 but profit distribution is possible till the 5th month of the following year.

7. Transfer of Shares

Our articles of association includes the following articles in relation of the devir and sale of shares

a) Transfer and sale of registered to name shares

Shareholder who want to sell all or any of the registered shares have to offer the shares firstly to other registered share owners. While using the option, shareholder will notify the company about the share he will sell, the amount offered to himself, the identification and address of the buyer nominee by a notary public announcement. The Company will at once deliver this sale demand to the partners by registered letter. If this letter is not received by the partners by any reason, the sale option is announced at a daily newspaper published around where the Company is located.

A partner who does not announce his wish to use purchasing option within 15 days of the delivery of the registered letter and within 7 days of the publishment and who does not block the necessary money to the Company within the same time limits will be presumed that he does not want to buy the shares. In any case, if the purchasing option is not used within 30 days after the notary public announcement, the partner has the right to sell the shares to nominee buyer freely. The sale of the shares either to existing partners or to nominee is realized by registration to share book.

- b) Transfer of the registered shares to relatives and legal transfers

Partners may sell or transfer all or any of his shares to his wife, children, sisters and brothers by only registering to the share book. Legal rules apply in the case of inheritance.

Sale of bearer owned shares are subject to Turkish Commercial Code and Capital Market Law.

Rules of article 416 of Turkish Commercial Code are preserved.

PART II INFORMING THE PUBLIC AND TRANSPARENCY

8. Company informing Policy

The informing policy of the company is to explain the necessary matters in relation to its operations on time in the special condition explanation format. Also, shareholders department has been formed to inform the public and answer the questions to the Company. Responsible people of execution of informing policy are Kıvanç Türkel, General Manager, and shareholders department.



9. Special Condition Explanations

Company has made 11 special condition explanation within this period. Capital Market Board and Stock Exchange have not demanded additional explanations. All these explanations have been made on time. Our shares are not marketed in the foreign markets. No sanction has been applied to our Company by CMB because of not making the special condition explanations on time.

10. Company web site and its content

The Company has a web site which was renewed lately. Adress of our web site is www.alkimkagit.com.tr. Corporate Management Principles have a special page at the site.

11. Explanation for ultimate owners as real person

Last shareowners are as follows after the exclusion of Alkim Alkali Kimya A.Ş.

Offered to public	35,69%	18.737.687,35
H.Arkin KORA	18,72%	9.828.165,78
Cihat KORA	10,41%	5.466.609,38
ISE Settlement And Custody Bank Inc.	10,00%	5.250.000,00
M.Reha KORA	8,22%	4.316.531,25
A.Haluk KORA	6,86%	3.603.450,00
Ferit KORA	3,24%	1.703.462,57
Özay KORA	2,98%	1.562.531,25
Tülay ÖNEL	2,97%	1.561.406,25
E.Şukran TUTAŞ	0,57%	299.027,65
Gülen KORA	0,27%	140.368,82
Mithat KORA	0,05%	26.079,40
Z.Ayşegül KORA	0,01%	2.812,50
Kadri ÖNEL	0,00%	1.125,00
Nihat ERKAN	0,00%	742,79
	100,00%	52.500.000,00

12. Informing the public about the possible insiding traders

Our Company has taken necessary precautions to obey the legal adjustments for insiding traders.

PART III BENEFIT OWNERS

13. Informing the benefit owners

Our company informs the benefit owners in accordance with the article 8 of Company informing policy and uses web site, stock exchange and public informing platform for that aim. The benefit owners have not directly or indirectly applied to our Company in order to be informed.

14. Participation of benefit owners to management

Our Company has not applied a rule about the participation of benefit owners to management apart from the ones stated in the shareholders agreement.

15. Human Resources Policy

Our human resources policy sees our employees as the most valuable resource of our Company. Selection, recruitment and education in order to obtain the continuous performance at the top level is an important part of this policy. Relations with the personnel are kept with Administration and Personnel Managers apart from their first seniors. In case they need they can also communicate with the General Manager. No complaint has been received from the employees about discrimination. Personnel manager is Burhanettin İpek.

16. Info about the relations with the customers and suppliers

Our Company has adopted a policy of customer satisfaction at marketing and sale of goods and services. The customer relations department with adequate personnel and equipment has reached a performance to give the pre-answers to customer complaints within 24 hours. The complaints are delivered to the factory with the notebooks and digital cameras of all personnel and the matter is analyzed by the experts. The most detailed answer is given to the customer by taking all the records of the product in question. In addition to these sale personnel are educated often.

