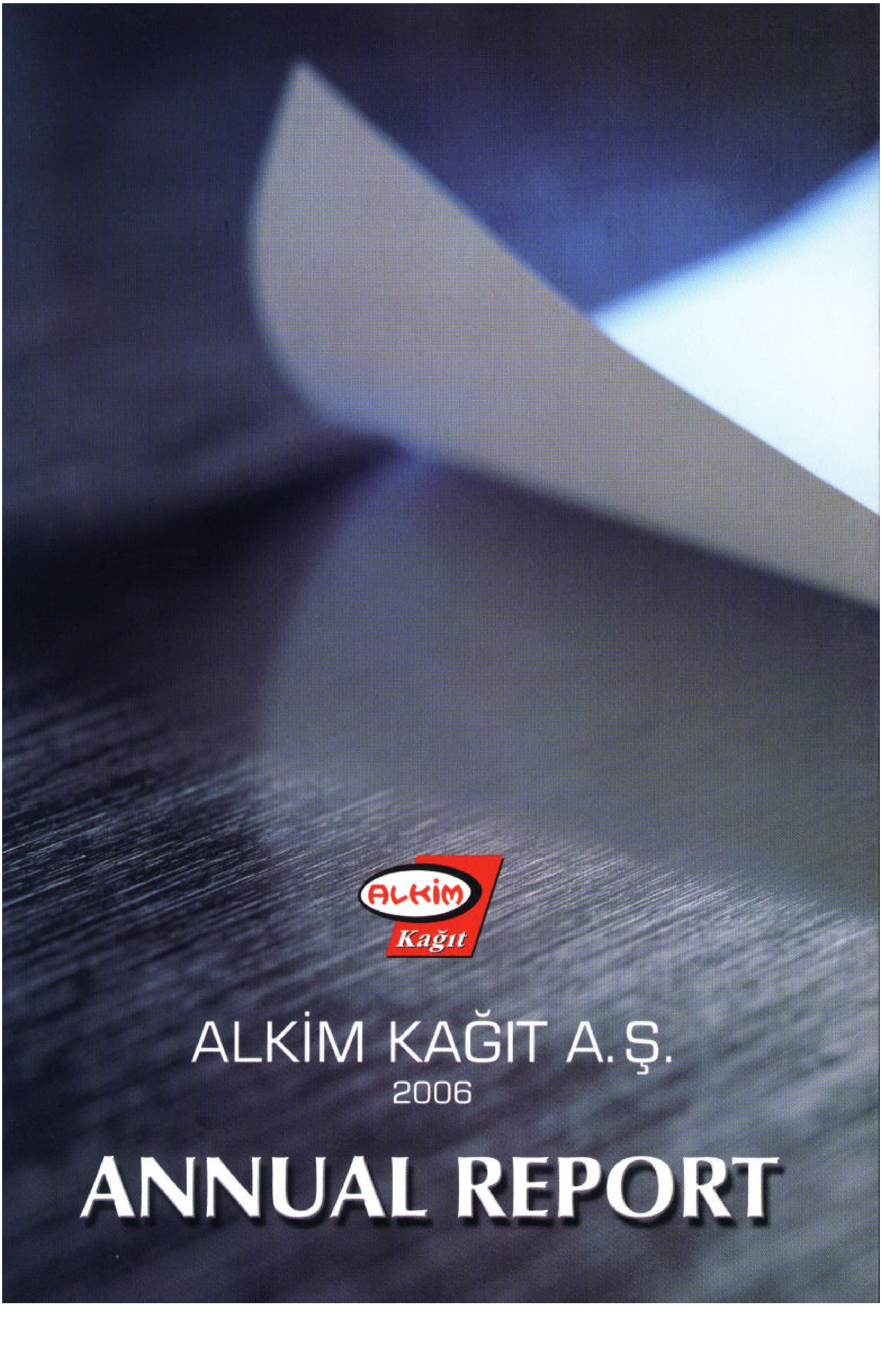

ALKİM KAĞIT A.Ş.

2006

ANNUAL REPORT

Dear Partners,

Welcome to our Ordinary General Board related to our activities in 2006. We are very pleased to submit the respect and amity to you.

You will see detailed information related to activity of Alkim Kagit Company in our report. Additionally our technical and financial competent personnel will inform you about the information in details during this General Board.

First of all we want to explain you the most important and very positive results related to 2006 period shortly. As you know from the past periods, paper sector affecting us directly in the world, especially in Europe has experienced a lot of troubled periods starting from last period of 2004, during entire 2005 period and until the middle of 2006 year because of the instability of prices of cellulose that is the primary raw material of paper and manufactured paper in the prices of market, and some of paper manufacturers in Europe had to terminate their works.

We have felt these hard economic conditions required by paper sector as Alkim Paper heavily. But, under the extraordinary sapient management and leadership of Mr. Halil Sonmez, our new General Manager who started his post in April 2006 and one of the successful and experienced managers of Turkish national paper sector our production fertility increased thanks to great efforts, disciplines and self-sacrificing studies of the all managers and working people of Alkim Paper, the quality of our papers increased to upper levels beyond debate, our sale prices and sale amounts developed in parallel with these very beautiful and positive results and our product reached to the place that it deserved in the market. A revenue of 74 million YTL was obtained with sale of total 57.000 tone paper.

We hope we will have a successful 2007 together with the working people of Alkim Paper and desire very good wills and respects for you.

The Board of Directors of the Company Alkim Kağıt

1. INTRODUCTION

1.1 PERIOD OF THE REPORT : 01.01.2006 – 31.12.2006

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 1 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:

Title	Name / Last Name	Begining of the Period	End of the Period
Chairman of the Board of Directors	M. REHA KORA	28.03.2006	28.03.2007
Vice Chairman of the Board of Directors	A. HALUK KORA	28.03.2006	28.03.2007
Vice Chairman of the Board of Directors	FERİT KORA	28.03.2006	28.03.2007
Member of the Board of Directors	NİHAT ERKAN	28.03.2006	28.03.2007
Member of the Board of Directors	MİTHAT KORA	28.03.2006	28.03.2007
Member of the Board of Directors	KADRİ ÖNEL	28.03.2006	28.03.2007
Member of the Board of Directors	ÖZAY KORA	28.03.2006	28.03.2007
Member of the Board of Directors	VAHİT GÖKHAN	16.05.2006	28.03.2007
Member of the Board of Directors	M.FARUK YÜKSEL	16.05.2006	28.03.2007

Supervisor	M.YÜKSEL KADIOĞLU	28.03.2006	28.03.2007

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 Board of directors held the meeting on 8 March 2006 and made the below amendments in the corporation's contract as for the requirement of the resolution Nr. 2006/07 it made in this meeting.
The amendment texts are attached at the end of the report.

1) The amendment in the Article 3: "Purpose and subjects" for concluding agreements for license of producing electric energy and to sell it.

2) The amendment in the Article 6: "Capital and Combinations – Groups of Share Certificates"

3) The amendment in the Article 7: "Board of Directors and its Duration"

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

1.5.1 Capital Position

The capital of the company is 52.500.000 YTL.. No capital increase in 2006.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:

Paid in Capital (YTL)	**Year**	**Dividend Share**	**Dividend Rate**
11.200.000	1999	0.000003	0.33%
14.000.000	2000	(no profit distribution affected)	-
17.500.000	2001	0.000090	9.00%
17.500.000	2002	0.000165	16.50%
35.000.000	2003	(no profit distribution affected)	-
52.500.000	2004	(no profit distribution affected)	-
52.500.000	2005	(no profit distribution affected)	-
52.500.000	2006	-	-

1.5.2. Stocks:

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

A GROUP	REGISTERED	375.000	SHARE	0,01%
B GROUP	REGISTERED	300.000	SHARE	0,01%
C GROUP	REGISTERED	313.800	SHARE	0,01%
D GROUP	REGISTERED	11.200	SHARE	0,00%
E GROUP	REGISTERED	119.000.000	SHARE	2,27%
F GROUP	REGISTERED	1.000.000.000	SHARE	19,05%
F GROUP	BEARER	4.130.000.000	SHARE	78,67%
	TOTAL	**5.250.000.000**	**SHARE**	

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:

Name, Last Name	**Share Amount (YTL)**	**Percentage in Capital %**
ALKİM ALKALİ KİMYA A.Ş.	41.962.500	79,93
OFFERED TO PUBLIC	10.500.000	20,00
OTHERS (*)	37.500	0,07

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 runs its activity 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

31 December 2006

Name of Investment in Progress	Total Amount Projected YTL	Total Expenditures YTL	Capitalized Amount YTL	Beginning Date	Completion Date	Completed Ratio (%)
Investment of DCS System	300.000,00	295.279,22		August.04	on going	98%
Roll Cutting Control system	75.000,00	64.804,62		April.05	on going	86%
Construction of Roll Warehouse	346.431,97	346.431,97	346.431,97	November.04	March.06	100%
Water Well (3)	266.292,03	266.292,03	266.292,03	March.04	December.06	100%
Additional part to Finished Product warehouse	82.886,71	82.886,71	82.886,71	April.04	December.06	100%
TOPLAM	**1.070.610,71**	**1.055.694,55**	**695.610,71**			

2.B) ACTIVITIES FOR PRODUCTION OF GOODS AND SERVICES

2.B.1) The production capacity of our facilities is 75,000 ton/year. The production amount and capacity utilization ratio by years are as given below:

CAPACITY

Overall production in 2006: **64.424 Ton**	75.000 TON	Capacity Utilization Percentage: **% 86**
Overall production in 2005: **63.723 Ton**	75.000 TON	Capacity Utilization Percentage: **% 85**

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

	Unit	Amount by 31.12.2006	Amount by 31.12.2005
a-) Offset paper	Ton	37.865	32.364
b-) Coated Paper	Ton	8.858	13.838
c-) Photocopy paper	Ton	11.210	9.290
	TOTAL	**57.933**	**55.492**

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

	Unit	Amount by 31.12.2006	Amount by 31.12.2005
a-) Offset paper	Ton	37.529	30.874
b-) Coated Paper	Ton	8.647	13.324
c-) Photocopy paper	Ton	10.819	9.315
	TOTAL	**56.995**	**53.513**

2.B.4) IMPROVEMENTS IN SELLING ACTIVITIES

Total of sales within 2006 is 56.995 TONS. 53.410 tons of these sales are domestic market (94%) sales and 3.585 tons are export (6%) sales. Total of our net sales for 2006 is 74.082.679 YTL.
The percentage breakdown of our sales for 2006 is consisted of 66% offset paper, 15% glossy (coated) paper, 19% photocopy paper.

