10 April 2012

Esteemed Shareholders, Esteemed Investors,

Welcome to our General Assembly meeting held to discuss operations of Alkim Kağıt in 2011. We would like to extend our best wishes and regards to you all in the name of our Board of Directors.

We completed the year 2011 successfully in terms of production efficiency and sales volume (turnover). Our investment was concluded on March 2011 ensuring an increase of about 20% in paper machinery speed. As you would infer, our capacity increased by 15-20% (based on the paper grammage) following the conclusion of that investment successfully. Accordingly, our turnover increased and our profitability expanded dramatically as the fixed costs remained the same.

The operations as to the investment for increasing energy capacity (increasing our available power from 5.6 MW to 11.2 MW by 100%) which we began in May 2011 continued as it was planned and the system was started-up in February 2012. In that sense, we have the necessary autoproducer power required for future increase in paper production capacity and at the same time, we are capable of selling electricity power to the market.

To sum up our operations in 2011:

Our Company realized a gross production of 77.237 tons in various grammages (60 gr/m²-220 gr/m²) in line with market demands during this year and achieved a turnover of TRY 122.802.988 selling 72.229 tons of paper. We achieved a turnover growth of 18% when compared to 2010. Our Company's pre-tax profit for the year 2010 was TRY3.703.703,00 whereas after such a successful activity period, pre-tax company profit turned for the year 2011 out to be TRY 15.168.267 and net profit for the year 2011 is TRY 12.175.202 after all taxes are set aside. The increase in our profitability at the rate of 302% is a rare achievement in that it is not common for paper industry given the current global conditions.

Another important point apart from those concrete results which are supported by figures is that we have achieved a really high standing status in paper industry as Alkim Kağıt. Alkim Kağıt has become a well-known trademark not only in Turkey but also in the Balkans, Turkic Republics, and the Middle East thanks to its high quality, great tonnages, and the deliveries and shipments it has undertaken so far.

Here, before you all, we would like to extend our thanks to our General Manager, Executive Staff and all other employees, for their significant contributions to all this success.

Yours faithfully,

For and on behalf of Board of Directors of Alkim Kağıt:

M. Reha KORA
Senior Mechanical Engineer
Chairman of Board of Directors

I-INTRODUCTION

I-1. REPORT PERIOD : 01.01.2011- 31.12.2011

I-2. COMPANY'S TRADE NAME : ALKİM KAĞIT SANAYİ VE TİCARET A.Ş.

I-3. COMPANY'S BUSINESS LINE :

Manufacture and sale of offset papers, coated papers and photocopy papers.

I-4. BOARD OF DIRECTORS :

a) Names, surnames and office terms of persons elected as Members of Board of Directors and for a period of 1 year as Members of Board of Auditors for a period of 1 year under Articles 7 and 9 of our Articles of Association are specified below:

Title	Name & Surname	Beginning Date	Ending Date
Chairman of Board of Directors	M. REHA KORA	16.03.2011	16.03.2012
Vice Chairman of Board of Directors	ARKIN KORA	16.03.2011	16.03.2012
Vice Chairman of Board of Directors	FERİT KORA	16.03.2011	16.03.2012
Vice Chairman of Board of Directors	A. HALUK KORA	16.03.2011	16.03.2012
Member of Board of Directors	TÜLAY ÖNEL	16.03.2011	16.03.2012
Member of Board of Directors	ÖZAY KORA	16.03.2011	16.03.2012
Member of Board of Directors	E.HALE KOSİF	16.03.2011	16.03.2012
Member of Board of Directors	NİHAT ERKAN	16.03.2011	16.03.2012
Member of Board of Directors	M.FARUK YÜKSEL	16.03.2011	16.03.2012

Auditor	M.YÜKSEL KADIOĞLU	16.03.2011	16.03.2012

The chairman and deputy chairmen of our Board of Directors also act as the chairman and deputy chairmen of the Board of Directors of Alkim Alkali Kimya A.Ş., of which our Company is a subsidiary. Mr.Nihat Erkan, e.g. one of members of our Board of Directors, is also a member of the Board of Directors as well as the General Manager of Alkim Alkali Kimya A.Ş. Furthermore, Mr. M.Faruk Yüksel, e.g. one of members of our Board of Directors, also acts as the Assistant Genera Manager of Alkim Alkali Kimya A.Ş.

b) Boundaries of Empowerment:

As specified in Turkish Commercial Code and Company's Articles of Association.

I-5. Amendments to Articles of Association During the Year:

The draft amendments to our Articles of Association (article nr. 3. and 6.) were discussed and approved at the meeting held by the General Assembly of Shareholders on 16.03.2011 pursuant to the Letter of Approval No. B.02.1.SPK.0.13/110.03.02/112-904 issued by the Capital Market Board on 24.01.2011, and the Letter of Clearance No. B.14.0.İTG.0.10.00.01/351-02.58194-10363 546 issued by the Ministry of Industry and Trade on 26.01.2011.

I-6. Capital and Shareholdering Structure (Share Certificates)
I-.6.1 Capital

Our Company's capital is TL52.500.000. No capital increaese has been made in 2011. Share certificates corresponding to 45% of the capital are traded at the Istanbul Stock Exchange.

Paid-in capital and amounts and rates of dividend are shown below by years.

Paid-in Capital (TL)	Year	Dividend Share	Dividend Rate
52,500,000	2006	(No profit distribution)	-
52,500,000	2007	(No profit distribution)	-
52.500.000	2008	0,000071	7.14%
52,500,000	2010	0,001462	14.62%
52,500,000	2011	0,000809	8.09%

Below is a list of dividend amounts which were distributed during the last three (3) years:

- Dividends were distributed in the amount of TL 3.748.285 from distributable profits of the fiscal year of 2008;
- Dividends were distributed in the amount of TL 7.678.645 from distributable profits of the fiscal year of 2009;
- Dividends were distributed in the amount of TL 4.247.616 from distributable profits of the fiscal year of 2010;

I-6.2. Share Certificates:

Each of share certificates representing Company's capital has a par value of Kr1.-, and group and number of shares held by each group are as follows:

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

I-6.3. Shareholdering Structure:

Number of shareholders having registered shares is 12. Number of shareholders having public offered bearer shares is unknown.

Shareholders having more than 10% of Company's share capital:

Name	Amount of Shares Held (TL)	Share in Capital (%)
ALKİM ALKALİ KİMYA A.Ş.	41.962.500	79,93

I-7 Affiliated Companies:

Trade investments (equity participations) in affiliates/subsidiaries have been accounted for according to equity method.These are companies in which the Company has, generally, 20% to 50% voting right or on which the Company has a significant impact with respect to their operations.

Shareholdering Rate (%)

	31 December 2011
Alkim Sigorta Aracılık Hiz. Ltd. Şti.	50

ALKİM SİGORTA ARACILIK HİZMETLERİ LTD.ŞTİ.

(01.01.2011 – 31.12.2011)

Activity Report

Alkim Sigorta Aracılık Hiz. Ltd. Şti. is a company co-established on 04.11.2002 by Alkim Alkali Kimya A.Ş. and Alkim Kağıt San. ve Tic. A.Ş., with 50% stake each, with a total capital of TL20.000, and has increased its capital to TL80.000 by virtue of a resolution of Board of Shareholders in 2008. This capital increase has been registered on 24.10.2008 and announced in Trade Registry Gazette dated 31.10.2008 and No.7179.

Mr. Nihat ERKAN has been elected as Company Manager by Board of Shareholders for company dealings and transactions. It has obtained agency authorization as of December, 2002, from Anadolu Sigorta (Anatolian Insurance) and Koç Allianz Sigorta A.Ş.

The company has started insuring operations by getting policies of buildings belonging to Alkim Alkali Kimya A.Ş, Alkim Kağıt San.ve Tic. A.Ş. and Sodaş Sodyum San.A.Ş., as well as to customers of companies concerned , and machine breakdown, fire contents, commodity, transport, motor vehicle traffic – casco insurances, as well as group personal accident and health insurances, issued through insurance companies general directorate and regional administrations, in line with its own apportionment.

Portfolio size of Alkim Sigorta Aracılık Hiz. Ltd. Şti. on gross premium basis is TL 1.768.689, and it keeps up its status as “major institutional agency” in insurance sector with about TL 307,30 million on sum insured basis.

Breakdown of Portfolio as end of year 2011 ;

ALKİM KİMYA A.Ş.	TL 122,43 Million
ALKİM KAĞIT A.Ş.	TL 137.87 Million
OTHER COMPANIES & PERSONS	TL 47,00 Million
TOTAL	TL 307.30 Million

I-8. Securities

No securities such as bond, profit-sharing certificate, commercial paper, remeedable share, etc., have been issued during the operating year.

I-9. Company's business sector:

Our Company deals with and engages in paper manufacturing sector. Our offset, Coated, Photocopy and Office Papers are used by printing-houses, publishing-houses, stationer's trade and the Press, both at home and abroad. Our Company enjoys 30% of the installed capacity in its sector. It has one of the modern plants of the Middle East and the Balkans in terms of technology and capacity.

II- OPERATIONS

II-A. INVESTMENTS

In March of 2011, an investment was completed in the amount of TL 5.197.225 for achievement of a capital increase of 25% at existing facilities, and production operations were thereafter commenced succesfully. Our turnover volume increased by about 20% in 2011 as a result of such capacity increease.

31 December 2011

INVESTMENTS IN PROGRESS	PREDICTED AMOUNT OF INVESTMENT TL	TOTAL EXPENDITURES TL	TOTAL CAPITALISED TL	BEGINNING DATE	ENDING DATE	COMPLETION DEGREE
CAPACITY INCREASE INVESTMENT	5.197.225,00	5.197.225,00	5.197.225,00	August 10	March 11	100,00%
SLITTER REWINDER	522.647,00	522.647,00	522.647,00	June 11	August 11	100,00%
5.5 MW GAS TURBINE - 2 & ACCESSORY	2.643.854,00	2.604.994,00		July 11	In Progress	99,00%
PRODUCTION CONTROL SYSTEM (SOFTWARE)	363.740,00	354.762,00		November 11	In Progress	98,00%
TOTAL	**8.727.466.00**	**8.679.628,00**	**5.719.872,00**			

II-B. OPERATIONS FOR PRODUCTION OF GOODS AND SERVICES

II-B.1. ATTRIBUTES OF PRODUCTION UNITS

Alkim Kağıt Sanayi ve Ticaret A.Ş. started doing business within Alkim Alkali Kimya A.Ş. and gained a separate legal personality on 30.06.1999. 20% of our paper manufacturing company's shares have been offered to public on 02.11.2000 and started to be traded at the Istanbul Stock Exchange with trading code ALKA.

Our offset paper - coated paper plants built with a maximum design capacity of 55.000 Tons/Year have been improved further with ongoing technological investments made as from its start-up day and has thus achieved technological superiority and productivity in 10 years to such an extent that they could now compete with major paper manufacturing plants in Europe.

Our actual annual capacity increased to 80.000 tons / year as a result of revision activities which were intended to bring quality and capacity increases since 2000, and the actual capacity reached the level of 90.000 tons / year as a result of a revisional investment that was made in capacity increase in March 2011.

Each phase of production at Alkim Kağıt Plants is controlled by DCS (Distributed Control System) and QCS (Quality Control System) computer programs. Paper produced by such systems is of high quality in compliance with international paper standards. Ofset paper, photocopy, double- and singlefaced coated print papers from 60 g/m^2 to 220 g/m^2 are produced at the plants. Production range also includes label paper, soap packaging paper, envelope paper and blue-print papers.

Produced paper is packed at modern converting plants in rolls in such dimensions as required for printing-house, publishing-house and other similar consumer groups. High-quality photocopy papers prepared on A3-A4 production line, being one of the most important sections of the plant, are the most preferred papers which are in great demand both in home and foreign markets.

Paper produced with mask (finished product warehouse stock control system) in use at our plants is automatically controlled by barcode system from each point of production phase until it is shipped to customer and all precautions are properly taken to ensure customer satisfaction.

Alkim Kağıt generates electricity and steam required for its production activities through its co-generation plant with a production capacity of 5.5 MW.

100% of Alkim Kağıt Plants caring about nature and environment a lot since from the beginning is capable of recovering waste water through biological and chemical treatment. Alkim Kağıt has ISO 9001, ISO 14001 and TS 18001 certificates.

Production for 2010 had been planned in view of home and foreign market conditions. Production so planned has been realized with highest quality under productivity conditions, with customers enjoying such quality.

Gross production quantity and capacity utilisation (availability) rate by years are given below.

CAPACITY

2011 Gross Production **: 77.237 Tons**	90.000 TONS	Capacity Utilisation Rate **: %86**
2010 Gross Production **: 72.532 Tons**	80.000 TONS	Capacity Utilisation Rate **: %91**

Our production volume increased from 80.000 tons to 90.000 tons as a result of a capacity increase that was achieved at the end of the first quarter of 2011.