17. Social Responsibility

Our Company creates valuable contributions to the district it is present in on the education and employment issues. Our Company support school building and activities of the students with that aim. As another social activity, the organizations working for public benefit are supported and contributed by being sponsor. Great importance is given to environmental factors and no critique has been received after the controls made. Treatment facility has been rewarded many times.

PART IV – BOARD OF DIRECTORS

18. The structure and organization of Board of Directors and independent members

The executive members of our Board of Directors are Hüseyin A.Kora and Ferit Kora. Members of board of directors are as follows:

Chairman of the Board of Directors	CİHAT KORA
Vice Chairman of the Board of Directors	M.REHA KORA
Member of the Board of Directors	FERİT KORA
Member of the Board of Directors	A.HALUK KORA
Member of the Board of Directors	HÜSEYİN KORA
Member of the Board of Directors	MİTHAT KORA
Member of the Board of Directors	KADRİ ÖNEL
Member of the Board of Directors	NİHAT ERKAN
Member of the Board of Directors	İSMAİL ALTILAR

General Manager of our Company is KIVANÇ TÜRKEL

No restriction is applied to the members to obtain duties outside the Company.

19. The characteristics of the members of Board of Directors

The minimum characteristics required at the election of members are in accordance with the CMB Corporate Management Principles. This is not stated at the terms of association.



20. Vision, mission and strategic goals of the Company

Our Board of Directors has stated mission and vision of our Company and announced to public by different means.

Mission and vision of our Company

- 1- To reach the world's best quality in its sector
- 2- To reach the best quality with the most economic conditions
- 3- To keep and increase the export potential achieved in Europe and other foreign countries.
- 4- To keep the productivity at the top level
- 5- To execute the team and group working at the top level
- 6- To keep the motivation of our employees at the top level and to improve their life standards.

Strategic goals are stated by the managers, approved and quarterly audited by the Board of Directors.

21. Risk management and internal control mechanism

Necessary principles have been stated by the board of directors and relevant professionals have been determined. Follow-up of this issue will be made by two members of the Board of Directors and general manager.

22. The authority and responsibilities of the members of Board of Directors

The authority and responsibilities of the members of Board of Directors and managers are stated by the Board of Directors decision in accordance with the article 8 of articles of association. According to this:

Chairman of the Board of Directors	CİHAT KORA	
Vice Chairman of the Board of Dir.	M.REHA KORA	
Member of the Board of Directors	FERİT KORA	Finance and general
Member of the Board of Directors	A.HALUK KORA	Technical issues, new projects
Member of the Board of Directors	HÜSEYİN KORA	Exports, domestic sales, mark, adm.
Member of the Board of Directors	MİTHAT KORA	Legal issues, general adm.
Member of the Board of Directors	KADRİ ÖNEL	Projects, new products
Member of the Board of Directors	NİHAT ERKAN	General administration
Member of the Board of Directors	İSMAİL ALTILAR	Paper facility, technical issues

23. Operating basis of Board of Directors

19 meetings were held in 2004. Actual presence majorities have been achieved. Decisions are given by plurality. No last rejection right has been privileged.

24. Operating and rivalry prohibition with the company

Board of Directors have been authorized by the General Assembly to operate pursuant to articles 334 and 335 of Turkish Commercial Code.

25. Ethic Rules

Our Company adopts the principles rooted to a 50 years business life of our group. Except the understanding of everything may be done in order to achieve success, accepts the way to success as a route where all human values and generally accepted ethic rules are taken into account and acts accordingly.

26. Number, structure and independence of the committees formed at the Board of Directors

Committee responsible from the audit of our Company has been formed within the legal time limits and acts in accordance with the CMB legislation. Members of this committee are A.Haluk Kora and Kadri Önel.

27. Financial Rights granted to Board of Directors

Members of our Board of Directors are paid a monthly fixed amount, while they have been paid YTL 750 per month within 2004. They have not been granted debt, loan and warranties.



ALKİM KAĞIT SAN.VE TİC.A.Ş. TEXT FOR AMENDMENT PLAN

ORIGINAL:

Article 6-ORDER-GROUPS OF CAPITAL AND SHARES

Capital of the company is 35.000.000.000.000.-TL

Each share amounts to 1000TL and the capital is composed of 35.000.000.000 shares.