DESCRIPTION	SALES AMOUNT TON	PERCENTAGE TO DOMESTIC SALES %	PERCENTAGE TO OVERALL SALES %	AVERAGE SALE PRICE (YTL/TON)	NET SALES AMOUNT (YTL)
OFFSET	36.933	69%	65%	1.291	47.649.422
COATED	7.346	14%	13%	1.325	9.736.041
PHOTOCOPY	9.097	17%	16%	1.290	11.735.415
BLOCK NOTE	1	0%	0%	1.355	1.653
CONTINUOUS FORM	33	0%	0%	1.345	44.214
TOTAL OF DOMESTIC MARKET	**53.410**	**100%**	**94%**		**69.166.745**

DESCRIPTION	SALES AMOUNT TON	PERCENTAGE TO DOMESTIC SALES %	PERCENTAGE TO OVERALL SALES %	AVERAGE SALE PRICE (YTL/TON)	NET SALES AMOUNT (YTL)
OFFSET	562	16%	1%	1.329	746.598
COATED	1.302	36%	2%	1.133	1.474.601
PHOTOCOPY	1.721	48%	3%	1.359	2.339.953
BLOCK NOTE	0	0%	0%	1.929	19
CONTINUOUS FORM	0	0%	0%	0	0
TOTAL OF EXPORT SALES	**3.585**	**100%**	**6%**		**4.561.172**

TOTAL TONNAGE	**56.995**	**TOTAL SALES AMOUNT**	**73.727.916**

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. CONSOLIDATED DETAILED BALANCE SHEET ISSUED ACCORDING TO THE COMMUNIQUE OF SPK SERIAL: XI NO: 25

	Notes	2006	2005
ASSETS			
CURRENT ASSETS		**44.918.270**	**41.759.532**
Cash and cash equivalents	4	2.000.544	470.723
Marketable securities- net	5	380.359	244.233
Trade receivables- net	7	18.811.997	15.812.306
Leasing receivables- net	8	-	-
Due from related parties	9	191.897	144.910
Other receivables- net	10	2.894.258	2.257.655
Biological assets- net	11	-	-
Inventories- net	12	20.162.554	22.167.316
Receivable from construction contracts- net	13	-	-
Deferred tax assets	14	-	-
Other current assets	15	476.661	662.389
NON-CURRENT ASSETS		**67.632.053**	**71.546.529**
Trade receivables- net	7	-	-
Leasing receivables- net	8	-	-
Due from related parties- net	9	-	-
Other receivables- net	10	-	-
Financial assets- net	16	22.864	23.851
Positive/negative goodwill- net	17	-	-
Investment property- net	18	-	-
Property, plant and equipment- net	19	67.335.346	71.191.814
Intangible assets- net	20	247.554	330.864
Deferred tax assets	14	26.289	-
Other non-current assets	15	-	-
TOTAL ASSETS		**112.550.323**	**113.306.061**

The financial statements prepared as at and for the year ended 31 December 2006 have been approved and signed by the Board of Directors on 9 March 2007.

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

	Notes	2006	2005
LIABILITIES			
CURRENT LIABILITIES		**21.444.992**	**21.654.002**
Financial liabilities- net	6	2.138.552	3.048.997
Short-term portion of long-term financial liabilities - net	6	13.527.226	8.831.809
Lease obligations- net	8	225.020	-
Other financial liabilities- net	10	-	908.737
Trade payables- net	7	4.371.371	7.505.991
Due to related parties- net	9	599.879	754.388
Advances received	21	203.505	139.259
Construction progress billing- net	13	-	-
Provisions	23	-	-
Deferred tax liabilities	14	-	-
Other current liabilities- net	15	379.439	464.821
NON-CURRENT LIABILITIES		**8.277.832**	**6.699.171**
Financial liabilities	6	6.198.048	5.312.691
Lease obligations- net	8	681.718	-
Other financial liabilities- net	10	-	-
Trade payables- net	7	664.064	643.363
Due to related parties- net	9	-	-
Advances received	21	-	-
Provisions	23	734.002	623.729
Deferred tax liabilities	14	-	119.388
Other liabilities- net	10	-	-
MINORITY INTEREST	24	**-**	**-**
SHAREHOLDERS' EQUITY		**82.827.499**	**84.952.888**
Share capital	25	**52.500.000**	**52.500.000**
Treasury share		**-**	**-**
Capital reserves	26-28	**33.120.711**	**33.120.711**
Share premiums		-	-
Profit from share cancellations		-	-
Revaluation fund		-	-
Revaluation fund for financial assets		-	-
Inflation adjustment to shareholders' equity	26-28	33.120.711	33.120.711
Profit reserves	26-28	**2.289.905**	**2.289.905**
Legal reserves	26-28	815.050	815.050
Statutory reserves		-	-
Extraordinary reserves	26-28	1.474.855	1.474.855
Special reserves		-	-
Property sales gains and investments shares to be added to capital		-	-
Cumulative translation adjustment		-	-
Net loss for the year		**(2.125.389)**	**(3.064.089)**
Retained earnings	26-28	**(2.957.728)**	**106.361**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**112.550.323**	**113.306.061**

Commitments and contingent assets and liabilities 31

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

2-C.2. CONSOLIDATED INCOME TABLE ISSUED ACCORDING TO THE COMMUNIQUE OF SPK SERIAL: XI NO: 25

	Notes	1 January - 31 December 2006	1 January - 31 December 2005
Net sales	36	74.082.673	60.622.204
Cost of sales	36	(67.598.412)	(58.346.282)
Service income- net	36	-	-
Other income	36	-	-
GROSS PROFIT		**6.484.261**	**2.275.922**
Operating expenses	37	(4.696.029)	(5.956.510)
NET OPERATING PROFIT / (LOSS)		**1.788.232**	**(3.680.588)**
Other income and profits	38	5.800.582	4.024.778
Other expenses and losses	38	(1.423.528)	(979.025)
Financial expenses	39	(8.436.352)	(4.128.814)
OPERATING LOSS		**(2.271.066)**	**(4.763.649)**
Gain on net monetary position	40	-	-
Profit/ (loss) attributable to minority interest	24	-	-
LOSS BEFORE TAX		**(2.271.066)**	**(4.763.649)**
Taxes on income	41	145.677	1.699.560
NET LOSS FOR THE YEAR		**(2.125.389)**	**(3.064.089)**
LOSS PER SHARE (YTL)	42	**(0,04048)**	**(0,05836)**

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

2-C.3. EQUITY CHANGE TABLE ISSUED ACCORDING TO THE COMMUNIQUÉ OF SPK SERIAL: XI NO: 25

	Share capital	Inflation adjustment of shareholders' equity	Profit reserves	Net loss for the year	Retained earnings	Total shareholder's equity
1 January 2005- as previously reported	**52.500.000**	**33.120.711**	**2.289.905**	**-**	**(1.590.481)**	**86.320.135**
Correction of error	-	-	-	-	1.696.842	1.696.842
1 January 2005- as restated	**52.500.000**	**33.120.711**	**2.289.905**	**-**	**106.361**	**88.016.977**
Net loss for the year	-	-	-	(3.064.089)	-	(3.064.089)
31 December 2005	**52.500.000**	**33.120.711**	**2.289.905**	**(3.064.089)**	**106.361**	**84.952.888**
Transfers	-	-	-	3.064.089	(3.064.089)	-
Net loss for the year	-	-	-	(2.125.389)	-	(2.125.389)
31 December 2006	**52.500.000**	**33.120.711**	**2.289.905**	**(2.125.389)**	**(2.957.728)**	**82.827.499**

The accompanying notes form an integral part of these financial statements

2-C.4 STATEMENT OF CASH FLOWS ISSUED ACCORDING TO THE COMMUNIQUÉ OF SPK SERIAL: XI NO: 25

	Notes	2006	2005
Cash flows from operating activities:			
Net loss before taxation on income		(2.271.066)	(4.763.649)
Adjustments to reconcile net loss before taxation on income to net cash used in operating activities			
Depreciation and amortisation	19-20	5.100.535	4.828.088
Provision for employment termination benefits	23	110.273	113.826
Share from results of associates	38	987	(10.367)
Loss from sales of property, plant and equipment	38	455.187	301.597
Interest income	38	(76.167)	(19.373)
Interest expense	39	1.362.886	686.113
Net cash before changes in assets and liabilities		**4.682.635**	**1.136.235**
Changes in assets and liabilities:			
Change in marketable securities	5	(136.126)	(244.233)
Change in short-term trade receivables	7	(2.999.691)	(3.952.579)
Change in due from related parties	9	(46.987)	(3.513)
Change in inventories	12	2.004.762	(3.984.446)
Change in other receivables	10	(636.603)	(1.049.006)
Change in other current assets	15	185.728	(180.815)
Change in short-term trade payables	7	(3.134.620)	2.095.298
Change in long-term trade payables	7	20.701	643.363
Change in due to related parties	9	(154.509)	227.852
Change in short-term advances received	21	64.246	(389.504)
Change in short-term provisions	23	-	(11.379)
Changes in other short-term liabilities	15	(85.382)	124.288
Net cash flows used in operating activities		**(235.846)**	**(5.588.439)**
Cash flows from investing activities:			
Interest received		76.167	19.473
Purchases of tangible and intangible assets	19-20	(1.867.742)	(2.163.703)
Proceeds from sales of tangible and intangible assets	19-38	251.798	128.247
Net cash used in investing activities		**(1.539.777)**	**(2.015.983)**
Cash flows from financing activities:			
Increase in financial liabilities-net	6-10	3.744.349	6.751.643
Increase in lease obligations-net	8	906.738	-
Interest paid		(1.345.643)	(685.074)
Net cash generated from financing activities		**3.305.444**	**6.066.569**
Net increase/ (decrease) in cash and cash equivalents		1.529.821	(1.537.853)
Cash and cash equivalents at beginning of the year	4	**470.723**	**2.008.576**
Cash and cash equivalents at end of the year	4	**2.000.544**	**470.723**

The accompanying notes form an integral part of these financial statements

2-C.5. FOOTNOTES FORMING AN INTEGRATED PART OF OUR FINANCIAL TABLES ISSUED ACCORDING TO THE COMMUNIQUE OF SPK SERIAL: XI NO: 25

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The nature of the operations of Alkim Kağıt Sanayi ve Ticaret A.Ş. (the "Company") is the manufacturing and sales of offset, glossy and photocopy papers. The main shareholder of the Company is Alkim Alkali Kimya A.Ş.(Note 25).