II-B.2. Net production of goods and services realized by the Company during the year, separately for each main production group;

PRODUCTION	**Unit**	**Quantity at 31.12.2011**	**Quantity at 31.12.2010**
a-) Offset paper	Tons	62.520	55.444
b-) Coated paper	Tons	808	1.014
c-) Photocopy paper	Tons	9.071	8.983
	TOTAL	**72.399**	**65.441**

Production volume increased by 11% in 2011 as a result of a capacity increase. Having considered down time in earlier months of the year incurred due to the set-up of the new capacity investment and been assessed the production performance throughout the year as from April when the new capacity was put in to use, it is the increase of 18% as to effective production which the new capacity investment has added

II-B.3. Net sales of goods and services realized by the Company during the year, separately for each main sales group;

SALES	**Unit**	**Quantity at 31.12.2011**	**Quantity at 31.12.2010**
a-) Offset paper	Tons	62.293	54.451
b-) Coated paper	Tons	856	883
c-) Photocopy paper	Tons	9.080	9.179
	TOTAL	**72.229**	**64.513**

Sales volume increased by 12% in 2011 as a result of a capacity increase.

II-B.4. DEVELOPMENTS IN SALES OPERATIONS

Total quantity of sales realized during the 2011 operating year is 72.235 Tons. Home market sales account for 69.042 tons (96%) of such sales, while export sales accounting for 3.193 tons (4%). Total gross sales in 2011 amounted to TL 121.555.098

As to distribution of finished product sales in 2011; offset paper accounts for 86%, while photocopy papers accounting for 12% and coated paper accounting for 2%.

	SALES QUANTITY (TON)	IN HOME MARKET	IN OVERALL SALES	AVERAGE SELLING PRICE (TL/TON)	SALES AMOUNT (TL)
OFFSET	60.685	88%	84%	1.659	100.646.508
COATED	351	1%	1%	1.945	683.433
PHOTOCOPY	8.005	12%	11%	1.796	14.374.427
BLOCKNOTE	1	0%	0%	175	147
CONTINUOUS FORM	0	0%	0%	0	0
TOTAL HOME MARKET	69.042	100%	96%		115.704.516

	SALES QUANTITY (TON)	IN EXPORTS	IN OVERALL SALES	AVERAGE SELLING PRICE (TL/TON)	SALES AMOUNT (TL)
OFFSET	1.613	51%	2%	1.771	2.856.707
COATED	505	16%	1%	2.134	1.077.831
PHOTOCOPY	1.075	34%	1%	1.782	1.916.045
BLOCKNOTE	0	0%	0%	0	0
CONTINUOUS FORM	0	0%	0%	0	0
TOTAL EXPORTS	3.193	100%	4%		5.850.583

TOTAL TONNAGE	72.235	TOTAL SALES AMOUNT	121.555.098

II-C FINANCIAL STATUS AND LIQUIDITY MANAGEMENT:

Thanks to successful level of performance achieved in our sector in terms of manufacturing and quality as well as our Company's sound financial stance, our Company experienced effects of the recent gloal crisis as well as subsequent waves thereof, which also had an indirect effect on Turkey, at the minimum level, and maintained its strong financial stance throughout 2011.

Our Company maintained this positive position throughout 2011 as this was the case for operations of the year 2010, made investments in procurement of machineries and equipments in February and March for the purpose of increasing its production capacity by 25%, and realized such capacity increase in March upon completion of necessary erection works successfully. We also achieved a sales volume that was adequate to meet demands of market in timely manner by means of an approach to production planning as well as an inventory policy that took market conditions into consideration during the year. Our Company finalized its operations with a profit by practicing on then current market conditions to the fullest extent. Our Company derived a net term profit of TL 12.175.202 from its operations within the year of 2011.

This result is contributable, in part, to our stabile management style as well as product quality that was achieved through utilization of state of art technologies. The fact that our Company has a superior position in its sector in terms of both financial structure and overall product quality has allowed the Company to maintain its reliability in the eyes of customers, and given a considerable competitive edge to the Company.

Our company financed its investment in a capacity increase of 25% from its own resources during this period of time. After realization of said investment in the amount of TL 5.197.225, the ratio of our Company's liquid assets to its short term liabilities is 2.65. This ratio is 1.75 even when long term liabilities are taken into consideration, and this indicates that mere cash and account receivables of the Company are sufficient to meet both short and long term liabilities of the Company. This is attributable, to a great extent, to our procurement policies, sound management of liquid assets, and a safe position maintained in respect of the balance of foreign currencies. Our Company reinforces its competitive edge available to it in sector by converting its flexibilities enjoyed in utilization of its working capital thanks to its sound liquidity position into competitive procurement policies and sales eficiencies, and aims at sustaining this advantageous position from now on. The ratio of our Company's working capital to its short term liabilities is 3,65.

II-D RISK MANAGEMENT AND INTERNAL CONTROL MECHANISM

Our Company's Risk Management and internal control mechanism is handled by a committee composed of Members of the Board of Directors, which is in charge of Audit. This committee audits internal control mechanism at definite periods under annual audit plans prepared in parallel to its own management and directives and passes its opinions about any findings to Board of Directors and makes suggestions as appropriate. This committee and Board of Directors, in turn, communicate actions that must be taken to Company's executives through the channel of General Manager.

Company's collection risk arises largely from trade receivables and is assessed by Company's management in view of current economic situation. Company's Financial Control unit controls whether transactions have been carried out with predictable limits or not.

Liquidity Risk

Company manages liquidity risk by keeping an adequate amount of cash and similar resources in order to be able to fulfill its existing and potential liabilities in a timely way.

Currency Risk

Company utilises its assets in good match with its liabilities, as far as possible, to avoid from likely effects of revaluation or devaluation of TL against other currencies.

Alkim Kağıt Sanayi ve Ticaret A.Ş.
Balance Sheet as at December 31, 2011
(Currency – Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Audited December 31, 2011	Prior period Audited December 31, 2010
Assets			
Current assets		**74.968.274**	69.631.422
Cash and cash equivalents	4	**24.386.884**	27.259.819
Trade receivables		**28.546.771**	17.116.803
- Other trade receivables	7	**28.546.771**	17.116.803
Other receivables		**1.442.438**	2.556.430
Due from related parties	25	**60.035**	-
Other receivables	8	**1.382.403**	2.556.430
Inventories	9	**15.784.177**	19.013.804
Other current assets	15	**4.808.004**	3.684.566
Non-current assets		**62.072.234**	59.297.000
Trade receivables		**-**	873.000
- Other trade receivables	7	**-**	873.000
Investment in associates accounted by equity method	10	**125.030**	76.407
Property, plant and equipment	11	**60.643.598**	56.580.648
Intangible assets	12	**17.937**	50.471
Other non-current assets	15	**1.285.669**	1.716.474
Total assets		**137.040.508**	128.928.422
Liabilities			
Current liabilities		**20.553.699**	24.256.913
Financial liabilities	5	**9.921.559**	4.802.788
Other financial liabilities	6	**873.000**	1.235.000
Trade payables		**6.536.921**	9.897.953
- Due to related parties	25	**566.354**	441.568
- Other trade payables	7	**5.970.567**	9.456.385
Current income tax payable	23	**606.804**	-
Other current liabilities	15	**2.615.415**	8.321.172
Non-current liabilities		**10.563.430**	6.618.780
Financial liabilities	5	**6.479.139**	1.959.356
Other financial liabilities	6	**-**	873.000
Provision for employee termination benefits	14	**2.303.664**	1.806.004
Deferred tax liabilities	23	**1.780.627**	1.980.420
Total liabilities		**31.117.129**	30.875.693
Equity		**105.923.379**	98.052.729
Paid-in share capital	16	**52.500.000**	52.500.000
Inflation adjustment on paid-in share capital	16	**32.414.361**	32.414.361
Restricted reserves	16	**2.737.673**	2.394.393
Prior year profits		**6.096.143**	7.721.858
Net income for the year		**12.175.202**	3.022.117
Total liabilities and equity		**137.040.508**	128.928.422

The accompanying policies and explanatory notes on pages 13 through 53 form an integral part of the financial statements.

Alkim Kağıt Sanayi ve Ticaret A.Ş.
Statement of comprehensive income
for the year ended December 31, 2011
(Currency – Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Audited January 1 – December 31 2011	Prior period Audited January 1 – December 31 2010
Net sales	17	**122.802.988**	103.746.187
Cost of sales	17	**(105.693.533)**	(95.440.491)
Gross profit		**17.109.455**	8.305.696
Research and development expenses	18	**(91.748)**	(84.419)
Selling, marketing and distribution expenses	18	**(3.345.857)**	(2.623.086)
General and administrative expenses	18	**(3.121.951)**	(2.954.109)
Other operating income	20	**899.176**	414.488
Other operating expenses	20	**(22.667)**	(231.628)
Operating profit		**11.426.408**	2.826.942
Share on investment in associates accounted for using equity method	10	**26.123**	21.344
Financial income	21	**6.634.196**	2.528.559
Financial expenses	22	**(2.918.460)**	(1.673.142)
Income before tax		**15.168.267**	3.703.703
Taxation on income		**(2.993.065)**	(681.586)
- Current income tax expense	23	**(3.192.858)**	(1.013.736)
- Deferred tax income	23	**199.793**	332.150
Net income		**12.175.202**	3.022.117
Other comprehensive income / (expense) after tax	-	**-**	-
Total comprehensive income		**12.175.202**	3.022.117
Earnings per share	24	**0,0023**	0,0006

The accompanying policies and explanatory notes on pages 13 through 53 form an integral part of the financial statements.

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of changes in equity
for the year ended December 31, 2011
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Paid-in share capital	Inflation adjustment to paid-in share capital	Restricted reserves	Prior year profits	Net profit for the year	Total equity
January 1, 2010	52.500.000	32.414.361	1.424.163	7.721.858	8.816.236	102.876.618
Transfers	-	-	-	8.816.236	(8.816.236)	-
Dividend payment (Note 25.e)	-	-	970.230	(8.816.236)	-	(7.846.006)
Net profit for the period	-	-	-	-	3.022.117	3.022.117
December 31, 2010	52.500.000	32.414.361	2.394.393	7.721.858	3.022.117	98.052.729
January 1, 2011	52.500.000	32.414.361	2.394.393	7.721.858	3.022.117	98.052.729
Transfers	**-**	**-**	**-**	**3.022.117**	**(3.022.117)**	**-**
Dividend payment (Note 25.e)	**-**	**-**	**343.280**	**(4.647.832)**	**-**	**(4.304.552)**
Net profit for the period	**-**	**-**	**-**	**-**	**12.175.202**	**12.175.202**
December 31, 2011	**52.500.000**	**32.414.361**	**2.737.673**	**6.096.143**	**12.175.202**	**105.923.379**

Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Statement of cash flows
for the year ended December 31, 2011
(Currency –Turkish Lira (TL) unless otherwise indicated)

	Notes	Current period Audited January 1 – December 31 2011	Prior period Audited January 1 – December 31, 2010
Operating activities:			
Profit before taxation on income		**15.168.267**	3.703.703
Adjustments to reconcile profit before taxation on income to net cash generated from operating activities			
Depreciation and amortization	11-12	**5.483.782**	5.221.420
Provision for employment termination benefits	14	**719.815**	460.313
(Collection of)/provision for doubtful receivables	7-20	**(97.570)**	(86.347)
Share on results of investment in associate	10	**(26.123)**	(21.344)
(Income)/loss from sales of property, plant and equipment	20	**(193.267)**	229.884
Interest income	21	**(589.983)**	(1.087.681)
Interest expense	22	**2.636.800**	519.111
Operating profit before working capital changes		**23.101.721**	8.939.059
Changes in assets and liabilities			
Short-term trade receivables	7	**(11.332.398)**	10.292.726
Other receivables	8	**1.113.992**	(1.698.045)
Inventories	9	**3.229.627**	(1.048.066)
Other current assets	15	**(1.123.438)**	(1.161.756)
Increase in long-term trade receivables	7	**873.000**	(873.000)
Other non-current liabilities	15	**430.805**	(1.716.474)
Trade payables	7	**(3.485.818)**	1.229.525
Other short-term liabilities	15-23	**(5.705.757)**	7.066.859
Due to related parties	25	**124.786**	31.713
Employment termination benefits paid	14	**(222.155)**	(33.675)
Taxes paid	23	**(2.586.054)**	(1.565.323)
Net cash generated from operating activities		**4.418.311**	19.463.543
Investing activities:			
Interest received		**593.007**	1.164.885
Purchases of property, plant and equipment and intangible assets	11-12	**(9.540.690)**	(6.556.171)
Proceeds from sales of property, plant and equipment	11-12	**219.759**	156.008
Net cash used in investing activities		**(8.727.924)**	(5.235.278)
Financing activities:			
Dividend paid	16	**(4.304.552)**	(7.846.006)
Subsidiary capital increase	10	**(22.500)**	-
Repayments of financial liabilities		**9.609.484**	(2.642.475)
Factored receivables	6	**(1.235.000)**	2.108.000
Interest paid		**(2.607.730)**	(505.319)
Net cash provided by/(used in) financing activities		**1.439.702**	(8.885.800)
Net increase/(decrease) in cash and cash equivalents		**(2.869.911)**	5.342.465
Cash and cash equivalents at beginning of the year	4	**27.237.833**	21.895.368
Cash and cash equivalents at the end of the year	4	**24.367.922**	27.237.833

The accompanying policies and explanatory notes on pages 13 through 53 form an integral part of the financial statements.

1. Organization 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. ("Alkim Kimya") (Note 16).

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 December 31, 2011, the shares traded on ISE are 20% (2010: 20%) of the total shares.

As of December 31, 2011, the average number of personnel of the Company is 199 (2010 - 203).