The previous capital which is totally paid has been risen up to 35.000.000.000.000 TL. This was provided from the sums of 11.742.001.559.655 TL obtained from Revaluation Value Increase Fund of 2002 and 5.757.998.440.345 TL allocated from emission premium on capital stock for the year 2000 and by adding of 17.500.000.000.000 TL.

17.500.000.000 shares obtained from internal sources of funds will be allocated to the current partners as free shares.

Capital of the company is 35.000.000.000.000.- TL.and its distribution is as follows::

Order	Group	Payable to- Payable to bearer	Number of Shares	Price (TL)
I. Order	A Group	Payable to	3.750.000	3.750.000.000.-TL.
I. Order	B Group	Payable to	3.000.000	3.000.000.000.-TL.
I. Order	C Group	Payable to	3.138.000	3.138.000.000.-TL.
I. Order	D Group	Payable to	112.000	112.000.000.-TL.
I. Order	E Group	Payable to	1.190.000.000	1.190.000.000.000.-TL
I Order	F Group	Payable to	10.000.000.000	10.000.000.000.000.-TL.
II. Order	F Group	Payable to bearer	2.800.000.000	2.800.000.000.000.-TL.
III. Order	F Group	Payable to bearer	3.500.000.000	3.500.000.000.000.-TL.
IV Order	F Group	Payable to bearer	17.500.000.000	17.500.000.000.000.-TL.
		Toplam	35.000.000.000	35.000.000.000.000.-TL

11.190.000.000.000TL calculated by the sums of 1.190.000.000.000 TL of Ist Order E Group and 10.000.000.000.000 TL of 1st Order F Group was provided by Alkim Alkali Kimya A.Ş as the capital in kind.

The Board of Directors could issue shares as bonds representing several shares prepared in accordance with the decisions of Capital Market Board.

Shares against capital in kind could not be transferred to the third parties unless 2 years passed from the foundation of the Company. T.T.K.404

AMENDED FORM:

ARTICLE 6- ORDERS-GROUPS OF CAPITAL AND SHARES

Capital of the company is 52.500.000.000.000.-TL

Each share amounts to 1000TL and the capital is composed of 52.500.000.000 shares.

The previous capital of TL 35.000.000.000.000 which is totally paid up has been risen up to 52.500.000.000.000.- TL. This was provided by the sums of 14.774.867.014.909.- TL obtained from Revaluation Value Increase Fund and 2.725.132.985.091.- TL allocated from Extraordinary Reserves from the profits and by adding of 17.500.000.000.000 TL..

17.500.000.000 shares obtained from internal sources of funds will be distributed to the current partners as free shares.

Capital of the company is 52.500.000.000.000.- TL.and its distribution is as follows:

Order	Group	Payable to- Payable to bearer	Number of Shares	Price (TL)
I. Order	A Group	Payable to	3.750.000	3.750.000.000.-TL.
I. Order	B Group	Payable to	3.000.000	3.000.000.000.-TL.
I. Order	C Group	Payable to	3.138.000	3.138.000.000.-TL.
I. Order	D Group	Payable to	112.000	112.000.000.-TL.
I. Order	E Group	Payable to	1.190.000.000	1.190.000.000.000.-TL
I. Order	F Group	Payable to	10.000.000.000	10.000.000.000.000.-TL.
II. Order	F Group	Payable to bearer	2.800.000.000	2.800.000.000.000.-TL.
III. Order	F Group	Payable to bearer	3.500.000.000	3.500.000.000.000.-TL.
IV Order	F Group	Payable to bearer	17.500.000.000	17.500.000.000.000.-TL.
V Order	F Group	Payable to bearer	17.500.000.000	17.500.000.000.000.-TL.
		Toplam	52.500.000.000	52.500.000.000.000.-TL

11.190.000.000.000TL calculated by the sum of 1.190.000.000.000 TL of Ist Order E Group and 10.000.000.000.000 Tlof 1st Order F Group was provided by Alkim Alkali Kimya A.Ş as the same capital.

The Board of Directors could issue shares as bonds representing several shares prepared in accordance with the decisions of Capital Market Board.

Shares against capital in kind could not be transferred to the third parties unless 2 years passed from the foundation of the Company. T.T.K.404

CİHAT KORA M.REHA KORA FERİT KORA A.HALUK KORA
Chairman Vice Chairman Member Member

HÜSEYİN A.KORA MİTHAT KORA KADRI ÖNEL NİHAT ERKAN İSMAİL ALTILAR
Member Member Member Member Member