The Company is registered in the Turkish Capital Markets Board ("CMB") and its shares have been traded on the Istanbul Stock Exchange ("ISE"). As at 31 December 2006, the shares traded on ISE are 20% (2005: 20%) of the total shares.

The number of people employed by the Company at 31 December 2006 is 202 (2005: 226).

The address of the registered office is as follows:

Akdeniz Caddesi No: 14/ 5,
35210 Pasaport- İzmir

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

a) Accounting Standards

The Company maintains its books of account and prepares its statutory financial statements in accordance with the Turkish Commercial Code, communiqués issued by the CMB and Turkish tax legislation. These financial statements are based on the statutory records, which are maintained under the historical cost convention with adjustments and reclassifications for the purpose of fair presentation in accordance with CMB Communiqué XI/25 "Communiqué Regarding Accounting Standards in Capital Markets" ("Communiqué") dated 15 November 2003. Financial statements and notes to the financial statements are prepared in compliance with the formats required by the CMB announcement dated 20 December 2004.

Other than the financial assets and liabilities carried at their fair values, financial statements are based on historical cost convention and prepared in terms of New Turkish Lira ("YTL").

b) Financial reporting in hyperinflationary periods

Financial statements are not adjusted for the effects of the inflation for the years then ended 31 December 2006 and 2005.

c) Group accounting

The financial statements include the accounts of the Company and its associate, using the equity accounting method basis set out in the "Investment in Associates" section below. The financial statements of the associate included in these financial statements in accordance with equity accounting method have been prepared as of the same date.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

c) Group accounting (Continued)

Investments in Associates

The investments in associates are recognised using the equity method. These investments are the firms that the Company has a voting right of between 20% and 50% or exercises significant influence on their operations although no controlling power exists. The unrealised profits arising from the operations between the Company and its associate are taken into account in line with the participation ratio of the Company. Similarly, the unrealised losses are taken into account if the transactions do not imply impairment loss on the transferred assets. As long as the Company has not undertaken any commitment or liability in the mentioned manner, the equity method is not applied following the decrease of investments in associates down to zero or at the end of the Company's significant influence on the operations. The carrying value of the investments in associate as at the date of the end of significant influence is recognised at cost thereafter

The following table shows all the investments in associates and their participation rates as of 31 December:

	Participation rate %	
	2006	**2005**
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	50	50

d) Comparatives and Restatement of Prior Year Financial Statements

Where necessary reclassifications in prior year comparative figures have been made in order to make them comparable with the presentation of current year financial statements.

e) Offsetting

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

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the financial statements are summarised below:

i. Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions (Note 36). Rent income are recognized on an accrual basis, interest income are recognized on an accrual basis with effective yield basis calculation. Dividend income are recognized when the right to receive is possessed.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ii. Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise total purchase costs and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly moving weighted average basis (Note 12).

iii. Property, plant and equipment

Property, plant and equipment acquired before 1 January 2005 are carried at cost in purchasing power of YTL as at 31 December 2004; less accumulated depreciation and impairment losses. Property, plant and equipment acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses. Depreciation is provided using the straight-line method based on the estimated useful lives of the assets. Land is not depreciated as it is deemed to have an indefinite life.

The estimated useful lives for property, plant and equipment are as follows (Note 19):

	Years
Land improvements	8-50
Buildings	25-50
Leasehold improvements	5
Machinery and equipment	5-30
Motor vehicles	10
Furniture and fixtures	3-20

Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of asset net selling price or value in use. Gain or losses on disposals of property, plant and equipment with respect to their restated net book values are included in the related income and expense accounts (Note 38).

Repair and maintenance expenditures are charged to the income statement as they are incurred. Repair and maintenance expenditures are capitalised if they result in an enlargement or substantial improvement of the respective assets and depreciated over remaining useful life of related asset.

iv. Intangible assets

Intangible assets comprise of computer software programmes and development costs. Those acquired before 1 January 2005 are carried at cost in the purchasing power of YTL as at 31 December 2004; less accumulated depreciation and impairment losses. Those acquired after 1 January 2005 are carried at cost less accumulated depreciation and impairment losses and are depreciated using the straight-line method over 3-10 years following the acquisition date (Note 20).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

v. Impairment of assets

Except for deferred tax assets each class of assets are reviewed for impairment losses at each balance sheet date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. Impairment losses are accounted for in the statement of income.

Impairment loss on an assets can be reversed, to the extent of previously recorded impairment losses, in cases where increases in the recoverable value of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded

vi. Borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred in subsequent periods (Note 6). Borrowings are stated at amortised cost using the effective yield method. Any proceeds and the redemption value is recognised in the statement of income as borrowing cost over the period of the borrowings. Borrowing cost are expensed as incurred (Note 39).

vii. Financial assets

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. They are classified as current assets when they have a maturity less than 12 months, and non-current assets when they have a maturity more than 12 months as of balance sheet date. Loans and receivables are recognised initially at their fair value plus transaction costs directly attributable to the acquisition or issue of the financial asset. These loans and receivables are included in trade receivables and other receivables in the balance sheet (Note 3.xxvii). Loans and receivables are recorded at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

viii. Business combinations

None (2005: None).

ix. Foreign currency transactions and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into YTL at the exchange rates prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income. Non-monetary assets and liabilities, which are recognised at fair value have been translated into YTL at the exchange rates prevailing at the dates of fair value determined.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

x. Earnings/ (Losses) per share

Earnings/ (losses) per share disclosed in the statements of income are determined by dividing net income/ (loss) for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 42).

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings and revaluation surplus. For the purpose of earnings/ (losses) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

xi. Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 34).

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and not require a correction to be made are disclosed in accompanying notes, when they may affect decision of making of users of financial statements.

xii. Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 31).

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognised for future operating losses.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to honor the liability. The rate used to discount provisions to their present values is determined taking into account the interest rate in the related markets and the risk associated with the liability. This discount rate does not consider risks associated with future cash flow estimates.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xiii. Accounting policies, errors and changes in accounting estimates

Important changes in accounting policies and accounting errors are applied on a retrospective basis and reflected upon previous periods' financial statements. Changes in accounting estimates involving single periods are reflected upon the current period when the change occurs; changes involving future periods are reflected both upon the current period when the change occurs and the future period, on a prospective basis.

xiv. Leases

Financial Leases

Finance leases are capitalized 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 so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities and reduced as they are paid (Note 8). The interest element of the finance cost is charged to the statement of income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

xv. Related parties

For the purpose of these financial statements, Company's personnel, shareholders, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them and associated companies are considered and referred to as related parties (Note 9).

xvi. Segmented reporting

As the Company operates only in Turkey and is engaged solely in the production and sales of paper, financial information is not presented on segment basis.

xvii. Construction contracts

None (2005: None).

xviii. Discontinued operations

None (2005: None).

xix. Government grants and incentives

None (2005: None).

xx. Investment property

None (2005: None).

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxi. Taxes on income

Taxation on income includes current period tax liability and deferred income taxes. Current period tax liability includes the taxes payable calculated on the taxable portion of period income with tax rates enacted on the balance sheet date and the correction adjustments related to prior period tax liabilities (Note 41).
Deferred tax assets and liabilities are provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 14).

Deferred tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will reverse. Deferred tax liabilities are recognized for all taxable temporary differences, where 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. To the extent that deferred tax assets will not be utilised, the related amounts have been deducted accordingly.

Deferred tax assets and deferred tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, if current tax assets can be offset against current tax liabilities (Note 14).

xxii. Provision for employment termination benefits

According to the enacted law, the Company is liable to make a lump sum payment to employees when employment is terminated for reasons other than retirement, resignation and others disclosed in the Labour Law. Provisions for employment termination benefits have been calculated for the net present value of future employment termination benefits and reflected in the financial statements (Note 23).

xxiii. Pension plans

None (2005: None).

xxiv. Agricultural operations

None (2005: None).

xxv. Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales of offset, glossy and photocopy paper. Cash flows from investment activities indicate cash inflows and outflows resulting from fixed and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the cash flow statement, cash and cash equivalents comprise of cash in hand accounts, bank deposits, mutual funds and loans originated by the Company by providing money directly to a bank under reverse repurchase agreements with a predetermined sale price at fixed future dates of less than or equal to 3 months.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxvi. Re-purchase agreements

None (2005: None).

xxvii. Trade receivables and provision for impairment of receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortised cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other income in the statement of income.

xxviii. Share capital and dividends

Share capital are classified as capital and dividends distributed from common stocks are deducted at the period of the declaration from the retained earnings.

xxix. Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Risk management has been applied in line with the decisions that have been approved by the Board of Directors.

Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing liabilities and assets. The interest rate risk is managed through the balancing of assets and liabilities that are responsive to the fluctuations in interest rates.

Liqudity risk

The ability to fund existing and prospective debt requirements is managed as necessary by maintaning the availability of adequate committed funding lines from high quality lenders.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxix. Financial instruments and financial risk management (Continued)

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. The Company has established an effective control system over its dealer network and risks arising from transactions with dealers are followed by obtaining sufficient amounts of guarantees from the dealers for dealing with credit risk.

Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into YTL of foreign currency denominated assets and liabilities. These risks are monitored and limited by analyses of the foreign currency position (Note 29).