The address of the registered office is as follows:

Organize Sanayi Bölgesi Kırovası Mevkii
Kemalpaşa-İzmir

Dividend paid

As decided on the Ordinary General Meeting held on March 16, 2011, the Company distributed gross dividend from profit of 2010 and prior years amounting to TL 4.304.552. In accordance with the decision, related amount transferred to the accounts of shareholders.

Approval of Financial Statements

Financial statements are approved for issue by board of directors on March 15, 2012. General Assembly has the power to amend the financial statements.

2. Basis of presentation of financial statements

2.1 Basis of presentation

The Capital Market Board (CMB) regulated the principles of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" (the "Communiqué"). The Communiqué supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the CMB Financial Reporting Standards. Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year starting from January 1, 2005.

2. Basis of presentation of financial statements (continued)

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements in weekly newsletters of 2008/16, 2008/18, 2009/02, 2009/04, including the mandatory disclosures.

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales described in “Revenue Recognition” are presented as net provided that if the nature of the transaction or the event qualify for offsetting.

Financial statements have been prepared under the historic cost convention except for the financial assets and liabilities which are stated at fair values and presented in Turkish Lira (“TL”), which is the functional and presentation currency of the Company.

2.2 Amendments in International Financial Reporting Standards

The accounting policies adopted in the preparation of the financial statements as of December 31, 2011 are consistent with those followed in the preparation of the financial statements of the prior year, except for the adoption of new standards and IFRIC interpretations summarized below. The effects of these standards and interpretations on the Company’s financial position and performance have been disclosed in the related paragraphs.

Amendments in Accounting Policies and Explanations

The accounting policies adopted are consistent with those of the previous financial year except those summarized below. The Company has adopted the following new and amended IFRS and IFRIC interpretations as of January 1, 2011.

Adoption of new or revised standards and interpretations

As of December 31, 2011, the Company adopted the new standards, amendments and interpretations related to its operations published by the IASB and International Financial Reporting Interpretation Committee (“IFRIC”) which are mandatory for the accounting periods beginning on or after January 1, 2011. The effects of these standards and amendments on the Company’s financial position and performance are explained in the related paragraphs.

2. Basis of presentation of financial statements (continued)

The new standards, amendments and interpretations which are effective as at January 1, 2011 are as follows:

IFRIC 14 IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction— Prepayments of a Minimum Funding Requirement (Amended)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset. The Company is not subject to minimum funding requirements, therefore the amendment of the interpretation has no effect on the financial position or performance of the Company.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. This interpretation does not apply when the creditor is acting in the capacity of a shareholder, in common control transactions or when the issue of equity shares was part of the original terms of the liability. The adoption of the interpretation did not have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Classifications on Rights Issues (Amended)

The amendment alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has no effect on the financial position or performance of the Company.

IAS 24 Related Party Disclosures (Revised)

Amended standard clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. In addition, the revised standard introduces a partial exemption of general disclosure requirements for transactions with government-related entities. The adoption of the amendment did not have any impact on the financial position or performance of the Company.

Improvements to IFRSs

In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendments resulted in changes to accounting policies and disclosures, but no impact on the financial position or performance of the Company. There are separate transitional provisions for each standard. The amendments that are effective as at January 1, 2011 are as follows:

2. Basis of presentation of financial statements (continued)

IFRS 3 Business Combinations

i) Transition requirements for contingent consideration from a business combination that occurred before the effective date of revised IFRS

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

ii) Measurement of non-controlling interests

This improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.

iii) Unreplaced or voluntarily replaced share-based payment awards

This improvement requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration paid and post combination expenses.

IFRS 7 Financial Instruments: Disclosures

This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. Among others, the improvement remove the disclosure requirement of the collateral held as security and other credit enhancements and estimate of their fair value for financial assets that are past due but not impaired and that are individually impaired; and instead include a disclosure requirement of financial effect of collateral held as security and other credit enhancements for all financial assets.

IAS 1 Presentation of Financial Statements

This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

IAS 27 Consolidated and Separate Financial Statements

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21 "The Effect of Changes in Foreign Exchange Rates", IAS "28 Investments in Associates" and IAS 31 "Interests in Joint Ventures" apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

2. Basis of presentation of financial statements (continued)

IAS 34 Interim Financial Reporting

This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements on i) the circumstances likely to affect fair values of financial instruments and their classification, ii) transfers of financial instruments between different levels of the fair value hierarchy, iii) changes in classification of financial assets, and iv) changes in contingent liabilities and assets.

IFRIC 13 Customer Loyalty Programmes

This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

Standards issued but not yet effective and not early adopted

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

IAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income

The amendments are effective for annual periods beginning on or after July 1, 2012, but earlier application is permitted. The amendments to IAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or ‘recycled’) to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The amendment affects presentation only and will have no impact on the financial position or performance of the Company.

IAS 12 Income Taxes: Recovery of Underlying Assets (Amendment)

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. These amendments will be applied retrospectively. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IAS 19 Employee Benefits (Amended)

Amended standard is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. With very few exceptions retrospective application is required. Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the amended standard on the financial position or performance of the Company.

IAS 27 Separate Financial Statements (Amended)

As a consequential amendment to IFRS 10 and IFRS 12, the IASB also amended IAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Transitional requirement of this amendment is similar to IFRS 10. This standard has not yet been endorsed by the EU. This amendment will not have any impact on the financial position or performance of the Company.

IAS 28 Investments in Associates and Joint Ventures (Amended)

As a consequential amendment to IFRS 11 and IFRS 12, the IASB also amended IAS 28, which has been renamed IAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to IFRS 11. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial position or performance of the Company.

IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This standard has not yet been endorsed by the EU. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that these amendments will have significant impact on the financial position or performance of the Company.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements (Amended)

The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitizations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment has not yet been endorsed by the EU. The amendment is effective for annual periods beginning on or after July 1, 2011.Comparative disclosures are not required. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amended)

New disclosures would provide users of financial statements with information that is useful in (a) evaluating the effect or potential effect of netting arrangements on an entity's financial position and (b) analysing and comparing financial statements prepared in accordance with IFRSs and other generally accepted accounting standards. This standard has not yet been endorsed by the EU. The amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendment affects disclosures only and will have no impact on the financial position or performance of the Company.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IFRS 10 Consolidated Financial Statements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgment. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 11 Joint Arrangements

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 12 Disclosure of Interests in Other Entities should be also adopted early.

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

2. Basis of presentation of financial statements (continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after January 1, 2013 and is applied on a modified retrospective basis. This new Standard may be adopted early, but IFRS 10 Consolidated Financial Statements and IFRS 11 Joint Arrangements should be also adopted early.

IFRS 12 includes all of the disclosures that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 Interests in Joint Ventures and IAS 28 Investment in Associates. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. This standard has not yet been endorsed by the EU. The Company does not expect that this standard will have a significant impact on the financial position or performance of the Company.

IFRS 13 Fair Value Measurement

The new Standard provides guidance on how to measure fair value under IFRS but does not change when an entity is required to use fair value. It is a single source of guidance under IFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. IFRS 13 is effective for annual periods beginning on or after January 1, 2013 and will be adopted prospectively. Early application is permitted. The new disclosures are only required for periods beginning after IFRS 13 is adopted — that is, comparative disclosures for prior periods are not required. This standard has not yet been endorsed by the EU. The Company is in the process of assessing the impact of the new standard on the financial position or performance of the Company.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The Interpretation is effective for annual periods beginning on or after January 1, 2013 with earlier application permitted. Entities will be required to apply its requirements for production phase stripping costs incurred from the start of the earliest comparative period presented. The Interpretation clarifies when production stripping should lead to the recognition of an asset and how that asset should be measured, both initially and in subsequent periods. This standard has not yet been endorsed by the EU. The interpretation is not applicable for the Company and will not have any impact on the financial position or performance of the Company.

2.3 Basis of consolidation

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.

Investments in Associates

The investments in associates are accounted for using the equity method. These investments are the entities 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 unrealized 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 unrealized 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 at the date when significant influence ceases is regarded as cost thereafter.

(Currency –Turkish Lira (TL) unless otherwise indicated).

2. Basis of presentation of financial statements (continued)

The following table shows all the investments in associates and their participation rates of the Company as of December 31, 2011 and 2010:

	Participation rate (%)	
	December 31, 2011	December 31, 2010
Alkim Sigorta Aracılık Hiz. Ltd. Şti. ("Alkim Sigorta")	**50,00**	50,00

2.4 Summary of significant accounting policies

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

2.4.1 Revenue recognition

Revenues are recognized 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 and exclude related taxes (Note 17). Rent income is recognized on an accrual basis, interest income is recognized on an accrual basis with effective yield basis calculation. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Dividend income is recognized when the right to receive is possessed.

2.4.2 Inventories

Inventories are mainly comprised of cellulose, work-in-progress and finished goods either sized or in bobbin forms, chemicals, operational materials and spare parts. Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost of inventories consists of purchase of raw materials, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the process costing method and the Company values its inventories based on the weighted average method (Note 9).

2.4.3 Property, plant and equipment

Property, plant and equipment acquired before January 1, 2005 are carried at cost in purchasing power of TL as at 31 December 2004; less accumulated depreciation and impairment losses, if any. Property, plant and equipment acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses, if any.

Property, plant and equipments are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designated production capacity. Residual values of property, plant and equipment are considered to be immaterial.

(Currency –Turkish Lira (TL) unless otherwise indicated).

2. Basis of presentation of financial statements (continued)

Depreciation is provided using the straight-line method based on the estimated useful lives of the assets (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates accordingly the estimated useful lives for property, plant and equipment are as follows:

	Rates (%)
Land improvements	2 - 13
Buildings	2 - 4
Machinery and equipment	4 - 25
Motor vehicles	10 - 25
Furniture and fixtures	5 - 20

Where the carrying amount of a property, plant and equipment is greater than its estimated recoverable amount, it is written down to its recoverable amount. Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with their restated carrying amounts and are included in the other income and expense accounts, as appropriate (Note 20).

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognized as separate asset, are depreciated based on their useful lives.

2.4.4 Intangible assets

Intangible assets comprise of acquired rights, information systems and software. Those acquired before January 1, 2005 are carried at cost in the purchasing power of TL as at December 31, 2004; less accumulated depreciation and impairment losses, if any; those acquired after January 1, 2005 are carried at cost less accumulated depreciation and impairment losses, if any, which are depreciated using the straight-line method over 10 – 20 years following the acquisition date in either case. Residual values of intangible assets are deemed as negligible. In case of impairment, the carrying amount of an intangible asset is written down to its recoverable amount (Note 12).

2.4.5 Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax assets and financial assets stated at fair values. An impairment loss is recognized 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 comprehensive income. Impairment loss on 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.

2. Basis of presentation of financial statements (continued)

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

2.4.6 Borrowings and borrowing costs

If the maturity of these instruments is less than 12 months, these loans are classified in current liabilities and if more than 12 months, classified in non-current liabilities (Note 5). Borrowings are stated at amortized cost using the effective yield method. Any proceeds and the redemption value are recognized in the statement of comprehensive income as borrowing cost over the period of the borrowings. Borrowing costs are recognized in the statement of comprehensive income as incurred (Note 22).

Assets that necessarily take a substantial period of time to get ready for its intended use or sale are defined as qualifying assets. The Company has no qualifying assets during the reporting periods.

2.4.7 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method (Note 7).

2.4.8 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 recognized 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. Loans and receivables are recorded at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortized cost using the effective yield method.

2.4.9 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 TL 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 recognized in the statement of comprehensive income.

2. Basis of presentation of financial statements (continued)

2.4.10 Earnings per share

Earnings per share indicated in the statements of comprehensive income are determined by dividing net profit for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 24).

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares 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.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.4.11 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 authorized for issue (Note 28).

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.

2.4.12 Provisions, contingent assets and contingent liabilities

Provisions are recognized 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.

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.

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 (Note 13).

2.4.13 Accounting policies, changes in accounting estimates and errors

If appropriate, significant changes in accounting policies and 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.

2. Basis of presentation of financial statements (continued)

2.4.14 Leases

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases (Note 5). 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. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.4.15 Related parties

Parties are considered related to the Company if;

A related party is a person or entity that is related to the entity that is preparing its financial statements (in this Standard referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:
- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided the chief operating decision makers. The chief operating decision makers, who are responsible for allocation resources and assessing performance of the operating segments, have been identified as the senior management that makes strategic decisions.

2. Basis of presentation of financial statements (continued)

The senior management of the Company makes strategic decisions as a whole over the operations of the Company as the Company operates in a single industry and operations outside Turkey do not present an important portion in overall operations. Based on those reasons, there is a single reportable segment in accordance with the provisions in IFRS 8 and segment reporting is not applicable.

2.4.17 Taxation 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 23). The adjustments related to prior period tax liabilities are recognized in other operating income and expenses.

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 23).

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 utilized. To the extent that deferred tax assets will not be utilized, 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 23).

2.4.18 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 Labor Law. Provisions for employment termination benefits have been calculated estimating the present value of the future probable obligations arising from the retirement of the employees accordingly actuarial assumptions and reflected in the financial statements (Note 14).

2.4.19 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company’s main operations. Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset 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.

2. Basis of presentation of financial statements (continued)

2.4.20 Trade receivables and impairment of receivables

Trade receivables that are realized by the Company by way of providing goods or services directly to a debtor are carried at amortized 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 comprehensive income (Note 20).

Trade receivables from certain customers that are assigned to a factor by the Company, are followed as long and short term trade receivables in the accompanying balance sheet and commission paid to factoring company as a result of the mentioned transaction. Payable to factoring company is followed as long and short term other financial liabilities in the balance sheet (Note 6 and 7).

2.4.21 Share capital and dividends

Share capital is classified as capital and dividends distributed from common stocks are deducted at the period of the declaration from the retained earnings. Dividend income is recognized when the Company's right to receive the payment is established.

2.5 Significant accounting estimates and judgments

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 the Company management's best estimate. Significant accounting estimates are as follows:

a) 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. 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.

b) Retirement pay liability is determined by using actuarial assumptions (discount rates, future salary increases and employee turnover rates). As of December 31, 2011 and 2010, retirement pay liability amounts to TL 2.303.664 and TL 1.806.004, respectively.

c) Allowance for doubtful receivables is an estimated amount that the Company's management believes to reflect for possible future losses on existing receivables that have collection risk due to current economic conditions.

(Currency –Turkish Lira (TL) unless otherwise indicated).

3. Segment reporting

None (Please refer to Note 2.4.16).

4. Cash and cash equivalents

	December 31, 2011	December 31, 2010
Cash on hand	**19.296**	7.591
Banks	**24.367.588**	27.252.228
- TL denominated time deposits	**4.513.296**	7.908.612
- TL denominated demand deposits	**332.245**	211.694
- Foreign currency denominated time deposits	**19.461.336**	18.239.570
- Foreign currency denominated demand deposits	**60.711**	892.352
	24.386.884	27.259.819
Less: interest accrual	**(18.962)**	(21.986)
Total cash and cash equivalents base for cash flow statement	**24.367.922**	27.237.833

As of December 31, 2011, maturity of TL denominated time deposits is less than one month (2010 – less than one month) and the effective interest rate is 10,6% per annum ("p.a.") (2010 – 8,5% p.a.).

As of December 31, 2011, maturity of foreign currency denominated time deposits is less than one month (2010 – less than one month) and the effective interest rate is 3,7% per annum ("p.a.") (2010 – 1,2%).

The details of the foreign currency denominated demand deposits are disclosed in Note 26.c. Based on the independent data with respect to the credit risk assessment of the banks at which the Company has deposits, are sufficient in terms of credit quality of the banks. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

5. Financial liabilities

	December 31, 2011	December 31, 2010
Short-term bank borrowings	**1**	164.715
Short-term portion of long-term bank borrowings	**9.921.558**	4.638.073
Short-term financial liabilities	9.921.559	4.802.788
Long-term bank borrowings	**6.479.139**	1.959.356
Long-term financial liabilities	**6.479.139**	1.959.356
Total financial liabilities	**16.400.698**	6.762.144

(Currency –Turkish Lira (TL) unless otherwise indicated).

5. Financial liabilities (continued)

a) Bank borrowings:

	December 31, 2011		December 31, 2010	
	Effective weighted average interest rate p.a. (%)	**Amount**	Effective weighted average interest rate p.a. (%)	Amount
Short-term bank borrowings:				
TL bank borrowings (*)	**0,00**	**1**	0,00	164.715
		1		164.715
Short-term portion of long-term bank borrowings :				
USD bank borrowings (**)	**0,83**	**9.921.558**	0,84	4.638.073
		9.921.558		4.638.073
Long-term bank borrowings:				
USD bank borrowings (**)	**0,86**	**6.479.139**	0,93	1.959.356
		6.479.139		1.959.356

(*) TL denominated short-term bank borrowings are comprised of spot borrowings without interest charge at December 31, 2011.

(**) The interest rates of the USD denominated GSM bank borrowings vary between Libor+0,25% p.a. with six month contractual reprising dates (2010 - Libor+0,25%) and the Company did not provide any guarantees for the mentioned bank borrowings.

The redemption schedules of long-term bank borrowings at December 31, 2011 and 2010 are as follows:

	December 31, 2011	December 31, 2010
2012	**-**	1.959.356
2013	**6.479.139**	-
	6.479.139	1.959.356

(Currency –Turkish Lira (TL) unless otherwise indicated).

5. Financial liabilities (continued)

The carrying amounts of the financial liabilities with floating and fixed rates which were classified in terms of periods remaining to contractual reprising dates as of December 31, 2011 and 2010 are as follows:

	up to 3 months	**3 months – 1 year**	**Total**
- December 31, 2011:			
Financial liabilities with floating interest rate	**8.909.462**	**7.491.235**	**16.400.697**
Financial liabilities with fixed interest rate	**1**	**-**	**1**
Total	**8.909.463**	**7.491.235**	**16.400.698**
- December 31, 2010:			
Financial liabilities with floating interest rate	2.393.912	4.203.517	6.597.429
Financial liabilities with fixed interest rate	164.715	-	164.715
Total	2.558.627	4.203.517	6.762.144

6. Other financial liabilities

Other financial liabilities consist of the liabilities of the Company in connection with its receivables factored under revocable factoring agreements as of December 31, 2011 amounting to TL 873.000 (December 31, 2010 TL 2.108.000) is classified as short-term other financial liabilities. (December 31, 2010, TL 1.235.000 is classified as short-term other financial liabilities whereas TL 873.000 is classified as long-term other financial liabilities).

7. Trade receivables and payables

	December 31, 2011	December 31, 2010
a) Short-term trade receivables		
Cheques and notes receivables, net	**23.176.481**	11.173.693
Customer current accounts, net	**4.497.290**	4.708.110
Factored receivables (Note 6)	**873.000**	1.235.000
Doubtful receivables	**160.133**	257.703
	28.706.904	17.374.506
Less: Allowance for doubtful receivables	**(160.133)**	(257.703)
	28.546.771	17.116.803

As of December 31, 2011, the effective weighted average interest rates used in the calculation of discounted carrying value of TL, USD and EUR denominated short-term trade receivables are 10,19% p.a., 0.53 % p.a. and 0,26 % p.a., respectively (2010: 7,43% p.a., 0,09 % p.a. and 0,33% p.a., respectively). Trade receivables mature within 2 months (2010: 2 months).

(Currency –Turkish Lira (TL) unless otherwise indicated).

7. Trade receivables and payables (continued)

The aging analysis of trade receivables as of December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
Overdue receivables	**42.036**	734.118
0-30 days	**6.752.495**	11.207.503
31-60 days	**7.950.275**	1.602.298
61-90 days	**5.277.545**	2.309.104
91-120 days	**5.045.642**	468.277
121 days and over	**3.478.778**	795.503
	28.546.771	17.116.803

The aging and credit risk analysis of overdue receivables as of December 31, 2011 and 2010 are disclosed in Note 26.a.

The movement in the provision for doubtful receivables during the year is as follows:

	2011	2010
January 1	**257.703**	344.050
Collected in the current year (Note 20)	**(97.570)**	(86.347)
December 31	**160.133**	257.703

The Company has accounted allowance for doubtful receivables based on its past experiences. Therefore, the management believes that no additional credit risk exists beyond the Company's trade receivables, which have been identified as doubtful receivable and allowance have been accounted for.

	December 31, 2011	December 31, 2010
b) Long-term trade receivables		
Factored receivables (Note 6)	**-**	873.000
	-	873.000

The aging analysis of trade receivables as of December 31, 2011 and 2010 is as follows:

	December 31, 2011	December 31, 2010
1-2 years maturity	**-**	873.000
	-	873.000

(Currency –Turkish Lira (TL) unless otherwise indicated).

7. Trade receivables and payables (continued)

	December 31, 2011	December 31, 2010
c) Short-term trade payables		
Supplier current accounts, net	**5.970.567**	9.456.385
	5.970.567	9.456.385

As of December 31, 2011, the effective weighted average interest rates used in the calculation of discounted carrying value of TL, USD and EUR denominated short-term trade payables are 11% p.a., 1,06 % p.a. and 0,44% p.a., respectively (2010 - 7.43% p.a., 0,33 % p.a. and 0,09%p.a., respectively). Trade payables mature within 2 months (2010 - 2 months).

8. Other receivables

	December 31, 2011	December 31, 2010
Other short-term receivables		
Value Added Tax (“VAT”) receivables	**1.365.594**	2.538.645
Deposits and guarantees given	**16.590**	17.785
Other	**219**	-
	1.382.403	2.556.430

9. Inventories

	December 31, 2011	December 31, 2010
Raw materials	**7.286.492**	5.659.885
Work-in-progress	**325.014**	2.025.104
Finished goods	**2.535.765**	3.375.263
Other inventories	**183.616**	957
Goods in transit	**5.453.290**	7.952.595
	15.784.177	19.013.804

10. Investment in associates accounted by equity method

Investment in Associate:

	December 31, 2011		December 31, 2010	
	Carrying value	**Share (%)**	Carrying value	Share (%)
Alkim Sigorta	**125.030**	**50,00**	76.407	50,00
	125.030		76.407	

(Currency –Turkish Lira (TL) unless otherwise indicated).

10. Investment in associates accounted by equity method (continued)

Movement of investment in associate during the years is as follows:

	2011	2010
January 1	**76.407**	55.063
Share of results of investment in associate	**26.123**	21.344
Capital increase in investment in associate	**22.500**	-
December 31	**125.030**	76.407

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

	December 31, 2011	December 31, 2010
Total assets	**1.185.229**	890.663
Total liabilities	**935.169**	737.849
Net sales	**228.236**	192.371
Net profit for the year	**97.245**	42.687

11. Property, plant and equipment

The movements of property, plant and equipment for the period between January 1 and December 31, 2011 were as follows:

	January 1, 2011 Opening	Additions	Disposals	Transfers	December 31, 2011 Closing
Cost:					
Land	7.316.240	-	-	-	7.316.240
Land improvements	1.681.846	23.085	-	-	1.704.931
Buildings	10.697.764	1.496	-	-	10.699.260
Machinery and equipments	82.495.858	385.550	-	5.719.872	88.601.280
Motor vehicles	869.796	57.136	(349.711)	-	577.221
Furniture and fixtures	2.173.358	176.243	(731)	-	2.348.870
Construction in progress	51.059	8.892.541	-	(5.719.872)	3.223.728
	105.285.921	9.536.051	(350.442)	-	114.471.530
Accumulated depreciation:					
Land improvements	(450.232)	(84.140)	-	-	(534.372)
Buildings	(4.507.860)	(405.017)	-	-	(4.912.877)
Machinery and equipments	(41.445.565)	(4.717.717)	-	-	(46.163.282)
Motor vehicles	(508.389)	(134.048)	323.218	-	(319.219)
Furniture and fixtures	(1.793.227)	(105.687)	732	-	(1.898.182)
	(48.705.273)	(5.446.609)	323.950	-	(53.827.932)
Net book value	56.580.648				60.643.598

(Currency –Turkish Lira (TL) unless otherwise indicated).

11. Property, plant and equipment (continued)

The movements of property, plant and equipment for the period between January 1 and December 31, 2010 were as follows:

	January 1, 2010 Opening	Additions	Disposals	Transfers	December 31, 2010 Closing
Cost:					
Land	3.566.240	3.750.000	-	-	7.316.240
Land improvements	1.666.648	7.402	-	7.796	1.681.846
Buildings	10.189.514	508.250	-	-	10.697.764
Machinery and equipments	81.575.354	392.174	(1.034.704)	1.563.034	82.495.858
Motor vehicles	878.210	-	(141.007)	132.593	869.796
Furniture and fixtures	2.041.346	138.427	(6.415)	-	2.173.358
Construction in progress	1.319	1.753.163	-	(1.703.423)	51.059
	99.918.631	6.549.416	(1.182.126)	-	105.285.921
Accumulated depreciation:					
Land improvements	(366.638)	(83.594)	-	-	(450.232)
Buildings	(4.112.746)	(395.114)	-	-	(4.507.860)
Machinery and equipments	(37.716.119)	(4.454.102)	724.656	-	(41.445.565)
Motor vehicles	(434.929)	(139.134)	65.674	-	(508.389)
Furniture and fixtures	(1.688.521)	(110.610)	5.904	-	(1.793.227)
	(44.318.953)	(5.182.554)	796.234	-	(48.705.273)
Net book value	55.599.678				56.580.648

TL 5.351.201 (2010 - TL 5.097.809) of the current year depreciation charge has been allocated to cost of production (Note 19), TL 105.798 (2010 - TL 98.376) to general and administrative expenses (Note 18), and TL 26.783 (2010 - TL 25.235) to marketing, selling and distribution expenses (Note 18).

As of December 31, 2011 and 2010, there are no pledges or liens on property, plant and equipment.

As of December 31, 2011 and 2010, cost of fully depreciated items which are still in use is as follows:

	December 31, 2011	December 31, 2010
Buildings	**19.716**	74.711
Machinery and equipment	**750.063**	680.111
Motor vehicles	**59.664**	59.664
Furniture and fixtures	**1.379.852**	1.341.880
	2.209.295	2.156.366

12. Intangible assets

The movements of intangible assets for the period between January 1 and December 31, 2011 were as follows:

	January 1, 2011 Opening	**Additions**	**December 31, 2011 Closing**
Rights - software	**672.383**	**4.639**	**677.022**
Less: accumulated amortization	**(621.912)**	**(37.173)**	**(659.085)**
Net book value	**50.471**		**17.937**

(Currency –Turkish Lira (TL) unless otherwise indicated).