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgments are necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practical to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated to YTL using year-end exchange rates, are considered to approximate their carrying value. The fair values of cash and amounts due from banks are considered to approximate their respective carrying values due to their short-term nature. The carrying values of trade receivables and due from related parties are estimated to approximate their fair values due to their short-term nature. The carrying values of trade receivables and due from related parties are estimated to approximate their fair values due to their short-term nature. When financial assets through profit or loss has not been available on a quoted market, their carrying value is estimated to approximate their fair value.

Financial liabilities

The fair values of monetary liabilities including short-term borrowings, trade payables, due to related parties and other financial liabilities are considered to approximate their respective carrying values due to their short-term nature. Foreign currency denominated long term borrowings are translated to YTL using year-end exchange rates, are considered to approximate their carrying value.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

xxx. Significant accounting estimates and decisions

Preparation of financial statements requires disclosure of reported assets and liabilities, contingent assets and liabilities as at balance sheet date and utilization of estimates and assumptions that can effect income and expense balances of the reporting period. Estimations and assumptions can differ from actual results in spite of these estimations and assumptions are based on Company management's best knowledge.

Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognizes tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable (Note 14). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTE 4 - CASH AND CASH EQUIVALENTS

	2006	2005
Cash on hand	2.670	2.342
Banks	1.997.874	468.381
- YTL denominated time deposits	1.600.000	259.700
- YTL denominated demand deposits	80.917	136.577
- Foreign currency denominated demand deposits	316.957	72.104
	2.000.544	**470.723**

As of 31 December 2006, maturity of YTL denominated time deposits is less than one month (2005: less than one month) and the effective interest rate is 21% per annum (“ p.a.”) (2005: 11% p.a.).

NOTE 5 - MARKETABLE SECURITIES

The details of the short-term securities classified by the Company in marketable securities, held for trading purposes, are as follows;

	2006	2005
B type mutual funds	380.359	244.233
	380.359	**244.233**

NOTE 6 - FINANCIAL LIABILITIES

	2006		2005	
	Effective weighted average interest rate %	YTL	Effective weighted average interest rate %	YTL
a) Short-term financial liabilities:				
Short-term borrowings (Euro)	3,90	2.111.446	2,66	3.042.053
Short-term borrowings (YTL)	-	27.106	-	6.944
		2.138.552		**3.048.997**
b) Short-term portion of long-term financial liabilities:				
Short-term borrowings (USD) (*)	5,56	13.527.226	3,75	8.831.809
		13.527.226		**8.831.809**
c) Long-term financial liabilities:				
Long-term borrowings (USD) (*)	5,53	6.198.048	3,91	5.312.691
		6.198.048		**5.312.691**

(*)The interest rates of the USD denominated bank borrowings vary between Libor+0,02 and Libor+0,12 with six-month contractual repricing dates.

The redemption schedule of long-term borrowings as of 31 December 2006 is as follows:

	2006	2005
2007	-	5.312.691
2008	6.198.048	-
	6.198.048	**5.312.691**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	2006	2005
a) Short-term trade receivables:		
Customer current accounts	14.129.970	10.974.617
Cheques and notes receivables	5.176.792	5.157.662
Deposits and guarantees given	10.311	2.756
	19.317.073	**16.135.035**
Less: Unearned financial income	(426.726)	(244.379)
Provision for doubtful receivables	(78.350)	(78.350)
	18.811.997	**15.812.306**

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2006, effective weighted average interest rate for short-term YTL trade receivables is 18,59% p.a (2005: 13,96% p.a), for the trade receivables denominated in USD and Euro effective weighted average interest rates are 5,35% p.a. and 3,71% p.a (2005: 4,46% p.a. and 2,44% p.a.) respectively.

	2006	2005
b) Short-term trade payables:		
Supplier current accounts	4.402.425	7.581.984
Less: Unincurred financial cost	(31.054)	(75.993)
	4.371.371	**7.505.991**

As of 31 December 2006, effective weighted average interest rate for short-term YTL trade payables 18,51% p.a. (2005: 14,36% p.a.), for the trade payables denominated in USD and Euro effective weighted average interest rates are 5,32% p.a. and 3,63% p.a. (2005: 3,75% p.a ve 2,46% p.a.) respectively.

c) Long-term trade payables:

	2006	2005
Supplier current accounts	701.447	696.188
Less: Unincurred financial cost	(37.383)	(52.825)
	664.064	**643.363**

Effective weighted average interest rate of USD denominated long-term trade payables, that are mainly related with raw material purchases, is 5,33% p.a. (2005: 4,80% p.a.) and their maturity is 2 years on avarage (2005 : 2 years).

NOTE 8 - LEASE OBLIGATIONS

	2006			2005		
	Principle	Unaccrued interest	Total obligation	Principle	Unaccrued interest	Total obligations
Short –term lease obligations	225.020	71.056	296.076	**-**	**-**	**-**
2008	245.699	50.377	296.076	-	-	-
2009	268.279	27.797	296.076	-	-	-
2010	167.740	5.321	173.061	-	-	-
Long-term lease obligations	**681.718**	**83.495**	**765.213**	**-**	**-**	**-**

As of 31 December 2006, lease obligations amounting to USD 645.090 (2005: None) with an effective average interest rate of 8,5% p.a. (2005: none) are related with the purchase of gas turbine.

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from related parties and due to related parties' balances and transactions held with related parties during the current period are as follows:

	2006	2005
a) Due from related parties:		
Receivables from personnel	181.499	127.574
Alkim Alkali Kimya A.Ş. ("Alkim Kimya")	10.398	17.336
	191.897	**144.910**
b) Due to related parties:		
Alkim Sigorta	359.762	370.296
Payable to personnel	240.117	384.092
	599.879	**754.388**

	1 January - 31 December 2006	1 January - 31 December 2005
c) Service purchases:		
Alkim Sigorta	374.196	532.387
Aklim Kimya	111.335	86.632
	485.531	**619.019**
d) Service sales:		
Alkim Kimya	123	59.382
	123	**59.382**

NOTE 9 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2006	1 January - 31 December 2005
e) Product sales:		
Alkim Kimya	84.107	17.864
Sodaş Sodyum Sanayi A.Ş.	-	365
	84.107	**18.229**
f)) Key management compensations:		
Benefits provided to top management	**891.310**	**714.505**

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	2006	2005
a) Other receivables:		
Value Added Tax transferred ("VAT")	2.119.310	2.211.460
VAT receivable	611.854	45.276
Other	163.094	919
	2.894.258	**2.257.655**
b) Other financial liabilities:		
Payables to factoring companies	-	908.737
	-	**908.737**

NOTE 11 - BIOLOGICAL ASSETS

None (2005: None).

NOTE 12 - INVENTORIES

	2006	2005
Raw materials	4.576.204	4.505.027
Semi finished goods	2.132.638	5.254.393
Finished goods	4.764.033	4.413.041
Trade goods	10.609	37.314
Other inventories	239.182	1.913.580
Order advances given	8.509.079	6.643.961
	20.231.745	**22.767.316**
Less: Obsolescence provision (Note 38)	(69.191)	(600.000)
	20.162.554	**22.167.316**

The cost of inventories recognised as expense and included in cost of goods sold amounted to YTL 43.292.901 (2005: YTL 39.151.153).

NOTE 12 – INVENTORIES (Continued)

Movements of obsolescence provision in current period are as follows:

	2006	2005
1 January	**(600.000)**	**-**
Charged to cost of sales	600.000	-
Provision for the year (Note 38)	(69.191)	(600.000)
31 December	**(69.191)**	**(600.000)**

NOTE 13 - BALANCES RELATED TO CONSTRUCTION CONTRACTS IN PROGRESS

None (2005: None).

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES

Deferred Tax

The Company calculates deferred tax assets and liabilities based on temporary differences between the financials prepared in accordance with the Communiqué and financial statements prepared according to the Turkish tax legislation.

As stated in note 41, in accordance with temporary article 69 amended to Income Tax Law, corporate taxpayers that utilise unused investment tax credits, could not offset their investment incentive allowances against 2005 taxable income, can offset their existing investment incentive allowances at 31 December 2005 against taxable income of the years 2006, 2007 and 2008. In this respect, as the Company has prefered to utilise unused investment tax credits, the Company has calculated deffered tax asset and liabilities for all temporary differences that are expected to be realised or settled until 31 December 2008 under liability method using 30% and 20% thereafter .

The breakdown of cumulative temporary differences and the resulting deferred tax assets/ (liabilities) provided at 31 December using the enacted tax rates is as follows:

	Taxable temporary differences		**Deferred income tax assets/(liabilities)**	
	2006	**2005**	**2006**	**2005**
Restatement and useful life difference on property, plant and equipment and intangible assets	(13.967.241)	(11.974.848)	(2.793.448)	(3.592.455)
Carry-forward tax losses and unutilised investment tax credits	14.189.415	9.568.861	2.658.601	2.767.435
Provision for employment termination benefits (Note 23)	734.002	623.729	146.800	187.119
Obsolescence provision	-	600.000	-	180.000
Useful life difference on inventories	-	590.442	-	177.132
Provision for volume rebates	-	350.693	-	105.208
Unincurred financial cost-net	-	115.562	-	34.669
Other	71.680	71.680	14.336	21.504
Deferred tax assets			2.819.737	3.473.067
Deferred tax liabilities			(2.793.448)	(3.592.455)
Deferred tax assets/ (liabilities) - net			**26.289**	**(119.388)**

NOTE 14 - DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movement for deferred tax is as follows:

	2006	2005
1 January	**(119.388)**	**(1.818.948)**
Charge to statement of income (Note 41)	145.677	1.699.560
31 December	**26.289**	**(119.388)**

NOTE 15 - OTHER CURRENT/NON-CURRENT ASSETS AND CURRENT/ NONCURRENT LIABILITIES

	2006	2005
a) Other current assets:		
Prepaid expenses	387.589	453.639
Income accrual for customer overdue charges	34.530	174.456
Other	54.542	34.294
	476.661	**662.389**

Prepaid expenses amounting to YTL 387.589 (2005:YTL 453.639) are mainly related with the insurance premiums paid for tangible assets.

	2006	2005
b) Other current liabilities:		
Taxes and funds payable	379.439	464.821
	379.439	**464.821**

NOTE 16 - FINANCIAL ASSETS

	2006			2005		
	Nominal Value	Registered Value	Share	Nominal Value	Registered Value	Share
Alkim Sigorta	10.000	22.864	50%	10.000	23.851	50%
	10.000	**22.864**		**10.000**	**23.851**	

NOTE 16 - FINANCIAL ASSETS (Continued)

Movement of investment in associates in the current year is as follows:

	2006	2005
1 January	**23.851**	**13.484**
Share of results of associate (Note 38)	(987)	10.367
31 December	**22.864**	**23.851**

Financial highlights of Alkim Sigorta that is incorporated into financial statements using equity accounting method are summarized as follows:

	2006	2005
Total assets	561.394	556.561
Total liabilities	515.666	508.859

In addition, net loss of Alkim Sigorta for the year is YTL 1.973 (2005: YTL 20.734 profit).

NOTE 17 – NEGATIVE/ POSITIVE GOODWILL

None (2005: None).

NOTE 18 - INVESTMENT PROPERTY

None (2005: None).

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT

	1 January 2006 Opening	Additions	Disposals	Transfers	31 December 2006 Closing
Cost:					
Land	1.496.240	-	-	-	1.496.240
Land improvements	1.256.774	16.135	-	283.136	1.556.045
Buildings	9.655.055	-	-	429.319	10.084.374
Machinery and equipment	80.377.188	1.332.654	(731.771)	360.084	81.338.155
Motor vehicles	822.536	25.000	(201.197)	-	646.339
Furniture and fixture	1.763.023	53.869	(14.524)	-	1.802.368
Construction in progress	664.957	407.582	-	(1.072.539)	-
Advances given	-	21.486	-	-	21.486
	96.035.773	**1.856.726**	**(947.492)**	**-**	**96.945.007**
Less: Accumulated depreciation					
Land improvements	(70.192)	(55.982)	-	-	(126.174)
Buildings	(2.525.418)	(396.765)	-	-	(2.922.183)
Machinery and equipment	(21.028.122)	(4.255.985)	124.784	-	(25.159.323)
Motor vehicles	(330.345)	(75.450)	109.040	-	(296.755)
Furniture and fixture	(889.882)	(222.027)	6.683	-	(1.105.226)
	(24.843.959)	**(5.006.209)**	**240.507**	**-**	**(29.609.661)**
Net book value	**71.191.814**				**67.335.346**

	1 January 2005 Opening	Additions	Disposals	Transfers	31 December 2005 Closing
Cost:					
Land	1.496.240	-	-	-	1.496.240
Land improvements	623.145	4.997	-	628.632	1.256.774
Buildings	9.608.450	6.363	-	40.242	9.655.055
Machinery and equipment	78.989.581	600.170	(177.802)	965.239	80.377.188
Motor vehicles	1.255.408	141.007	(573.879)	-	822.536
Furniture and fixture	1.576.312	186.711	-	-	1.763.023
Construction in progress	1.141.035	1.166.605	-	(1.642.683)	664.957
	94.690.171	**2.105.853**	**(751.681)**	**(*) (8.570)**	**96.035.773**
Less: Accumulated depreciation					
Land improvements	(52.411)	(17.781)	-	-	(70.192)
Buildings	(2.132.873)	(392.545)	-	-	(2.525.418)
Machinery and equipment	(17.030.881)	(4.014.272)	17.031	-	(21.028.122)
Motor vehicles	(512.988)	(122.163)	304.806	-	(330.345)
Furniture and fixture	(684.560)	(205.322)	-	-	(889.882)
	(20.413.713)	**(4.752.083)**	**321.837**	**-**	**(24.843.959)**
Net book value	**74.276.458**				**71.191.814**

(*) The balance includes transfers to intangible assets.

NOTE 19 - PROPERTY, PLANT AND EQUIPMENT (Continued)

YTL 4.609.326 (2005: YTL 4.091.822) of the current year's depreciation charge has been allocated to cost of sales, YTL 83.395 (2005: YTL 95.970) to general and administrative expenses , YTL 12.801 (2005: YTL 18.113) to sales and marketing expenses and YTL 395.013 (2005: YTL 622.183) to inventories.

There is first degree mortgage of YTL 5.000.000 (2005: YTL 5.000.000) on the Company's production plant in Kemalpaşa, settled on behalf of Türkiye İş Bankası on 12 December 2001 due to the funds borrowed from the İzmir Branch (Note 31).

NOTE 20 - INTANGIBLE ASSETS

	1 January 2006 Opening	Additions	Disposals	Transfers	31 December 2006 Closing
Rights -Software	642.069	11.016	-	-	653.085
Accumulated amortisation	(311.205)	(94.326)	-	-	(405.531)
Net book value	**330.864**				**247.554**

	1 January 2005 Opening	Additions	Disposals	Transfers	31 December 2005 Closing
Rights -Software	577.402	57.850	(1.753)	(*) 8.570	642.069
Accumulated amortisation	(235.814)	(76.005)	614	-	(311.205)
Net book value	**341.588**				**330.864**

(*) Refer to Note 19.

NOTE 21 - ADVANCES RECEIVED

	2006	2005
Order advances received	203.505	139.259
	203.505	**139.259**

NOTE 22 - PENSION PLANS

There are no pension plans other than the provision for employment termination benefits explained in Note 23 Provisions for Costs and Expenses.

NOTE 23 – PROVISIONS

	2006	2005
Long-term provisions:		
Provision for employment termination benefits	734.002	623.729
	734.002	**623.729**

Provision for employment termination benefits has been calculated in accordance with explanations below.

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men)..

The amount payable consists of one month's salary limited to a maximum of YTL 1.857,44 for each year of service as of 31 December 2006 (2005: YTL 1.727,15).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

The Communiqué requires actuarial valuation methods to be developed to estimate the enterprises' obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

	2006	2005
Discount rate (%)	**5,71**	**5,49**
Turnover rate to estimate the probability of retirement (%)	**97,89**	**98,02**

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of YTL 1.960,69 which is effective from 1 January 2007 (1 January 2006: YTL 1.770,62) has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movements of the provision for employment termination benefits during the year are as follows:

	2006	2005
1 January	**623.729**	**509.903**
Paid during the year	(217.532)	(146.128)
Increase during the year	327.805	259.954
31 December	**734.002**	**623.729**

YTL 286.056 (2005: YTL 178.436) of the period expense of provision for employment termination benefits has been charged to cost of sales, YTL 29.670 (2005:YTL 33.903) to sales and marketing expenses and YTL 12.079 (2005: YTL 47.705) to general and administrative expenses.

NOTE 24 - MINORITY INTEREST

None (2005: None).

NOTE 25 - SHARE CAPITAL/ TREASURY SHARES

At 31 December 2006 and 2005, the Company's capital held was as follows:

	2006		2005	
Shareholder:	**Participation (%)**	**Amount (YTL)**	Participation (%)	Amount (YTL)
Alkim Kimya	**79,93**	**41.962.500**	79,93	41.962.500
Public quotation	**20,00**	**10.500.000**	20,00	10.500.000
Other	**0,07**	**37.500**	0,07	37.500
	100,00	**52.500.000**	100,00	52.500.000
Inflation adjustment of shareholders' equity (*)		**32.414.361**		32.414.361
Total equity		**84.914.361**		84.914.361

(*) Inflation adjustment of shareholders' equity represents the difference between nominal and inflation restated amounts of capital items in accordance with CMB Communiqué Serie XI, No: 25 "Communiqué on Principles of Restatement of Financial Statements In Periods of Hyperinflation".

The Company's authorised and issued capital consists of 52.500.000 shares of 1 YTL each paid in full. The Company is not subject to the registered capital system.

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS

The retained earnings in statutory books other than the clause as mentioned below.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). 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.

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

Applicable from 1 January 2006, net income computed in accordance with Communiqué XI/25 must be distributed in the ratio of a minimum of 20% of total distributable profit (2005:30%). Based on the decision of the General Assembly, the distribution of a minimum of 20% of the distributable profit can be made as cash or as bonus shares or as a combination of a certain percentage of cash and bonus shares.

NOTE 26 - 27 - 28 CAPITAL RESERVES, PROFIT RESERVES, RETAINED EARNINGS (Continued)

Inflation adjustment of shareholders' equity can only be netted-off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be netted-off against prior years' losses, and used in the distribution of bonus shares and distributions of dividends to shareholders.

In accordance with the above explanation, adjustment to share capital as of 31 December 2006 and 2005 is as follows:

	Nominal values	Restated values	Inflation adjustment of shareholders' equity
Share capital	52.500.000	84.914.361	32.414.361
Legal reserves	815.050	1.090.481	275.431
Extraordinary reserves	1.474.855	1.905.774	430.919
	54.789.905	**87.910.616**	**33.120.711**

NOTE 29 - FOREIGN CURRENCY POSITION

The table below summarises the Company's exposure to foreign currency position risk as of periods ending 31 December. The carrying amounts of the Company's assets and liabilities denominated in foreign currencies are as follows, categorised by currency:

31 December 2006:

	USD	YTL equivalent	Euro	YTL equivalent	GBP	YTL equivalent	Total YTL
Assets:							
Cash and cash equivalents	221.923	311.936	2.716	5.030	1	3	316.969
Trade receivables	2.814.597	3.956.197	358.418	663.612	115	317	4.620.126
Due from related parties	10.055	14.133	4.390	8.128	-	-	22.261
Inventories	5.610.131	8.173.666	40.740	75.844	-	-	8.249.510
	8.656.706	**12.455.932**	**406.264**	**752.614**	**116**	**320**	**13.208.866**
Liabilities:							
Short-term financial liabilities	-	-	(1.140.398)	(2.111.446)	-	-	(2.111.446)
Short-term portion of long-term financial liabilities	(9.623.809)	(13.527.226)	-	-	-	-	(13.527.226)
Lease obligations	(645.090)	(906.738)	-	-	-	-	(906.738)
Trade payables	(2.516.536)	(3.537.243)	(170.753)	(316.150)	(3.402)	(9.379)	(3.862.772)
Order advances received	(107.886)	(151.645)	-	-	-	-	(151.645)
Long-term financial liabilities	(4.409.539)	(6.198.048)	-	-	-	-	(6.198.048)
	(17.302.860)	**(24.320.900)**	**(1.311.151)**	**(2.427.596)**	**(3.402)**	**(9.379)**	**(26.757.875)**
Net foreign currency liability position	**(8.646.154)**	**(11.864.968)**	**(904.887)**	**(1.674.982)**	**(3.286)**	**(9.059)**	**(13.549.009)**