12. Intangible assets (continued)

The movements of intangible assets for the period between January 1, and December 31, 2010 were as follows:

	January 1, 2010 Opening	Additions	December 31, 2010 Closing
Rights - software	665.628	6.755	672.383
Less: accumulated amortization	(583.046)	(38.866)	(621.912)
Net book value	82.582		50.471

As of December 31, 2011 and 2010, cost of fully amortized items which are still in use is as follows:

	December 31, 2011	December 31, 2010
Rights - software	**331.758**	325.857
	331.758	325.857

13. Provisions, contingent assets and liabilities

	December 31, 2011	December 31, 2010
a) Guarantees received:		
Bails	**12.000.000**	12.000.000
Mortgage	**5.250.000**	9.750.000
Bank guarantee letters	**4.423.898**	3.929.911
Trade receivables protection (*)	**5.449.674**	1.872.877
Guarantee notes	**25.000**	37.000
Guarantee cheques	**1.102.224**	321.200
	28.250.796	27.910.988

(*) It is a service received from an international professional organization in order to cover credit risks like customer insolvency, bad debts, overdue accounts, commercial risks and political risks.

	December 31, 2011	December 31, 2010
b) Guarantees given:		
Bank guarantee letters	**15.478.268**	7.395.450
	15.478.268	7.395.450

Collaterals, Pledges and Mortgages (“CPM”) positions of the Company as of December 31, 2011 and 2010 are summarized as follows;

(Currency –Turkish Lira (TL) unless otherwise indicated).

13. Provisions, contingent assets and liabilities (continued)

CPM given by the Company

	December 31, 2011	December 31, 2010
A. Total amount of CPM given for the Company's own legal personality	**15.478.268**	7.395.450
B. Total amount of CPM given on behalf of fully consolidated companies	**-**	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	**-**	-
D. Total amount of other CPM	**-**	-
i) Total amount of CPM given on behalf of the majority shareholder	**-**	-
ii) Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	**-**	-
iii) Total amount of CPM given on behalf of third parties which are not in scope of C.	**-**	-
	15.478.268	7.395.450
Ratio of other GPMs given by the Company to the equity of the Company	**%0**	0%

14. Employee termination benefits

	December 31, 2011	December 31, 2010
Provision for employment termination benefits	**2.303.664**	1.806.004
	2.303.664	1.806.004

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

Under the Turkish Labor 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 TL 2.732 for each year of service as of December 31, 2011 (December 31, 2010: TL 2.517). 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.

Discount rate (%)	4,04
Turnover rate to estimate the probability of retirement (%)	98,54

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.

Effective from January 1, 2011, the retirement pay liability ceiling is increased from TL 2.623 to TL 2.732.

(Currency –Turkish Lira (TL) unless otherwise indicated).

14. Employee termination benefits (continued)

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

	2011	2010
January 1	**1.806.004**	1.379.366
Interest cost	**72.963**	64.278
Actuarial losses	**149.192**	61.824
Increase during the year	**497.660**	334.211
Paid during the year	**(222.155)**	(33.675)
December 31	**2.303.664**	1.806.004

Total provision expense for employee termination benefits of TL 719.815 (2010 - TL 460.313) for the year has been allocated (Note 19); to cost of production amounting to TL 600.363 (2010 - TL 391.347), to marketing, selling and distribution expenses amounting to TL 59.483 (2010 - TL 34.471) (Note 18) and to general and administrative expenses amounting to TL 59.969 (2010 - TL 34.495) (Note 18).

15. Other assets and liabilities

a) Other current assets:	**December 31, 2011**	December 31, 2010
VAT to be transferred	**4.055.178**	2.468.098
Prepaid expenses	**638.753**	614.567
Job advances given	**79.438**	54.562
Due from personnel	**34.635**	65.292
Prepaid taxes and funds	**-**	482.000
Other	**-**	47
	4.808.004	3.684.566

Prepaid expenses are mainly comprised of insurance premiums paid by the Company.

b) Other current liabilities:	**December 31, 2011**	December 31, 2010
Advances received	**1.042.038**	7.035.442
Taxes, funds and social security premiums payable	**683.534**	570.485
Due to personnel	**611.554**	500.008
Other	**278.289**	215.237
	2.615.415	8.321.172

As of December 31, 2011, advances received is amounted to TL 1.042.038 and TL 910.284 of total amount comprised of cash advances received from the customers (As of December 31, 2010, advances received is amounted to TL 7.035.442 and TL 6.950.728 of total amount comprised of cash advances received from the customers).

c) Other non-current assets:	**December 31, 2011**	December 31, 2010
Advances given for fixed assets	**1.285.669**	1.690.555
Prepaid expenses	**-**	25.919
	1.285.669	1.716.474

(Currency –Turkish Lira (TL) unless otherwise indicated).

16. Equity

The Company's shareholders and their shareholding percentages as of December 31, 2011 and 2010 are as follows:

Shareholder	December 31, 2011 Participation (%)	December 31, 2011 Amount (TL)	December 31, 2010 Participation (%)	December 31, 2010 Amount (TL)
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
Total paid-in share capital	**100,00**	**52.500.000**	100,00	52.500.000
Adjustment to share capital (*)		**32.414.361**		32.414.361
		84.914.361		84.914.361

(*) "Adjustment to share capital" represents the difference between the amounts of cash and cash equivalents contributions, restated for inflation, to share capital and the amounts before the restatement

The Company's capital consists of bearer shares of A, B, C, D, E and F groups; and F group shares are traded on ISE. Shareholders of A, B, C, D and E groups have privileges concerning voting rights in the General Assembly and recommending candidates to management board.

As of December 31, 2011, the capital of the Company consist of 5,25 million shares with TL 0,01 par value each (2010 – 5.25 million and TL 0,01 par value each).

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 share capital.

The aforementioned amounts shall be classified in "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At December 31, 2011, the restricted reserves of the Company amount to TL 2.737.673 (December 31, 2010 - TL 2.394.393).
Listed companies are subject to dividend requirements regulated by the CMB as follows:

In accordance with the Capital Market Board Communiqué IV, Nr: 27, article 5th, in the listed companies, the first dividend shall not be below %20 of the distributable profit deducted the accumulated losses. Based on their decisions taken in the ordinary general boards, listed joint-stock companies have their right to distribute dividends in cash, in share certificates, in partial distribution within cash or share certificates while retaining a portion in the partnership.

Based on the CMB Decree 7/242, dated 25 February 2005, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

(Currency –Turkish Lira (TL) unless otherwise indicated).

16. Equity (continued)

Complying with the decision related to the profit distribution principles for the operating profits made in 2008 by the publicly traded companies; which is announced in the CMB communiqué numbered 1/6 and dated January 9, 2009; the companies which are obliged to prepare consolidated financial statements are allowed to calculate the profits to be distributed by considering the net profit amount included in the financial statements which are prepared according to the CMB communiqué Serial:XI, No:29 – Communiqué on Principles of Financial Reporting in Capital Markets; regardless of the decision taken by the general assembly to distribute the profit, as long as the profit portions transferred from the subsidiaries, joint managing companies and affiliates shown under the profit presented in the consolidated financial statements, to the parent's consolidated financial statements are afforded by the companies' sources according to legal bookings.

Based on the decision of CMB dated January 27, 2010, it is decided not to determine any minimum dividend payment distribution requirement for publicly held companies.

Inflation adjustments to shareholders' equity and book value of extraordinary reserves can be used as an internal source in share capital increase, dividend distribution in cash or net-off against prior years' loss. In case the inflation adjustment to shareholders' equity is used for dividend distribution in cash, the distribution is subject to corporate tax.

Balances of shareholders equity items (as per Statutory Financial Statements of the Company) are as follows:

	December 31, 2011	December 31, 2010
Legal reserves (1st and 2nd legal reserves)	**2.737.673**	2.394.393
Extraordinary reserves	**2.697.279**	3.838.606
Net profit for the year	**12.069.763**	3.506.506
	17.504.715	9.739.505

Dividend paid

As decided on the Ordinary General Meeting held on 16 March 2011, the Company distributed gross dividend from profit of 2010 and prior years amounting to TL 4.304.552. In accordance with the decision, related amount transferred to the accounts of shareholders.

17. Sales and cost of sales

	January 1 - December 31, 2011	January 1 - December 31, 2010
Domestic sales	**117.268.483**	100.485.419
Export sales	**5.850.583**	3.533.798
	123.119.066	104.019.217
Less: Discounts	**(307.599)**	(233.525)
Returns	**(8.479)**	(39.505)
Net sales	**122.802.988**	103.746.187
Cost of sales	**(105.693.533)**	(95.440.491)
Gross profit	**17.109.455**	8.305.696

(Currency –Turkish Lira (TL) unless otherwise indicated).

18. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1 - December 31, 2011	January 1 - December 31, 2010
Research and development expenses:		
Staff cost	**90.794**	82.202
Other	**954**	2.217
	91.748	84.419
Marketing, selling and distribution expenses:		
Transportation	**1.413.411**	915.639
Staff cost	**1.024.138**	912.200
Taxes and funds	**168.601**	120.524
Advertising	**74.479**	64.937
Rent	**62.584**	97.812
Employment termination benefits	**59.483**	34.471
Travel	**45.266**	36.709
Insurance	**44.712**	53.053
Commission	**40.694**	27.410
Communication	**30.787**	26.526
Depreciation and amortization	**26.783**	25.235
Other	**354.919**	308.570
	3.345.857	2.623.086
General administrative expenses:		
Staff cost	**2.043.563**	1.834.941
Consultancy	**248.095**	356.816
Taxes and funds	**191.609**	138.903
Depreciation and amortization	**105.798**	98.376
Employment termination benefits	**59.969**	34.495
Communication	**13.674**	14.252
Other	**459.243**	476.326
	3.121.951	2.954.109
	6.559.556	5.661.614

19. Expenses by nature

	January 1 - December 31, 2011	January 1 - December 31, 2010
Raw materials	**73.275.867**	70.245.073
Energy	**8.790.771**	8.597.098
Staff cost	**9.976.209**	9.012.702
Depreciation and amortization	**5.483.782**	5.221.420
Transportation	**1.445.749**	948.040
Consultancy	**248.095**	408.444
Employment termination benefits	**719.815**	460.313
Other	**12.312.801**	6.209.015
	112.253.089	101.102.105

(Currency –Turkish Lira (TL) unless otherwise indicated).

20. Other operating income/ (expense)

	January 1 - December 31, 2011	January 1 - December 31, 2010
a) Other operating income:		
Compensation income from insurance companies	**347.130**	88.297
Gain from sales of property, plant and equipment	**193.267**	-
Scrap sales income	**152.152**	89.673
Provisions no longer required	**97.570**	86.347
Other	**109.057**	150.171
	899.176	414.488
b) Other operating expense:		
Loss from sales of property, plant and equipment	**-**	(229.884)
Other	**(22.667)**	(1.744)
	(22.667)	(231.628)

21. Finance income

	January 1- December 31, 2011	January 1- December 31, 2010
Foreign exchange gain	**5.931.935**	1.136.115
Interest income	**589.983**	1.087.681
Income from overdue charges	**112.278**	151.089
Interest income from sale on credit term	**-**	153.674
	6.634.196	2.528.559

22. Finance expense

	January 1- December 31, 2011	January 1- December 31, 2010
Interest expense	**(2.636.800)**	(519.111)
Foreign exchange loss	**(200.846)**	(1.153.982)
Interest expense on credit purchases	**(80.814)**	(49)
	(2.918.460)	(1.673.142)

(Currency –Turkish Lira (TL) unless otherwise indicated).

23. Tax assets and liabilities

As of December 31, 2011 and 2010, corporation taxes currently payable are as follows:

	December 31, 2011	December 31, 2010
Corporation taxes currently payable	**3.192.858**	1.013.736
Less: Prepaid income taxes	**(2.586.054)**	(1.495.736)
Current income tax (assets)/liabilities	**606.804**	(482.000)

Breakdown of taxation on income for the years ended December 31, 2011 and 2010 are as follows:

	January 1 - December 31, 2011	January 1 - December 31, 2010
Current corporation tax expense	**3.192.858**	1.013.736
Deferred tax income	**(199.793)**	(332.150)
Total tax expense	**2.993.065**	681.586

Corporation tax is payable at a rate of 20% for 2011 (2010 - 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (e.g income from associates exemptions, investment incentive allowance exemptions) and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have 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 15% (2010 - 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2010 – 20%) on their corporate income. Advance tax is declared by 14^{th} and payable by the 17^{th} of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

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 25^{th} 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.

(Currency –Turkish Lira (TL) unless otherwise indicated).