NOTE 29 - FOREIGN CURRENCY POSITION (Continued)

31 December 2005:

	USD	YTL equivalent	Euro	YTL equivalent	GBP	YTL equivalent	Other YTL	Total YTL
Assets:								
Cash & cash equivalents	37.753	50.657	13.497	21.426	1	3	24	72.110
Trade receivables	841.749	1.129.459	1.690.629	2.683.873	-	-	-	3.813.332
Due from related parties		-	14.894	23.644	-	-	-	23.644
Inventories	4.737.276	6.425.506	88.767	142.099	16.612	41.235	-	6.608.840
	5.616.778	**7.605.622**	**1.807.787**	**2.871.042**	**16.613**	**41.238**	**24**	**10.517.926**
Liabilities:								
Short-term financial liabilities	-	-	(1.916.254)	(3.042.053)	-	-	-	(3.042.053)
Short-term portion of long-term financial liabilities	(6.582.061)	(8.831.809)	-	-	-	-	-	(8.831.809)
Trade payables	(4.163.886)	(5.587.103)	(281.317)	(446.591)	(5.075)	(11.734)	(15.440)	(6.060.868)
Order advances received	(14.929)	(20.032)	(14.450)	(22.939)	-	-	-	(42.971)
Long-term financial liabilities	(3.959.376)	(5.312.691)	-	-	-	-	-	(5.312.691)
Other financial liabilities	(242.772)	(325.752)	(367.234)	(582.985)	-	-	-	(908.737)
	(14.963.024)	**(20.077.387)**	**(2.579.255)**	**(4.094.568)**	**(5.075)**	**(11.734)**	**(15.440)**	**(24.199.129)**
Net foreign currency (liability)/ asset position	**(9.346.246)**	**(12.471.765)**	**(771.468)**	**(1.223.526)**	**11.538**	**29.504**	**(15.416)**	**(13.681.203)**

NOTE 30 - GOVERNMENT GRANTS

None (2005: None).

NOTE 31 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	2006	2005
a) Guarantees received:		
Guarantee letters received	5.782.600	4.143.970
Bails received	2.000.000	-
Guarantee cheques received	224.896	375.704
Guarantee notes received	10.000	10.000
	8.017.496	**4.529.674**
b) Guarentees given:		
Guarantee letters given	7.810.469	5.201.466
Mortgages given (Note 19)	5.000.000	5.000.000
	12.810.469	**10.201.466**

c) Contingent assets:

As of 31 December 2006 , the Company has engaged in a lawsuit against J and A International Resources Inc. amounting to USD 124.786 related to quality problems in raw material purchased. Court does not come to a conclusion as of reporting date.

NOTE 32 - BUSINESS COMBINATIONS

None (2005: None).

NOTE 33 - SEGMENT REPORTING

None (2005: None).

NOTE 34 - SUBSEQUENT EVENTS

According to the resolution of Board of Directors meeting at 26 February 2007, the Company's registered office address has been changed as Organize Sanayi Bölgesi Kırova Mevkii Kemalpaşa-İzmir and neccesary applications have been made to commercial register related with the registration and declaration of the change.

NOTE 35 - DISCONTINUED OPERATIONS

None (2005: None).

NOTE 36 - OPERATING INCOME

	1 January- 31 December 2006	1 January - 31 December 2005
Domestic sales	69.657.170	45.567.549
Export sales	4.819.445	16.404.197
	74.476.615	**61.971.746**
Less: Returns	(144.044)	(558.615)
Less: Discounts	(249.898)	(790.927)
Net sales	**74.082.673**	**60.622.204**
Cost of sales	(67.598.412)	(58.346.282)
Gross profit	**6.484.261**	**2.275.922**

NOTE 37 - OPERATING EXPENSES

	1 January - 31 December 2006	1 January - 31 December 2005
Research and Development Expenses:		
Personnel	33.736	75.317
Other	859	13.982
	34.595	**89.299**
Selling and Distribution Expenses:		
Personnel	693.881	810.993
Transportation	637.300	1.251.014
Advertisement	331.472	329.005
Commission expenses	153.018	362.651
Travel	90.167	146.282
Rent	89.106	205.750
Communication	42.074	75.804
Other	296.216	249.307
	2.333.234	**3.430.806**
General Administrative Expenses:		
Personnel	1.569.992	1.386.350
Consultancy	219.227	150.868
Travel	104.241	131.028
Depreciation and amortisation	83.395	95.970
Taxes and funds	79.800	148.774
Rent	34.325	148.669
Communication	27.314	58.235
Employment termination benefits	12.079	47.705
Other	197.827	268.806
	2.328.200	**2.436.405**
Total operating expenses	**4.696.029**	**5.956.510**

NOTE 38 – OTHER INCOME AND EXPENSES

	1 January - 31 December 2006	1 January - 31 December 2005
Other income and profits:		
Foreign exchange gain	4.701.062	2.921.477
Interest income on credit sales	312.816	490.146
Compansation income from insurance companies	261.507	149.001
Income from overdue charges	222.571	300.147
Commission income	99.344	-
Scrap sales income	84.907	92.118
Interest income	76.167	19.373
Share of results of associates	-	10.367
Other	42.208	42.149
	5.800.582	**4.024.778**
Other expenses:		
Loss from sales of property, plant and equipment	(455.187)	(301.597)
Indemnity expense	(449.770)	-
Tax penalty	(358.244)	-
Obsolescence provision	(69.191)	(600.000)
Share of results of associates	(987)	-
Provision for doubtful receivables	-	(71.680)
Other	(90.149)	(5.748)
	(1.423.528)	**(979.025)**
Other operating income - net	**4.377.054**	**3.045.753**

NOTE 39 – FINANCIAL EXPENSES

	2006	2005
Foreign exchange loss	6.175.385	2.790.394
Interest expenses	1.362.886	686.113
Interest expense on credit purchases	555.544	276.962
Bank commission expenses	342.537	375.345
	8.436.352	**4.128.814**

NOTE 40 – GAIN/ (LOSS) ON NET MONETARY POSITION

None.

NOTE 41 – TAXES ON INCOME

Taxes on income for the years then ended 31 December 2006 and 2005 are summarised as follows:

	2006	2005
- Deferred tax income	145.677	1.699.560
Taxes on income	**145.677**	**1.699.560**

In Corporate Tax Law, there has been settled a number of exemptions for companies, of which the Company may benefit are explained as follows:

Corporation tax is payable at a rate of 20% for 2006 (2005: 30%) 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.

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%. Addition of profit to capital is not considered as a profit distribution.

In accordance with Tax Law No. 5479 "Law Related to Changes in Income Tax Law, Law for Collection of Public Revenue, Special Consumption Tax Law and Tax Procedural Law" that was published in the Official Gazette on 8 April 2006, income and corporate taxpayers that could not offset their investment incentive allowances against 2005 taxable income, can offset their existing investment incentive allowances at 31 December 2005 against taxable income of the years 2006, 2007 and 2008. In addition to this, the capital expenditures after 1 January 2006 related to the investments that begin prior to 1 January 2006 within the scope of repealed 19th article of Income Tax Law No. 193 and the capital expenditures related to the investment certificates granted prior to 24 April 2003, can also be offset against taxable income of the years 2006, 2007 and 2008. In this respect, Company has prefered to offset its unused investment tax credits at 31 December 2005 against taxable income of the years 2007 and 2008.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to 5 years. However, 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 the 25th of the fourth month 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.

NOTE 41 – TAXES ON INCOME (Continued)

Reconciliation of the current year's taxation on income is as follows:

	2006	2005
Loss before tax	**(2.271.066)**	**(4.763.649)**
Tax income calculated over loss before tax	454.213	1.429.095
Effect of changes in corporate tax rate	267.389	-
Income not subject to tax	68.202	136.781
Tax effect of unused investment tax credits	(278.699)	161.647
Expenses not deductible for tax purposes	(268.301)	(178.951)
Temporary differences not subject to deferred tax calculation	(157.280)	-
Other	60.153	150.988
Taxes on income	**145.677**	**1.699.560**

NOTE 42 – LOSSES PER SHARE

Loss per share stated in the Income Statement is calculated by dividing the net loss to weighted average number of shares in the current period.

In order for profit distribution, a reserve over the statutory records is allocated in accordance with the provisions of TCC, the total amount that will be distributed over the net distributable profit calculated over the financial statements prepared in accordance with the Communiqué is first distributed over statutory net distributable profit if that covers the amount, if statutory net distributable profit does not cover the amount, the total net distributable amount in statutory records is distributed.

Loss per share is calculated by dividing net loss for the period to weighted average number of shares during that period.