23. Tax assets and liabilities (continued)

The reconciliations of the taxation on income for the years ended December 31, 2011 and 2010 are as follows:

	January 1 - December 31, 2011	January 1 - December 31, 2010
Profit before tax	**15.168.267**	3.703.703
Taxes calculated on profit before tax	**(3.033.653)**	(740.741)
Expenses not deductible for tax purposes	**(24.215)**	(21.140)
Income not subject to tax	**15.363**	43.479
Other	**49.440**	36.816
Taxes on income	**(2.993.065)**	(681.586)

Deferred income taxes

The Company calculates deferred income tax assets and liabilities based upon temporary differences arising between their financial statements prepared in accordance with CMB Financial Reporting Standards and their statutory financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in the following periods under the liability method using the enacted tax rate of 20% (2010 - 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of December 31, 2011 and 2010 were as follows:

	Taxable temporary differences		**Deferred income tax assets/ (liabilities)**	
	December 31, 2011	December 31, 2010	**December 31, 2011**	December 31, 2010
Difference on property, plant and equipment and intangible assets	**(12.276.528)**	(12.641.285)	**(2.455.306)**	(2.528.257)
Provision for employment termination benefits (Note 14)	**2.303.664**	1.806.004	**460.733**	361.201
Allowance for doubtful receivables	**153.464**	236.255	**30.693**	47.251
Other	**916.265**	696.926	**183.253**	139.385
Deferred tax liabilities – net	**(8.903.135)**	(9.902.100)	**(1.780.627)**	(1.980.420)

Movement for deferred tax liability can be analyzed as follows:

	2011	2010
January 1	**(1.980.420)**	(2.312.570)
Credited to statements of comprehensive income	**199.793**	332.150
December 31	**(1.780.627)**	(1.980.420)

(Currency –Turkish Lira (TL) unless otherwise indicated).

24. Earnings per share

In order to ensure the distribution of profit; it is required to allocate reserve over the statutory records, in accordance with the arrangements of Turkish Commercial Code. Net distributable profit calculated through financial statements adjusted in accordance with Communiqué should be distributed if it would be covered by statutory distributable profit; otherwise total amount calculated through statutory financial statements will be subject to distribution of profit.

		January 1 - December 31, 2011	January 1 - December 31, 2010
Net profit for the period	A	**12.175.202**	3.022.117
Weighted average number of the shares	B	**5.250.000.000**	5.250.000.000
Earnings per share (TL)	**A/B**	**0.0023**	0,0006

There are no differences between basic and diluted earnings per share.

25. Transactions and balances with related parties

Summary of the intercompany balances as of December 31, 2011 and 2010 and significant intercompany transactions were as follows:

	December 31, 2011	December 31, 2010
a) Due to related parties:		
Alkim Sigorta	**566.354**	440.866
Alkim Kimya	**-**	702
	566.354	441.568

As of December 31, 2011, the effective weighted average interest rates used in the calculation of discounted carrying value of TL and USD denominated due to related parties are 10.19% p.a. and 0.53% p.a., respectively (2010: 7,43% p.a., 0,09% p.a respectively). Due to related parties mature within 3 months (2010: 3 months).

	January 1 - December 31, 2011	January 1 - December 31, 2010
b) Product sales:		
Alkim Kimya	**17.337**	7.129
Sodaş	**985**	883
	18.322	8.012

(Currency –Turkish Lira (TL) unless otherwise indicated).

25. Transactions and balances with related parties (continued)

	January 1 - December 31, 2011	January 1 - December 31, 2010
c) Service taken:		
Alkim Sigorta	**700.258**	538.975
Alkim Kimya	**74.813**	88.388
	775.071	627.363
d) Purchases of property, plant and equipment:		
Alkim Kimya	**-**	2.150.000
	-	2.150.000

Pursuant to the expertise valuation report dated on June 2, 2010 prepared by Vakıf Gayrimenkul Değerleme A.Ş. (appraisal company), the Company purchased land amounting to TL 1.650.000 from Alkali Kimya A.Ş., which is located in İzmir province, Kemalpaşa district.

In 2010, the Company also purchased two immovables amounting to TL 500.000 from Alkali Kimya A.Ş., which are located in İzmir province, Çeşme district. In 2011, the Company did not purchase any immovables asset.

e) Other Receivables:		
Alkim Kimya	**60.035**	-
	60.035	-

In 2011, the Company issued invoices to Alkim Alkali Kimya A.Ş for three vehicle sales.

f) Dividends paid:		
Alkim Kimya	**3.395.060**	6.137.431
Other	**909.492**	1.708.575
	4.304.552	7.846.006

g) Key management compensations:

Key management is comprised of the general manager, vice general manager and members of Board of Directors. The benefits provided to key management are as follows:

Short term benefits provided to key management	**1.326.604**	1.159.935
Bonus and profit-sharing	**56.936**	167.362
Other long term benefits	**8.065**	10.290
	1.391.605	1.337.587

26. Financial instruments and financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational (mainly due to the changes in cellulose prices) risks.

The financial risk management objectives of the Company are defined as follows:

- safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;
- effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;
- effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. These risks are managed by collecting the Company's deposits at financially strong banks, by restricting risk from counterside (excluding related parties) through collecting collateral. The Company manages the credit risk from the direct customers by regularly updating their credit limits. The use of credit limits is regularly monitored and financial position of the customers, past experiences, reputation in the market and other factors are considered by the Management in order to evaluate the quality of the credits. The credit risk exposure in terms of financial instruments as of December 31, 2011 and 2010 were as follows:

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

December 31, 2011:

	Receivables					
	Trade Receivables (1)		**Other Receivables**			
	Related parties	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	28.546.771	60.035	1.382.403	24.367.588	54.356.797
- The part of maximum credit risk covered with guarantees	-	1.451.471	-	-	-	1.451.471
A. Net book value of financial assets not due or not impaired (3)	-	28.504.735	60.035	1.382.403	24.367.588	54.314.761
B. Net book value of financial assets whose conditions are renegotiated,	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	42.036	-	-	-	42.036
- The amount covered by guarantees.	-	(42.036)	-	-		(42.036)
D. Net book value of financial assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	160.133	-	-	-	160.133
- Impairment (-)	-	(160.133)	-	-	-	(160.133)
- The amount covered with guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The amount covered with guarantees	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly composed of offset, glossy and photocopy paper sales.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Company management believes that no additional credit risk for the collection of these receivables.

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

December 31, 2010:

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	-	17.116.803	-	2.556.430	27.252.228	46.925.461
- The part of maximum credit risk covered with guarantees	-	9.156.685	-	-	-	9.156.685
A. Net book value of financial assets not due or not impaired (3)	-	16.382.685	-	2.556.430	27.252.228	46.191.343
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	734.118	-	-	-	734.118
- The amount covered by guarantees.	-	(734.118)	-	-	-	(734.118)
D. Net book value of financial assets impaired						
- Past due (gross book value)	-	257.703	-	-	-	257.703
- Impairment (-)	-	(257.703)	-	-	-	(257.703)
- The amount covered with guarantees	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- The amount covered with guarantees	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly composed of offset, glossy and photocopy paper sales.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) Considering the past experiences, the Company management believes that no additional credit risk for the collection of these receivables.

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

December 31, 2011		**Trade receivables**	
	Related parties	**Third Parties**	**Total**
1-30 days overdue	**-**	**42.036**	**42.036**
The amount covered with guarantees	**-**	**(42.036)**	**(42.036)**
	-	-	-

December 31, 2010		Trade receivables	
	Related parties	Third Parties	Total
1-30 days overdue	-	734.118	734.118
The amount covered with guarantees	-	(734.118)	(734.118)
	-	-	-

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company. The Company's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of December 31, 2011 and 2010 are as follows:

December 31, 2011:

Contractual maturity dates	**Carrying value**	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Non-derivative financial liabilities					
Bank borrowings	**16.400.698**	**16.434.360**	**2.548.728**	**7.213.866**	**6.671.766**
Trade payables to related parties	**566.354**	**566.548**	**566.548**	**-**	**-**
Other trade payables	**5.970.567**	**5.997.852**	**5.997.852**	**-**	**-**
Other current liabilities	**2.615.415**	**2.615.415**	**2.615.415**	**-**	**-**
	25.553.034	**25.614.175**	**11.728.543**	**7.213.866**	**6.671.766**

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

December 31, 2010:

Contractual maturity dates	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Bank borrowings	6.762.144	6.771.923	2.074.259	2.738.308	1.959.356
Trade payables to related parties	441.568	442.667	442.667	-	-
Other trade payables	9.456.385	9.470.315	9.470.315	-	-
Other current liabilities	8.321.172	8.321.172	8.321.172	-	-
	24.981.269	25.006.077	20.308.413	2.738.308	1.959.356

c) Market risk:

i) Foreign exchange risk

The Company is exposed to currency risk on assets or liabilities denominated in foreign currencies. Management has set up a balancing policy to manage their foreign exchange risk. Existing risks are followed in meetings held by the Company's Audit Committee and Board of Directors and foreign currencies are followed closely in terms of the Company's foreign exchange position.

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

Table of foreign currency position

	December 31, 2011				December 31, 2010			
	TL equivalent	USD	EUR	Other	TL equivalent	USD	EUR	Other
1. Trade Receivables	21.194.737	11.028.668	148.411	-	7.285.802	4.595.125	88.692	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	19.867.696	10.499.855	14.125	-	19.510.465	11.892.791	548.636	-
2b. Non-Monetary Financial Assets	-				-	-	-	-
3. Other	-				-	-	-	-
4. Current Assets (1+2+3)	41.062.433	21.528.523	162.536	-	26.796.267	16.487.916	637.328	-
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	1.394.413	-	680.500	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	1.394.413	-	680.500	-
9. Total Assets (4+8)	41.062.433	21.528.523	162.536	-	28.190.680	16.487.916	1.317.828	-
10. Trade Payables	4.000.130	1.702.448	320.966	-	7.775.907	4.838.409	143.924	340
11. Financial Liabilities	9.921.558	5.252.559	-	-	4.638.073	3.000.047	-	-
12a. Monetary Other Liabilities	932.141	493.483	-	-	6.978.565	4.513.949	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	14.853.829	7.448.490	320.966	-	19.392.545	12.352.405	143.924	340
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	6.479.139	3.430.112	-	-	1.959.356	1.267.371	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	6.479.139	3.430.112	-	-	1.959.356	1.267.371	-	-
18. Total Liabilities (13+17)	21.332.968	10.878.602	320.966	-	21.351.901	13.619.776	143.924	340
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedged Liability	-	-	-	-	-	-	-	-
20. Net Foreign Asset/(Liability) Position (9-18+19)	19.729.465	10.649.921	(158.430)	-	6.838.779	2.868.140	1.173.904	(340)
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)	19.729.465	10.649.921	(158.430)	-	5.444.366	2.868.140	493.404	(340)
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Export	5.850.584	3.515.962	-	-	3.308.282	2.211.288	-	-
24. Import	72.322.659	44.810.175	-	-	66.832.013	44.423.256	-	-

26. Financial instruments and financial risk management (continued)

December 31, 2011

	Table of sensitivity analysis of foreign currency risk			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	**2.011.664**	**(2.011.664)**	**-**	**-**
2- The part hedged for USD risk (-)	**-**	**-**	**-**	**-**
3- USD effect - net (1+2)	**2.011.664**	**(2.011.664)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	**(38.717)**	**38.717**	**-**	**-**
5- The part hedged for EUR risk (-)	**-**	**-**	**-**	**-**
6- EUR effect - net (4+5)	**(38.717)**	**38.717**	**-**	**-**
Change of Other Currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	**-**	**-**	**-**	**-**
8- The part hedged for other foreign currency risk (-)	**-**	**-**	**-**	**-**
9- Other Foreign Currency effect - net (7+8)	**-**	**-**	**-**	**-**
Total (3+6+9)	**1.972.947**	**(1.972.947)**	**-**	**-**

The Company does not hedge foreign currency denominated liabilities by using hedge instruments.

26. Financial instruments and financial risk management (continued)

December 31, 2010

	Table of sensitivity analysis of foreign currency risk			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	443.414	(443.414)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD effect - net (1+2)	443.414	(443.414)	-	-
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	240.545	(240.525)	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR effect - net (4+5)	240.545	(240.525)	-	-
Change of Other Currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	(81)	81	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency effect - net (7+8)	(81)	81	-	-
Total (3+6+9)	683.878	(683.878)	-	-

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

ii) Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The interest rate risk of the Company is mainly resulted from bank borrowings. The interest rate risk of bank borrowings with floating interest rates is partially offset by financial assets with floating rates. These exposures are managed by balancing interest rate sensitive assets and liabilities.

	Table of Interest Rate Position	
	December 31, 2011	December 31, 2010
Financial instruments with fixed interest rate		
Financial assets	**7.476.076**	7.908.612
Financial liabilities	**1**	164.715
Financial instruments with floating interest rate		
Financial assets	**28.546.771**	17.116.803
Financial liabilities	**22.937.618**	16.495.382

According to interest rate sensitivity analysis performed by the Company as of December 31, 2011, if interest rates had been 1% higher while all other variables being constant, income for the period would be TL 229.376 (2010 - TL 166.601) lower as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The Company’s operational profitability and cash flows from its operations are exposed to risk arising from fluctuations in paper prices which are affected from the competition in the raw material prices. The Company management manages the risk by regularly reviewing the amount of inventory held on hand and takes action for cost reduction to decrease the pressure of cost on the prices. The Company has not used derivative instruments or entered into a similar agreement. Existing risks are monitored through regular meetings by the Company’s Board of Directors.

d) Capital risk management:

The Company’s objectives when managing capital are safeguarding the Company’s ability to continue as a going concern in order to provide returns for shareholders and providing benefits for other stakeholders and maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may change the dividend amount to be distributed, may return the capital to the shareholders, issue new shares or sell assets to reduce debt.

(Currency –Turkish Lira (TL) unless otherwise indicated).

26. Financial instruments and financial risk management (continued)

The Company monitors capital on the basis of debt/equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities (including borrowings, trade payables, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	December 31, 2011	December 31, 2010
Total debt	**27.032.839**	26.216.269
Less: Cash and cash equivalents (Note 4)	**(24.386.884)**	(27.259.819)
Net debt	**2.645.955**	-
Total equity	**105.923.379**	98.052.729
Debt/ equity ratio	**2%**	-

27. Financial instruments (fair value and financial risk management disclosures)

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, judgment is 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 can 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 practicable to estimate fair value:

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values. Due to the floating long-term bank loans are updated during the year, fair value is considered to approximate carrying value.

28. Subsequent events

None.

29. Other matters which are significant to the financial statements or which should be disclosed for the purpose of true and fair interpretation of the financial statements

None (2010 - None).

II-E. RATIOS OF THE OPERATING PERIOD

The basic ratios indicating the performance and the financial structure of the company are presented in the following tables in TL in comparison with the previous period.

1	**LİQUIDITY RATIOS**			2011				2010			
aa.	**Current Ratio**										
	Current Assets	/	Current Liabilities	74.968.274	/	20.553.699	**3,65**	69.631.422	/	24.256.913	**2,87**
bb.	**Acid – Test Ratio (Quick Ratio**										
	Current Assets -Inventory	/	Current Liabilities	54.376.093	/	20.553.699	**2,65**	46.933.052	/	24.256.913	**1,93**
cc.	**Cash Ratio (Availability Ratio**										
	Cash & Cash Equivalents	/	Current Liabilities	24.386.884	/	20.553.699	**1,19**	27.259.819	/	24.256.913	**1,12**
2	**FINANCIAL STRUCTURE ANALYSIS RATIOS**										
aa.	**Financial Leverage (Debt Ratio)**										
	Total Liabilities	/	Total Assets	31.117.129	/	137.040.508	**0,23**	30.785.693	/	128.928.422	**0,24**
bb.	**Equity Ratio**										
	Total Owner's Equity	/	Total Assets	105.923.379	/	137.040.508	**0,77**	98.052.729	/	128.928.422	**0,76**
cc.	**Current Liability Ratio**										
	Current Liability	/	Total Assets	20.553.699	/	137.040.508	**0,15**	24.256.913	/	128.928.422	**0,19**
dd.	**Long Term Debt to Total Assets**										
	Long Term Debt	/	Total Assets	10.563.430	/	137.040.508	**0,08**	6.618.780	/	128.928.422	**0,05**
ee.	**Fixed Assets to Equity**										
	Fixed Assets	/	Total Owner's Equity	62.072.234	/	105.923.379	**0,59**	59.297.000	/	98.052.729	**0,60**
ff.	**Fixed Assets to Long Term Sources**										
	Fixed Assets	/	Equity + Long Term Debt	62.072.234	/	95.359.949	**0,65**	59.297.000	/	91.433.949	**0,65**
3	**ACTIVITY RATIOS**										
aa.	**Iventory Turnover Ratio**										
	Cost of Goods Sold	/	Average Inventory	105.693.533	/	16.874.958	**6,26**	95.440.491	/	18.489.771	**5,16**
bb.	**Receivables Turnover Ratio**										
	Net Sales	/	Average Receivables	122.802.988	/	22.831.787	**5,38**	103.746.187	/	22.219.993	**4,67**
cc.	**Cash Turnover Ratio**										
	Net Sales	/	Average Cash & Cash Equivalents	122.802.988	/	25.823.352	**4,76**	103.746.187	/	24.627.189	**4,21**
dd.	**Net Working Capital Turnover**										
	Net Sales	/	Average Net Working Capital	122.802.988	/	49.894.542	**2,46**	103.746.187	/	49.400.599	**2,10**
ee.	**Current Assets Turnover**			122.802.988	/	72.299.848	**1,70**	103.746.187	/	70.148.048	**1,48**
	Net Sales	/	Average Current Assets								
ff.	**Fixed Assets Turnover**			122.802.988	/	60.684.617	**2,02**	103.746.187	/	57.517.162	**1,80**
	Net Sales	/	Average Fixed Assets								
gg.	**Asset Turnover**			122.802.988	/	132.984.465	**0,92**	103.746.187	/	127.665.209	**0,81**
	Net Sales	/	Average Total Assets								
hh.	**Equity Turnover**			122.802.988	/	101.988.054	**1,20**	103.746.187	/	100.464.674	**1,03**
	Net Sales	/	Average Equity								

4 PROFITABILITY RATIOS

aa.	**Profit to Net Sales**										
	Gross Margin	/	Net Sales	17.109.455	/	122.802.988	**0,14**	8.305.696	/	103.746.187	**0,08**
	Operating Profit	/	Net Sales	11.426.408	/	122.802.988	**0,09**	2.826.942	/	103.746.187	**0,03**
	Income Before Tax	/	Net Sales	15.168.267	/	122.802.988	**0,12**	3.703.703	/	103.746.187	**0,04**
	Net Income	/	Net Sales	12.175.202	/	122.802.988	**0,10**	3.022.117	/	103.746.187	**0,03**
bb.	**Return on Investment (ROI)**										
	Net Income	/	Owner's Equity	12.175.202	/	105.923.379	**0,11**	3.022.117	/	98.052.729	**0,03**
cc.	**Economik Rentability Ratio**										
	Net Income + Interest Expense	/	Total Sources	17.805.067	/	137.040.508	**0,13**	4.222.814	/	128.928.422	**0,03**

II ADMINISTRATIVE OPERATIONS

II-F.1. Top Management:

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

II.F.2. Status of Personnel and Severance Pay

The average number of our personnel per month basis during 2011 is 192.

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

	31 December 2011 Person		31 December 2010 Person	
Total employees at the beginning of the period		193		192
White collar (not a trade union member)	52		51	
Blue collar (not a trade union member)	141		141	
Total employees at the end of the period		193		193
White collar (not a trade union member)	52		52	
Blue collar (not a trade union member)	141		141	

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

II-F.4. As of the end of 2010 provision for employment termination benefits of TL 2,303.664 has been allocated.

II-F.5. Rights and benefits to the personnel

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

III- - THE BOARD OF DIRECTORS PROPOSAL FOR THE PROFIT DISTRIBUTION

As required for the resolution of Board of Directors dated 20.03.2012 dated and Nr.2012/04 and special situation declaration made on the same day, the proposal for the dividend payment of net 0,14480 TL and gross 0,17036 TL for the share with a par value of 1 TL will be brought in the ordinary general assembly as to be confirmed.

TABLE OF THE PROFIT DISTRIBUTED BY ALKİM KAĞIT SANAYİ VE TİCARET A.Ş. FOR THE YEAR 2010 (in TL)			
1.	**Paid-in / İssued Capital**		**52.500.000,00**
2.	**Total Legal Reserves (as per legal records)**		**1.333.792,44**
Whether any precedence has been granted for distribution of profits as per articles of association:			**None**
		As Per the Capital Market Board	**As Per Legal Records (LR)**
3.	**Profit for the Period**	**15.168.266,56**	**15.262.621,68**
4.	**Taxation on Income (-)**	**2.993.065,00**	**3.192.858,41**
5.	**Net Profit for the Period (=)**	**12.175.201,56**	**12.069.763,27**
6.	**Accumulated Losses (-)**		
7.	**Legal reserves of first Class (-)**	**603.488,16**	**603.488,16**
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**11.571.713,40**	**11.466.275,11**
9.	Donations granted during the year (+)	32.645,03	
10.	**Net distributable profit for the period with the donations added, on which the first dividends are to be calculated.**	**11.604.358,43**	
11.	First dividends to shareholders - Cash - Free - Total	 2.320.871,69 0,00 2.320.871,69	
12.	Dividends distributed to holders of preference shares	0,00	
13.	Dividends to members of the board of directors employees, and etc.	229.325,50	
14.	Dividend to holders of redeemed shares		
15.	Second dividends to shareholders	6.622.822,90	
16.	Legal reserves of second Class (-)	654.802,01	
17.	Statuory Reserves	0,00	0,00
18.	Special Reserves	0,00	0,00
19.	**EXTRAORDINARY RESERVES**	6.622.822,90	**484.389,00**
20.	**Other resources to be distributed** - Profits of the previous years - Extraordinary Reserves - As required for the Association or legal legislations Other distributable reserves	**1.743.891,30** **0,00** 0,00 0,00 0,00	**0,00** 0,00 0,00 0,00 0,00

DETAILS OF PERCENTAGES OF PROFIT SHARES DISTRIBUTED (1)			
DETAILS OF DIVIDENS OF PER SHARE			
	TOTAL AMOUNT OF DIVIDENS (TL)	**ORDINARY SHARE WITH A PAR VALUE OF TL 1**	
		AMOUNT (in TL)	**Percentage (in %)**
GROSS	8.943.694,58	0,17036	17,036
NET	7.602.140,40	0,14480	14,480

RATIO OF PROFIT SHARES DISTRIBUTED TO THE DISTRIBUTABLE PROFIT FOR THE PERIOD WITH DONATIONS ADDED	
AMOUNT OF PROFIT SHARES DISTRIBUTED TO SHAREHOLDERS (in TL)	**RATIO OF PROFIT SHARES DISTRIBUTED TO THE DISTRIBUTABLE PROFIT FOR THE PERIOD WITH DONATIONS ADDED (%)**
8.943.694,58	77,07

INDEPENDENT AUDITOR'S REPORT

Independent auditors' report on the financial statements
for the year ended December 31, 2011

To the Shareholders of
Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi

Introduction

We have audited the accompanying balance sheet of Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi (the "Company") as of December 31, 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting standards published by the Capital Market Board in Turkey. 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 error and/or fraud; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Independent auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Market Board in Turkey. Those standards require that ethical requirements are complied and independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is considered. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly the financial position Alkim Kağıt Sanayi ve Ticaret Anonim Şirketi as at December 31, 2011 and their financial performance and cash flows for the year then ended in accordance with financial reporting standards published by the Capital Market Board in Turkey.

Additional paragraph for convenience translation into English

The financial reporting standards adopted by the Turkish Capital Market Board as described in Note 2 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 for the period between January 1 - December 31, 2005. Accordingly, the accompanying financial statements are not intended to present the financial position, financial performance and cash flows of the Company in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Partner

March 15, 2012
Istanbul, Turkey

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

Audited Company's

Corporate Name	:	Alkim Kağıt Sanayi ve Ticaret A.Ş.
Headquarter	:	Kırovası Mevkii 35170 Kemalpaşa / İZMİR
Capital	:	TL. 52.500.000
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	:	Attended to the Board of Directors' meetings five 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 at 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 4 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, 2011-December 31, 2011 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, 2011 and the Income Statement for the period January 01, 2011 –December 31,2011 present the results of its operations.

Earnings before tax for the peroid January 01, 2011 – December 31, 2011 is 15.262.621,68 TL 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

Alkim Kağıt

CORPORATE MANAGEMENT ADAPTATION REPORT

1. Statement on compliance to corporate governance principles

Our Company complied with and implemented the Corporate Governance Principles as issued by the Capital Market Board other than for the issues listed herein below during the period ending on 31.12.2011.

2. Shareholder Relations Unit

The fundamental objective of the Company is to take all kinds of measures that are required to ensure that shareholders can use their respective shareholding rights in accordance with applicable regulations and our Articles of association, and to ensure that the rights available to shareholders to get information can be enjoyed in a fair and full manner.

For this purpose, relations with shareholders are handled within the Financial Affairs Department. Below are the maojr activities that are carried out in this regard:

- to ensure that shareholder information is maintained and updated in a secure and reliable manner;
- to respond to shareholders' written or verbal inquiries of company information with the exception of confidential information and trade secrets that are not disclosed to the public;
- to ensure that meetings of the General Assembly of Shareholders are conducted according to law, our Articles of Association and internal regulations;
- to prepare all necessary documents for meetings of the General Assembly of Shareholders;
- to update the investor relations section of the Company's corporate website (www.alkimkagit.com.tr) whenever necessary; and to ensure simple and quick online access to corporate information for shareholders;
- to file material event disclosures with the ISE through the Public Disclosure Platform (PDP), according to CMB Communiqué Serial VIII, No. 54;
- to follow changes in the legislation related to the Capital Market Law and submit these to the attention of the related units in the Company;

Details of our shareholder relations unit are as follows:

Mustafa Nafiz Güresti (m.guresti@alkimkagit.com.tr)
Murat Balpınar (m.balpinar@alkimkagit.com.tr)

Adress : Kemalpaşa Organize Sanayi Bölgesi Kırovası Mevkii Kemalpaşa / İZMİR
Telephone: 0232 877 06 06
Fax : 0232 877 06 05

3. Shareholders' Use of the Right to Get Information

In 2011, one shareholder filed an application to our Company to get information in writing pursuant to shareholder's rights to get information. This shareholder was provided with information about our investments completed as well as investments in progress, which were disclosed to the public. Information and explanations available at our corporate website are updated regularly in order to help our shareholders use their right to get information. Our articles of association contains no provision stipulating that appointment of a special arbitrator is not an individual right. Based on the assumption that the right to request special audits is a part of the right to get information, this shall be one of the first research issues to be handled by the Corporate Governance Committee which is to be established by our Board of Directors.