		1 January- 31 December 2006	1 January- 31 December 2005
Net loss for the year	A	2.125.389	3.064.089
Weighted average number of the shares with face value of YTL 1 each	B	52.500.000	52.500.000
Loss per share (YTL)	**A/B**	**0,04048**	**0,05836**

NOTE 43 – OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

NOTE 44 – EXPLANATION ADDED FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31December 2006, the accounting principles described in Note 2 (defined as 'CMB Accounting Standards') to the financial statements differ from International Financial Reporting Standards (''IFRS'') issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2.D 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

				2006				2005		
1.1	Current Assets	/	Assets	44,918,270	/ 112,550,323	39.9%	41,759,532	/	113,306,061	36.9%
1.1.1	Inventory	/	Current Assets	20,162,554	/ 44,918,270	44.9%	22,167,316	/	41,759,532	53.1%
1.1.2	Receivables	/	Current Assets	18,811,997	/ 44,918,270	41.9%	15,812,306	/	41,759,532	37.9%
1.2	Fixed Assets	/	Assets	67,632,053	/ 112,550,323	60.1%	71,546,529	/	113,306,061	63.1%
1.2.1	Net fixed Assets	/	Current Assets	67,582,900	/ 44,918,270	150.4%	71,522,678	/	41,759,532	171.3%

2.LIABILITIES

					2006				2005	
2.1	Shareholders' Equity	/	Liabilities and equity	82,827,499	/ 112,550,323	73.6%	84,952,888	/	113,306,061	75.0%
2.2	Short- term Liabilities of funds	/	Liabilties and equity	21,444,992	/ 112,550,323	19.1%	21,654,002	/	113,306,061	19.1%
2.3	Long- term Liabilities of funds	/	Liabilties and equity	8,277,832	/ 112,550,323	7.4%	6,699,171	/	113,306,061	5.9%
2.4	Profit for the period	/	Liabilties and equity	0	/ 112,550,323	0.0%	0	/	113,306,061	0.0%
2.5	Net profit for the year	/	Liabilties and equity	0	/ 112,550,323	0.0%	0	/	113,306,061	0.0%

3.ASSETS AND LIABILITIES

					2006				2005	
3.1	Short-terms Liabilities of funds	/	Current Assets	21,444,992	/ 44,918,270	47.7%	21,654,002	/	41,759,532	51.9%
3.2	Fixed assets	/	Share holders' equity	44,918,270	/ 82,827,499	54.2%	41,759,532	/	84,952,888	49.2%

4.RATIOS OF PAYING LIABILITIES

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

		2006		2005	
Current assets / Short-term liablities	=	**44.918.270 / 21.444.992**	**= 2,09**	**41.759.532 / 21.654.002**	**= 1,93**
Buyers +Other receviables / Short-term liablities	=	**21.706.255 / 21.444.992**	**= 1,01**	**18.069.961 / 21.654.002**	**= 0,83**

5. RATIOS OF INCOME STATEMENT

Basic ratio relations in YTL are given as below based on income statement.

				2006				2005		
Costs of Sales	/	Net sales	67,598,412	/	74,082,673	91.2%	58,346,282	/	60,622,204	96.2%
Marketing&Sales Expenses	/	Net sales	2,333,234	/	74,082,673	3.1%	3,430,806	/	60,622,204	5.7%
Gen. Administ.Expenses	/	Net sales	2,328,200	/	74,082,673	3.1%	2,436,405	/	60,622,204	4.0%
Net Profit for the Year	/	Net sales	0	/	74,082,673	0.0%	0	/	60,622,204	0.0%

2.E ADMINISTRATIVE OPERATIONS

2.E.1 Top managers:

TITLE	NAME AND SURNAME
General Manager	: Halil Sönmez
Ass. General Manager	: M. Tekin Salt

2.E.2 Status of Personnel and Severance Pay

The average number of our personnel per month basis during 2006 is 198.
25 personnel left the work due to various reasons. The distribution of the personnel according to the working points and units at the end of the year is as follows:

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

	31 December 2006 Person		31 December 2005 Person	
Total employees at the beginning of the period		**218**		**231**
White collar (not a trade union member)	**57**		**67**	
Blue collar (not a trade union member)	**161**		**164**	
Total employees at the end of the period		**193**		**218**
White collar (not a trade union member)	**52**		**57**	
Blue collar (not a trade union member)	**141**		**161**	

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

2.E.4 As of the end of 2006, provision for employment termination benefits of YTL 734.002 has been allocated.

2.E.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.

III- PROFIT DISTRIBUTION PROPOSAL AND CONCLUSION

As there is not company profit realized in 2006, no profit distribution has been concluded and made.

Başaran Nas Bağımsız Denetim
ve Serbest Muhasebeci
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Alkim Kağıt Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying financial statements of Alkim Kağıt Sanayi ve Ticaret A.Ş. which comprise the balance sheet as of 31 December 2006 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements that have been prepared in accordance with financial reporting standards published by the Turkish Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing principles issued by Capital Market Board. Those principles require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

   We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Alkim Kağıt Sanayi ve Ticaret A.Ş. as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with financial reporting standards published by Capital Market Board.

Additional paragraph for convenience translation into English

5 As of 31 December 2006 the accounting principles described in Note 2 (defined as ‘Capital Market Board Accounting Standards’) to the accompanying financial statements differ from International Financial Reporting Standards (‘‘IFRS’’) issued by the International Accounting Standards Board with respect to the application of inflation accounting and presentation of the basic financial statements and the notes to them. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Murat Sancar, SMMM
Partner

Istanbul, 9 March 2007

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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.- 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 four 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 3 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 SANAYI VE TİCARET A.Ş. for the period January 01, 2006-December 31, 2006 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, 2006 and the Income Statement for the period January 01, 2006 –December 31,2006 present the results of its operations.

Losses for the peroid January 01, 2006 – December 31, 2006 is 5.331.100,12 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 2006.

PART I - SHAREHOLDERS

2. Shareholder relations unit

A shareholders service department has been established within our Company. Mustafa Güresti, Burhanettin İpek have been assigned as responsible managers and Murat Balpinar as unit personnel. There has been no application by the shareholders in 1996 and therefore there has been no occasion in need of answer.

3. Information Acquiring Rights of the Shareholders

Our company has not received any application within 2006 in written by the shareholders with the purpose to use the right of the vote. As for using this right, it has been limited to use and exchange of the information and news available in our new designed portal. Our articles of association does not include any provision stating that assigning a private auditor is an individual right .

4. Info about General Assembly

Announcements in relation to the Ordinary General Assembly Meeting and Privileged Shareholders Ordinary General Assembly Meeting held on 28.03.2006 and have been published on Posta and Radikal newspapers dated 10.03.2006. Extraordinary General Assembly Meeting and Privileged Shareholders Extraordinary General Assembly Meeting in 2006 was not held. 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 to register has been brought in the share book for those the shareholders held the shares registered to name so that they would 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 2006. Profit distribution is possible till the 5th month of the following the year.

7. Transfer of Shares

Our articles of association includes the following articles in relation of the transfer 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 Nihat Erkan, Executive General Manager, Member of the Board of Directors and shareholders service department.

9. Special Condition Explanations

Company has made 9 special condition explanations 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. Address 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

Shareowners within the ultimate ownership frame are as follows after the exclusion of Alkim Alkali Kimya A.Ş. (31.12.2006)

Offered to public	19.915.701,89	37,93%
Hüseyin A. KORA	11.231.940,81	21,39%
Cihat KORA	6.247.546,88	11,90%
M.Reha KORA	4.933.406,25	9,40%
A.Haluk KORA	4.117.950,00	7,84%
Ferit KORA	1.946.580,31	3,71%
Özay KORA	1.785.656,25	3,40%
Tülay ÖNEL	1.784.531,25	3,40%
E.Şukran TUTAŞ	341.740,19	0,65%
Gülen KORA	160.361,56	0,31%
Mithat KORA	29.798,11	0,06%
Z.Ayşegül KORA	2.812,50	0,01%
Kadri ÖNEL	1.125,00	0,00%
Nihat ERKAN	849,01	0,00%
	52.500.000,00	**100,00%**

12. Informing the public about the possible insiding traders

Our Company has taken necessary precautions to obey the legal adjusments 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 continous 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 iti 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 suported 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 Nihat Erkan and Ferit Kora. Members of board of directors are as follows:

Chairman of the Board of Directors	M.REHA KORA
Vice Chairman of the Board of Directors	A.HALUK KORA
Vice Chairman of the Board of Directors	FERİT KORA
Member of the Board of Directors (Executive General manager)	NİHAT ERKAN
Member of the Board of Directors	MİTHAT KORA
Member of the Board of Directors	KADRİ ÖNEL
Member of the Board of Directors	ÖZAY KORA
Member of the Board of Directors	VAHİT GÖKHAN
Member of the Board of Directors	M.FARUK YÜKSEL

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 od 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	M.REHA KORA	(General Director in the status of managing director, Top Level Administrative, goods and commercial issues
Vice Chairman of the Board of Dir.	A.HALUK KORA	(Assisting authority to Chairman of the Board of Directors)
Vice Chairman of the Board of Dir.	FERİT KORA	(Assisting authority to Chairman of the Board of Directors)
Member of the Board of Directors (Executive general manager)	NİHAT ERKAN	(Financial and Administrative Issues.)
Member of the Board of Directors	MİTHAT KORA	(Legal issues)
Member of the Board of Directors	KADRİ ÖNEL	(Sales, marketing and PR)
Member of the Board of Directors	ÖZAY KORA	(Sales, marketing and PR)
Member of the Board of Directors	VAHİT GÖKHAN	
Member of the Board of Directors	M.FARUK YÜKSEL	

23. Operating basis of Board of Directors

21 meetings were held in 2006. Actual presence majorities have been achieved. Decisions are given by plurality. No right for veto 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. Member of this committee is 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 2006. They have not been granted debt, loan and warranties.

ANNEX-1

AMENTMENT DRAFT OF MAIN CONTRACT of ALKIM KAGIT SAN. VE TICARET A.S.

Previous Text

Article 3: PURPOSE AND SUBJECTS

A- Production and sale of paper:
Manufacturing and processing paper in every kind and quality such as first class writing and printing paper, art paper in every kind and gram, packing, cleaning and hygienic papers etc, establishing production facilities for this purpose, purchasing them or becoming a partner of established facilities and factories.

B- Importing, exporting and trading every kind of paper and paper production:
The company imports, exports, sells domestically and market either its own paper product types and kinds or other paper products other than its production.

C- Producing and internally and externally trading photocopy paper, A4, A3 and other paper in different dimensions, gooks in every dimension and type, copy block, continuous form, envelope and similar products that are confection products of paper.

D- Providing, obtaining, renting, leasing, transferring patent, privilege, license, know-how, permission and other rights domestically and from foreign countries in order to realize the purpose and subject of the company, concluding agreements for license and technical information, producing electric energy in order to meet the requirement of the factories, facilities and establishments of the company and to sell it by establishing steam boilers and steam turbines to operate with them.