4. Details of General Assembly of Shareholders Meetings

The call for the Ordinary Meeting of the General Assembly of Shareholders held on 16.03.2011 was published through Posta and Vatan Newspapers dated 25.02.2011 as well as through Turkish Trade Registry Gazette No. 7760 of 25.02.2011. The meeting was opened for discussions of agenda items since it was ascertained that, out of a total of 5.250.000.000 shares corresponding to the Company's overall capital of TL 52.500.000, 4.197.716.250 shares corresponding to a capital portion of TL 41.977.162,50 were present in person, and 2.168.750 shares corresponding to a capital portion of TL 21.687,50 were present by proxy.

In 2011, the General Assembly of Shareholders held no extraordinary meeting or extraordinary meeting for holders of privileged shares.

The date of announcement of meetings to be held by our General Assembly of Shareholders, our activity report, proxy letters required to attend meetings of the General Assembly of Shareholders, and other announcements and expalanations required to be delivered pursuant to corporate governance principles, are announced to shareholders at our corporate website, and sent to all shareholders upon request. Pursuant to the articles of association, announcements regarding meetings of the General Assembly of Shareholders are made at least three weks in advance through two national newspapers, Turkish Trade Registry Gazette, and our corporate website in addition to the methods specified in applicable regulations in order to ensure that the higghest possible number of shareholders can be accessed.

At the time of drafting of agenda items, attention is paid to the fact that each proposal should be submitted under a separate heading.

At the time of drafting of agenda items, the Board of Directors also takes into consideration such matters and issues which are notified by shareholders to the Shareholder Relations Unit in writing for inclusion thereof into agenda of meetings. In cases where the Board of Directors does not accept any suggestion of shareholders for agenda items, such suggestion shall be disclosed at the meeting together with justifications thereof.

Meetings of the General Assembly of Shareholders are held in a manner that would not lead to inequality among shareholders, and would allow shareholders to participate in meetings by incurring the minimum cost so that the level of participation by shareholders in these meetings is increased. Although the Company's management agrees on the principle that meetings should be held at locations where numerical majority of shareholders are domiciled, it has not been considered necesssary to make a respective amendment to the articles of association since no requests were received from a sufficient number of shareholders in this regard, and accordingly meetings are held at our Company's head office.

At meetings of the General Assembly of Shareholders, the meeting chairman pays attention to ensure that agenda items are discussed in an impartial and detailed, open, and understandable manner. Shareholders are granted an opportunity to discuss their opinions and ask questions under equal conditions. The meeting chairman ensures that each question of non-trade secret nature asked by a shareholder at a meeting of the General Assembly of Shareholders is anwered directly at the meeting. If a question is not related to the agenda, or has a too extensive scope which could not be answered immediately, then it shall be answered by the shareholder relations unit in writing no later than within thirty (30) business days.

It is required to obtain approval from the General Assembly of Shareholders in order for shareholders who maintain managerial dominance, members of the Board of Directors, top level directors, and their relative by blood or marriage up to the second degree to carry out deals with the Company and its affiliates which might result in conflicts of interest, to compete with the Company, and it is also required to provide the General Assembly of Shareholders with information about these deals. Individuals other than those listed above, if any, who have privileged means of accessing insider information of the Company, are obliged to inform the Board of Directors for further delivery of information to the General Assembly of Shareholders about their deals which are covered by fields of operation of the Company.

Members of the Board of Directors who are related to specific agenda items, other related individuals, officials in charge of financial statements, and auditors shall be available at meetings of the General Assembly of Shareholders to provide necessary information, and to answer questions.

It shall be considered as a material transaction within meaning of the Corporate Governance Principles if the Company transfers, or creates an encumbrance on, or rents all or a substantial part of its assets, or takes over or hires a material asset, or anticipates a concession, or changes the scope or subject of its existing concessions, or is delisted from the stock exchange. Such a substantial deal may not be carried out without prior approval of the General Assembly of Shareholders. The execution of respective Board of Directors decision regarding such a deal shall require approval of majority of independent members of the Board of Directors. However, if the approval of majority of independent members is absent for a material deal, then such deal may not submitted to the General Assembly of Shareholders for approval. If the majority of independent members approves the deal, then it shall be disclosed to thi public pursuant to applicable public discosure regulations, and shall also be submitted to the General Assembly of Shareholders for approval. If the parties to a material transaction are related parties, then these related parties shall not be entitled to cast votes at respective General Assembly of Shareholders meeting. No quorum shall be required for any meeting of the General Assembly of Shareholders which is to be held in respect of the matters specified in this Article, and decisions shall be made by simple majority of individuals who are entitled to vote. Provisions regarding these issues shall be included in the articles of association.

The company has adopted a policy on donations and aids, and made necessary amendments to its articles of association in this regard. Shareholders are provided with information about amounts and beneficiaries of all donations and aids granted during year pursuant to the policy approved by the General Assembly of Shareholders, and about amendments to the policy as a separate agenda item at meetings of the General Assembly of Shareholders.

Although shareholders are allowed to get the floor at meetings of the General Assembly of Shareholders, our meetings are also open for stakeholders and the whole public including media.

Questions asked by shareholders present at a meeting of the General Assembly of Shareholders are answered one by one pursuant to principle of equality. Minutes of meetings are notified to Istanbul Stock Exchange, and published via our corporate website upon completion of a meeting of the General Assembly of Shareholders. Shareholders are entitled to vote by proxies at meetings of the General Assembly of Shareholders. All kinds of resolutions concerning amendments to Articles of Association of the Company are adopted at meetings of the General Assembly of Shareholders.

No specific duration was anticipated for registration of shares to the Company's shares book for the purpose of ensuring that holders of registered shares can attend meetings of the General Assembly of Shareholders. The articles of association contains no provisions stipulating that substantial decisions such as split-off, sale, purchase, or hire of assets in a substantial amount, and etc. must be made at meetings of the General Assembly of Shareholders.

5. Voting Rights and Minority Rights

Our Company adopts no practices which can hinder the utilization of available voting rights. Although each shareholder is granted an equal opportunity in respect of use of voting rights, they should cast their votes pursuant to applicable regulatory provisions.

Holders of shares classified as A, B, C, D, and E are entitled to 100 votes per share whereas holders of shares classified as F are entitled to 1 vote per share at meetings of the General Assembly of Shareholders. There are no concessions in place which could hinder the representation at management of holders of publicly held shares.

ALKİM ALKALİ KİMYA A.Ş., of which we are a subsidiary, cast votes at meetings of the General Assembly of Shareholders.

The maximum attention is paid to ensure that available minority rights are used and enjoyed. No proxies were used for management of minority shares during the past period. No method of using accummulated votes was exercised at the Company.

6. Profit Distribution Policy and Profit Distribution Term

The calculation and distribution of the profits to be distributed is carried out in the manner specified in Article 14 of our Articles of Association and in consideration of such investment plans and financial plans that are drafted in consideration of the Corporate Governance practices as well as long term strategies of our Company pursuant to the Turkish Commercial Code, the Capital Market Law, and applicable communiques and regulations of the Capital Market Board. In this regard, the objective of distributing the maximum amount of profits represents our Company's policy on distribution of profits.

Our policy on distribution of profits for the year 2012, which was determined as per said policy and framework, was disclosed to our shareholders both in our activity report and at the meeting of the General Assembly of Shareholders pursuant to applicable capital market regulations as well as applicable provisions of our articles of association.

Our policy on distribution of profits contains no privileges. The net profit of the Company, as indicated in annual balance sheet, is calculated by deducting such mandatory amounts payable by the Company such as overhead expenses, various depreciation costs, and etc., and such taxes and liabilities payable by the judicial entity of the Company from the overall amount of revenues as determined as of the end of fiscal year, and is distributed in the following order upon deduction of retained losses, 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

Profit distribution has been made within March 2011. Company is keen on distributing the profit until the end of the 5th month that follows the each operating 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.

The Company employs no practices, which might hinder free transfer of its shares traded at stock exchanges.

PART II - INFORMING THE PUBLIC AND TRANSPARENCY

8. Company informing Policy

The Company's disclosure policy drafted pursuant to the Communique, Series: IV, Nr: 54, of the Capital Market Board was disclosed to the public by the investor relations unit pursuant to our website

Relevant information are disclosed to the public in a timely, accurate, full, understandable, interpretable, and los-cost manner via the "Public Disclosures Platform" (www.kap.gov.tr), and our Company's website. Furthermore, "e-MANAGE: Corporate Governance and Investor Relations Portal" of the Central Registration Organization is currently under construction, which is considered to be completed until 30.06.2012, and which shall contribute to the informing of sharehoders directly and efficiently.

Furthermore, a shareholder relations unit was established by our Company for the purpose of handling all issues and matters regarding public disclosures, and answering questions received by the Company.

The individuals who are responsible for implementation of the Company's disclosure policy are Mr. Nihat Erkan, e.g. a member of the Board of Directors, and directors of shareholder relations unit.

9. Special Event Statements

Eleven (11) Special Event Statements were delivered during this period. No additional explanations were requested by the Capital Market Board or by Istanbul Stock Exchange in respect of said Special Event Statements. All special event disclosures were delivered in a timely manner. Our company's shares are not listed at any foreign stock exchanges. The Capital Market Board has not imposed any sanctions on our Company due to failure to deliver special event disclosures in timely manner.

10. The Corporate website and its contents

Our corporate website is available at the address 'www.alkimkagit.com.tr'. The website contains such information and data which are required to be available in accordance with the Corporate Governance Principles, which are updated regularly.

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. (31.12.2011) ;

Name Surname	Share on Capital (TL)	Share on Capital (%)
Offered to public	23.162.999,92	44,12
Arkın Kora	8.404.267,50	16,01
Cihat Kora	6.247.546,88	11,90
M.Reha Kora	4.513.781,25	8,60
A.Haluk Kora	4.117.950,00	7,84
Ferit Kora	1.946.580,31	3,71
Özay Kora	1.786.781,25	3,40
Tülay Önel	1.784.531,25	3,40
E.Şükran Tutaş	341.739,91	0,65
Gülen Kora	160.361,56	0,31
Mithat Kora	29.798,44	0,06
Z.Ayşegül Kora	2.812,50	0,01
Nihat Erkan	849,23	0,00
TOTAL	**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.A list of persons which "enables information from inside" is maintained and updated in accordance with principles set in the article of the communiqué VIII, No:54 of the Capital Maket Board.

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

Under social responsibility, our Company is making substantial contributions to its community with regard to training and employment, in particular. Our Company does care about environmental factors and did not get any criticism in this respect during controls. Becoming a sponsor for cultural publications, our Company also tries to provide necessary support in this sphere, too, primarily in its community. Our treatment plants got many recognitions and awards with respect to environmental responsiveness.

PART IV – BOARD OF DIRECTORS

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

With its strategic decisions, the Board of Directors maintains the Company's balance of risk, growth, and earnings at the most appropriate level, and represents and manages the Company by considering long term interests and benefits of the Company based on o rational and prudent approach toward risk management.

The Board of Directors identifies the Company's strategic objectives, determines human and financial resources to be needed by the Company, and inspects managerial performance.

The Board of Directors supervises whether corporate activities conform to applicable regulations, articles of association, and internal bylaws and policies.

The Board of Directors implements its activities in a transparent, accountable, fair and responsible manner.

Pursuant to the "Communiqué on Identification and Implementation of Corporate Governance Principles" Series: IV, Nr. 56, as published via the Official Gazette No. 28158 of 30/12/2011, and the Communiqué Series:

IV, Nr. 57, on amendments to the Communiqué on Identification and Implementation of Corporate Governance Principles, as published via the Official Gazette No. 28201 of 11.02.2012, the Corporate Governance Principles were identified for publicly held stock companies traded at Istanbul Stock Echange, and it was stipulated that some of these principles have to be applied by companies. Activities are currently under way for the purpose of carrying out necessary modifications.

Mr. Nihat Erkan is the executive member at our Company's Board of Directors, and other members are non-executive members. Below is a list of members of our Company's Board of Directors:

The executive member of our Board of Director is Nihat Erkan. Members of board of directors are as follows:

Chairman of the Board of Directors	M.REHA KORA
Vice Chairman of the Board of Directors	H.ARKIN KORA
Vice Chairman of the Board of Directors	FERİT KORA
Vice Chairman of the Board of Directors	A.HALUK KORA
Member of the Board of Directors	TÜLAY ÖNEL
Member of the Board of Directors	ÖZAY KORA
Member of the Board of Directors	E.HALE KOSİF
Member of the Board of Directors	NİHAT ERKAN
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 of Directors.

21. Risk management and internal control mechanism

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

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

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

Chairman of the Board of Directors	M.REHA KORA	(Setting of general strategies)
Vice Chairman of the Board of Dir.	ARKIN KORA	(Member of Audit committee)
Vice Chairman of the Board of Dir.	FERİT KORA	(Commercial and financial issues)
Vice Chairman of the Board of Dir.	A.HALUK KORA	(Abroad relations, New projects)
Member of the Board of Directors	NİHAT ERKAN	(Financial and Administrative Issues)
Member of the Board of Directors	ÖZAY KORA	(Member of Audit committee)
Member of the Board of Directors	E.HALE KOSİF	(Corporate communication)
Member of the Board of Directors	TÜLAY ÖNEL	(Public Relations)
Member of the Board of Directors	M.FARUK YÜKSEL	(Acounting and legislation of tax, CMB, CRA and ISE)

23. Operating basis of Board of Directors

14 meetings were held in 2011. 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. Members of this committee are Özay Kora and Arkın Kora.

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 net TL 900 per month within 2011. They have not been granted debt, loan and warranties.