E- Completing and making the agency works of its purpose and subject.

F- Participating in the capital and management of the partnerships, establishments and enterprises founded or to be founded in the future for the works of its purpose and subject, obtaining, taking in pledge, pledging and transferring the share certificates, bonds and other securities to others provided that they are not in the character to be portfolio business administration of movable assets and inter mediation activity arranged with Capital market Regulations.

G- Cooperating with the partnerships with the domestic and foreign capital, establishing new participation and partnership at home and in foreign countries, purchasing the shares belong to the partnerships provided that that are not in character of portfolio business administration of movable assets and inter mediation activity, participating in the partnership transferring its shares partly or completely, issuing bonds, concluding all of the transactions about the above works.

H- Issuing the Means of Capital Market:
The company can issue bonds and other means of capital market in accordance with the provisions of Turkish Trade Code, Capital market Code and the relevant regulations. The Board of Directors of the company has the authority to issue bonds and other securities within the framework of the article 13 of Capital Market Code. In this case, the provisions of the article 423 of Turkish Trade code do not apply.

I- Purchasing movable and immovable properties with or without mortgage, land vehicles with engine for the works within its purpose and subject, working machines, making them registered in title deed and traffic offices, selling them, giving pledge and mortgage, individual rights and real rights, making them limited, obtaining pledge and mortgage on them, guaranties, putting every kind of pledge and mortgage on properties owned by others for judicial persons and banks, making them registered in relevant registration offices provided it is made the necessary explanations to be searched for Capital Market Board in special cases for itself, concluding leasing agreements with financing organizations.

J- if it is desired to make the works other than the above works to be useful and necessary for the company, it is necessary to obtain the decision of the General Board. Also it is necessary to obtain permission of the Ministry of Industry and Trade and Capital Market Board in the character of changing the Article of Association of the company.

New Text

Article 3: PURPOSE AND SUBJECTS

A- Production and sale of paper:
Manufacturing and processing paper in every kind and quality such as first class writing and printing paper, art paper in every kind and gram, packing, cleaning and hygienic papers etc, establishing production facilities for this purpose, purchasing them or becoming a partner of established facilities and factories.

B- Importing, exporting and trading every kind of paper and paper production:
The company imports, exports, sells domestically and market either its own paper product types and kinds or other paper products other than its production.

C- Producing and internally and externally trading photocopy paper, A4, A3 and other paper in different dimensions, gooks in every dimension and type, copy block, continuous form, envelope and similar products that are confection products of paper.

D- Providing, obtaining, renting, leasing, transferring patent, privilege, license, know-how, permission and other rights domestically and from foreign countries in order to realize the purpose and subject of the company, concluding agreements for license and technical information, producing electric energy in order to meet the requirement of the factories, facilities and establishments of the company and to sell it by establishing steam boilers and steam turbines to operate with them.

E- Completing and making the agency works of its purpose and subject.

F- Participating in the capital and management of the partnerships, establishments and enterprises founded or to be founded in the future for the works of its purpose and subject, obtaining, taking in pledge, pledging and transferring the share certificates, bonds and other securities to others provided that they are not in the character to be portfolio business administration of movable assets and inter mediation activity arranged with Capital market Regulations.

G- Cooperating with the partnerships with the domestic and foreign capital, establishing new participation and partnership at home and in foreign countries, purchasing the shares belong to the partnerships provided that that are not in character of portfolio business administration of movable assets and inter mediation activity, participating in the partnership transferring its shares partly or completely, issuing bonds, concluding all of the transactions about the above works.

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The company can issue bonds and other means of capital market in accordance with the provisions of Turkish Trade Code, Capital market Code and the relevant regulations. The Board of Directors of the company has the authority to issue bonds and other securities within the framework of the article 13 of Capital Market Code. In this case, the provisions of the article 423 of Turkish Trade code do not apply.

I- Purchasing movable and immovable properties with or without mortgage, land vehicles with engine for the works within its purpose and subject, working machines, making them registered in title deed and traffic offices, selling them, giving pledge and mortgage, individual rights and real rights, making them limited, obtaining pledge and mortgage on them, guaranties, putting every kind of pledge and mortgage on properties owned by others for judicial persons and banks, making them registered in relevant registration offices provided it is made the necessary explanations to be searched for Capital Market Board in special cases for itself, concluding leasing agreements with financing organizations.

J- if it is desired to make the works other than the above works to be useful and necessary for the company, it is necessary to obtain the decision of the General Board. Also it is necessary to obtain permission of the Ministry of Industry and Trade and Capital Market Board in the character of changing the Article of Association of the company.

Previous Text

ARTICLE 6: CAPITAL AND COMBINATIONS – GROUPS OF SHARE CERTIFICATES
The capital of the company is TL 52.500.000.000.000.-.
It was divided in 52.500.000.000 shares and each of them has TL 1.000 value.

It was paid TL 35.000.000.000.000.- completely and by adding TL 17.500.000.000.000.-, TL 14.774.867.014.909.- from New Evaluating Increase Fund, TL 2.725.132.985.091.- from extraordinary reserves to the old capital completely paid and the capital was increased to TL 52.500.000.000.000.-.

The 17.500.000.000, the increased number of the share certificates provided from internal sources will be distributed to the partners free of charge.

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

Combination	Group	Registered-Bearer	Number of Shares	Total (TL)	
I.Combination	Group A	Registered	3.750.000	3.750.000.000	TL
I.Combination	Group B	Registered	3.000.000	3.000.000.000	TL
I.Combination	Group C	Registered	3.138.000	3.138.000.000	TL
I.Combination	Group D	Registered	112.000	112.000.000	TL
I.Combination	Group E	Registered	1.190.000.000	1.190.000.000.000	TL
I.Combination	Group F	Registered	10.000.000.000	10.000.000.000.000	TL
IICombination	Group F	Bearer	2.800.000.000	2.800.000.000.000	TL
III.Combination	Group F	Bearer	3.500.000.000	3.500.000.000.000	TL
IV.Combination	Group F	Bearer	17.500.000.000	17.500.000.000.000	TL
V. Combination	Group F	Bearer	17.500.000.000	17.500.000.000.000	TL
		Total	**52.500.000.000**	**52.500.000.000.000**	**TL**

Total TL 11.190.000.000.000.-, the total amount of TL 1.190.000.000.000.- of I. Combination Group E and TL 10.000.000.000.000- of I. Combination Group F was included by Alkim Alkali Kimya A.S. as real capital.
The Board Of Directors can issue the share certificates in coupons in accordance with the decisions of the Capital Market Board.
Share certificates corresponding real capital cannot be transferred to third parties unless two years pass after founding the company. Turkish Trade Code, the Article 404.

New Text

ARTICLE 6: CAPITAL AND COMBINATIONS – GROUPS OF SHARE CERTIFICATES
The capital of the company is YTL 52.500.000.-.
It was divided in 5.250.000.000 shares and each of them has Ykr 1 value.

It was paid YTL 35.000.000.- completely and by adding YTL 17.500.000,-, YTL 14.774.867,01 from New Evaluating Increase Fund, YTL 2.725.132,99 from extraordinary reserves to the old capital completely paid and the capital was increased to YTL 52.500.000.-.

The 1.750.000.000, the increased number of the share certificates provided from internal sources will be distributed to the partners free of charge.

The capital of the company is YTL 52.500.000.- and its distribution is as follows :

Group	Registered-Bearer	Number of Shares	Total (YTL)	
Group A	Registered	375.000	3.750	YTL
Group B	Registered	300.000	3.000	YTL
Group C	Registered	313.800	3.138	YTL
Group D	Registered	11.200	112	YTL
Group E	Registered	119.000.000	1.190.000	YTL
Group F	Registered	1.000.000.000	10.000.000	YTL
Group F	Bearer	4.130.000.000	41.300.000	YTL
	Total	**5.250.000.000**	**52.500.000**	**YTL**

Total YTL 11.190.000.-, the total amount of YTL 1.190.000.- of Group and YTL 10.000.000 of Group F registered shares was included by Alkim Alkali Kimya A.S. as real capital.
The nominal value of share certificates was turned from TL 1.000 into 1 Ykr in accordance with the Code about making change in Turkish Trade Code numbered 5274. Because of this change the number of share certificate decreased and it will be given 1 share that is 1 Ykr for 10 old shares that has TL 1.000 value. The rights of partners resulting from shares related to change are reserved.

The shares representing the capital are followed within the framework of dematerialization

Previous Text

Article 7: BOARD OF DIRECTORS AND DURATION OF AUTHORIZATION
The works and management of the company are performed by a Board of Directors consisting of 9 members to be elected by the General Board among the shareholders of the company in accordance with the provisions of Turkish Trade Code. It is elected three members among the candidate indicated by Group A shareholders, two members among the candidates indicated by Group B shareholders, two members among the candidates indicated by Group C shareholders, one member among the candidates indicated by Group E shareholders, and one member among the candidates indicated by Group F 2ndCombination shareholders, of the Board of Directors. In case that there happens a vacancy in membership of the Board of the Directors, the Board of Directors elect the new member from the candidates indicated by relevant Group and submit him/her to the General Board for approval in its first meeting. The duration of the members of the Board of Directors is two years. The members the Board of Directors can be re-elected. It it is found necessary by the General Board, the members of the Board of Directors can be changed in any time.

New Text

Article 7: BOARD OF DIRECTORS AND DURATION OF AUTHORIZATION

The works and management of the company are performed by a Board of Directors consisting of 9 members to be elected by the General Board among the shareholders of the company in accordance with the provisions of Turkish Trade Code. It is elected three members among the candidate indicated by Group A shareholders, two members among the candidates indicated by Group B shareholders, two members among the candidates indicated by Group C shareholders, one member among the candidates indicated by Group E shareholders, and one member among the candidates indicated by Group F shareholders, of the Board of Directors. In case that there happens a vacancy in membership of the Board of the Directors, the Board of Directors elect the new member from the candidates indicated by relevant Group and submit him/her to the General Board for approval in its first meeting. The duration of the members of the Board of Directors is two years. The members the Board of Directors can be re-elected. It it is found necessary by the General Board, the members of the Board of Directors can be changed in any time.